

Annual Securities Report

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

The 74th Fiscal Year

(From April 1, 2021 to March 31, 2022)

Marudai Food Co., Ltd.

E00458

1. This is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act filed via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the same Act. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. Appended to the back of this document are the independent auditors’ report that was attached to the Annual Securities Report when it was filed in the aforementioned manner, and the confirmation letter and the internal control report that were filed at the same time as the Annual Securities Report.

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[Document Title]	Annual Securities Report
[Clause of Stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	June 27, 2022
[Fiscal Year]	The 74th fiscal year (from April 1, 2021 to March 31, 2022)
[Company Name]	Marudai Shokuhin Kabushiki Kaisha
[Company Name in English]	Marudai Food Co., Ltd.
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[Place for Public Inspection]	Tokyo Branch of Marudai Food Co., Ltd. (4-7-5 Tsukiji, Chuo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Company Information

I. Overview of Company

1. Key financial data

(1) Key financial data of group

Fiscal period	70th fiscal year	71st fiscal year	72nd fiscal year	73rd fiscal year	74th fiscal year
Period of account	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales (Millions of yen)	239,586	243,030	245,820	223,000	218,610
Ordinary profit (loss) (Millions of yen)	2,820	2,724	3,118	180	(380)
Profit (loss) attributable to owners of parent (Millions of yen)	1,842	1,463	1,653	412	(376)
Comprehensive income (Millions of yen)	3,692	314	(122)	3,555	(1,126)
Net assets (Millions of yen)	76,984	76,094	75,056	77,750	75,489
Total assets (Millions of yen)	131,146	132,626	131,854	131,342	128,903
Net assets per share (Yen)	2,998.47	2,971.34	2,930.66	3,036.59	2,969.87
Profit (loss) per share (Yen)	70.39	57.48	65.04	16.23	(14.88)
Diluted profit per share (Yen)	–	–	–	–	–
Equity ratio (%)	58.3	57.0	56.5	58.7	58.1
Return on equity (%)	2.4	1.9	2.2	0.5	(0.5)
Price earnings ratio (Times)	36.4	32.7	30.1	105.2	–
Net cash provided by (used in) operating activities (Millions of yen)	3,152	6,695	8,608	7,673	7,030
Net cash provided by (used in) investing activities (Millions of yen)	(7,554)	(7,534)	(8,271)	(5,388)	(5,688)
Net cash provided by (used in) financing activities (Millions of yen)	(3,258)	255	(219)	(2,053)	(1,826)
Cash and cash equivalents at end of period (Millions of yen)	8,709	8,127	8,244	8,476	7,990
Number of employees	2,064	2,023	1,938	2,107	2,066
[Average number of part-time employees not included in the above numbers]	[3,429]	[3,431]	[3,225]	[3,177]	[3,138]

- (Notes)
- The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the 74th fiscal year. Accordingly, key financial data for the 73rd fiscal year are stated as figures to which the above accounting standard has been retrospectively applied.
 - We have changed the method of recording distribution expenses since the 74th fiscal year. Accordingly, key financial data for the 73rd fiscal year are stated as figures to which the new method has been retrospectively applied.
 - Diluted profit per share is not stated because there is no dilutive security.
 - Price earnings ratio for the 74th fiscal year is not stated because we recorded loss attributable to owners of parent.
 - Effective October 1, 2018, the Company conducted a one-for-five share consolidation of its common stock. Accordingly, we have calculated net assets per share and profit per share on the assumption that the consolidation of shares was conducted at the beginning of the 70th fiscal year.

(2) Key financial data of reporting company

Fiscal period		70th fiscal year	71st fiscal year	72nd fiscal year	73rd fiscal year	74th fiscal year
Period of account		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Millions of yen)	166,570	164,746	165,846	151,801	139,319
Ordinary profit	(Millions of yen)	417	399	1,443	864	26
Profit	(Millions of yen)	756	459	1,166	579	204
Share capital	(Millions of yen)	6,716	6,716	6,716	6,716	6,716
Total number of issued shares	(Shares)	132,527,909	26,505,581	26,505,581	26,505,581	26,505,581
Net assets	(Millions of yen)	68,638	66,798	65,599	67,461	65,619
Total assets	(Millions of yen)	105,116	105,609	104,365	105,149	103,108
Net assets per share	(Yen)	2,690.07	2,626.24	2,580.18	2,655.69	2,604.31
Dividends per share	(Yen)	8.00	35.00	35.00	30.00	30.00
(Of the above, interim dividends per share)		(-)	(-)	(-)	(-)	(-)
Profit per share	(Yen)	28.91	18.05	45.88	22.79	8.11
Diluted profit per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	65.3	63.3	62.9	64.2	63.6
Return on equity	(%)	1.1	0.7	1.8	0.9	0.3
Price earnings ratio	(Times)	88.8	104.2	42.6	75.1	182.6
Dividend payout ratio	(%)	138.4	193.9	76.3	131.2	369.9
Number of employees		1,057	1,004	915	875	784
[Average number of part-time employees not included in the above numbers]		[889]	[859]	[795]	[767]	[778]
Total shareholder return	(%)	107.0	80.3	84.8	76.2	67.8
(Comparison index: TOPIX total return index)	(%)	(115.9)	(110.0)	(99.6)	(141.5)	(144.3)
Highest share price	(Yen)	559	2,327 (545)	2,474	2,130	1,836
Lowest share price	(Yen)	470	1,605 (424)	1,495	1,625	1,409

- (Notes)
1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the 74th fiscal year. Accordingly, key financial data for the 73rd fiscal year are stated as figures to which the above accounting standard has been retrospectively applied.
 2. We have changed the method of recording distribution expenses since the 74th fiscal year. Accordingly, key financial data for the 73rd fiscal year are stated as figures to which the new method has been retrospectively applied.
 3. Diluted profit per share is not stated because there is no dilutive security.
 4. The highest and lowest share prices refer to those at the First Section of the Tokyo Stock Exchange. The share prices for the 71st fiscal year refer to the highest and lowest after the share consolidation, with the figures in brackets “()” showing the highest and lowest before the consolidation.
 5. Effective October 1, 2018, the Company conducted a one-for-five share consolidation of its common stock. Accordingly, we have calculated net assets per share and profit per share on the assumption that the consolidation of shares was conducted at the beginning of the 70th fiscal year.

2. History

Since the Company conducted a merger to change its par value, its founding date has been officially registered as February 8, 1950, which is the founding date of former Marudai Food Shoji K.K. Meanwhile, the founding date of the de facto existing company, former Marudai Food Co., Ltd., is June 10, 1958.

Month/Year	Overview
October 1954	The late Mr. Toshiyuki Komori founded a company engaging in manufacturing and sale of fish ham and sausages in Fukushima-ku, Osaka-shi, and named it the Marudai Food Factory.
June 1958	Moved the factory to Oyodo-ku, Osaka-shi and incorporated it under the trade name of Marudai Food Co., Ltd.
September 1961	Began manufacturing and selling meat ham and sausages.
January 1963	Merged by Marudai Food Shoji K.K. to change the par value from 500 yen to 50 yen.
February 1963	Renamed Marudai Food Co., Ltd. after the merger.
April 1963	Established the Tokyo Branch Office in Chuo-ku, Tokyo.
June 1963	Listed in the Second Section of the Osaka Securities Exchange.
June 1964	Established the Takatsuki Plant in Takatsuki-shi, Osaka.
May 1965	Moved the head office from Oyodo-ku, Osaka-shi to Takatsuki-shi, Osaka.
September 1968	Listed in the Second Section of the Tokyo Stock Exchange.
October 1969	Established the Kanto Plant in Ishibashi-machi (present Shimotsuke-shi), Tochigi Prefecture.
October 1970	Established the Karatsu Plant in Karatsu-shi, Saga Prefecture.
November 1971	Established the Niigata Plant in Ogata-machi (present Joetsu-shi), Niigata Prefecture.
September 1972	Designated to be listed in the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange.
November 1976	Established the Hiroshima Plant in Miyoshi-shi, Hiroshima Prefecture.
March 1978	Moved the Tokyo Branch Office to Minato-ku, Tokyo.
September 1978	Established the Second Matsusaka Plant (present Matsusaka Plant) in Matsusaka-shi, Mie Prefecture.
November 1978	Listed on the Frankfurt Stock Exchange.
October 1981	Established the Iwate Plant in Ishidoriya-cho (present Hanamaki-shi), Iwate Prefecture.
June 1989	Established the Shizuoka Plant in Kakegawa-shi, Shizuoka Prefecture.
April 1994	Established the Yokosuka Plant in Yokosuka-shi, Kanagawa Prefecture.
March 2004	Moved the Tokyo Branch Office to Chuo-ku, Tokyo.
April 2009	Marudai Meat Kanto Co., Ltd., one of the Company's subsidiaries, merged Marudai Meat Kansai Co., Ltd. and four other companies to be incorporated as Marudai Meat Co., Ltd., which is now one of the Company's consolidated subsidiaries.
October 2009	Marudai Food West Japan Co., Ltd., one of the Company's subsidiaries, merged Marudai Food East Japan Co., Ltd. and Marudai Food Tokai Co., Ltd. to be incorporated as Marudai Food Co., Ltd., which is now one of the Company's consolidated subsidiaries.
October 2011	Acquired Marushin Foods Co., Ltd., headquartered in Chuo-ku, Tokyo, which is now one of the Company's consolidated subsidiaries.
July 2020	Acquired Toraku Foods Co., Ltd., headquartered in Kobe-shi, Hyogo Prefecture, which is now one of the Company's consolidated subsidiaries.

(Note) The Company has transitioned from the First Section of Tokyo Stock Exchange to the Prime Market of the same Exchange as of April 4, 2022.

3. Description of business

The Group, comprising Marudai Food Co., Ltd. (the Company) and its 27 consolidated subsidiaries and one associated company, mainly engages in the Processed Food Products operations and the Meat Products operations. In connection with these operations, it also offers insurance agency services and other services.

The below explains how the Company is linked with its consolidated subsidiaries and associated company. The following categories are consistent with the business segments.

Processed Food Products operations

Manufacture and sell ham, sausages, and precooked and processed food products at the Company as well as at Toda Foods Co., Ltd., Azumino Food Co., Ltd., and Toraku Foods Co., Ltd., among others.

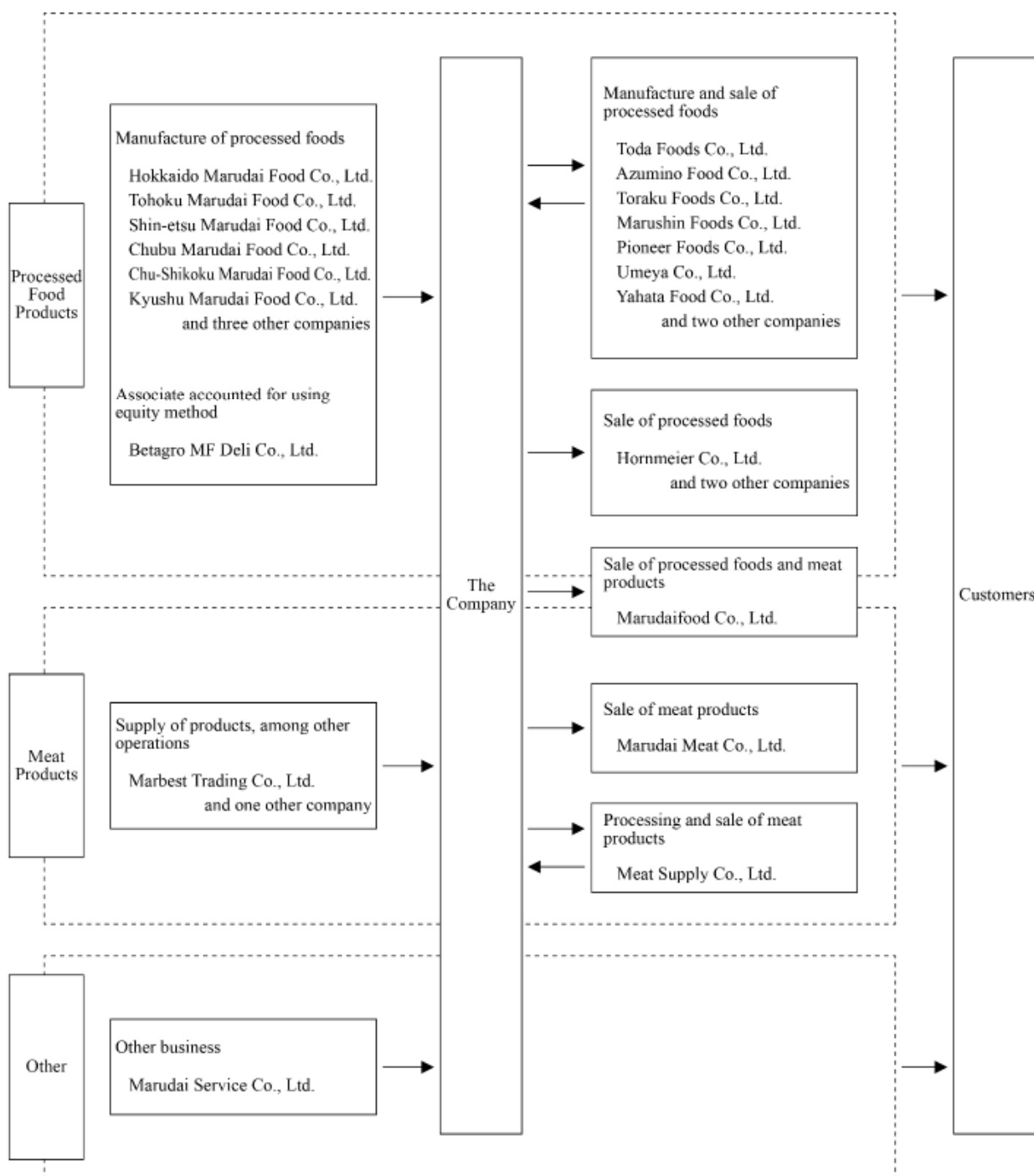
Meat Products operations

Process and sell meat (beef, pork, chicken, etc.) at the Company as well as at Marudai Meat Co., Ltd., Meat Supply Co., Ltd., and Marudaifood Co., Ltd., among others.

Other

Marudai Service Co., Ltd. offers insurance agency services and other services.

The diagram below illustrates the businesses of the Group.



4. Subsidiaries and other affiliated entities

As of March 31, 2022

Company name	Address	Share capital or investments in capital (Millions of yen)	Description of principal business	Ratio of voting rights holding (%)	Relationship			
					Number of concurrent Directors/ Statutory Auditors	Loans (Millions of yen)	Operational transactions	Lease of facilities
(Consolidated subsidiaries) Hokkaido Marudai Food Co., Ltd.	Iwamizawa-shi, Hokkaido	10	Processed Food Products operations	100.0	1	–	Contract manufacturing	No
Tohoku Marudai Food Co., Ltd.	Hanamaki-shi, Iwate Prefecture	10	Processed Food Products operations	100.0	–	–	Contract manufacturing	No
Shin-etsu Marudai Food Co., Ltd.	Joetsu-shi, Niigata Prefecture	10	Processed Food Products operations	100.0	1	–	Contract manufacturing	No
Chubu Marudai Food Co., Ltd.	Matsusaka-shi, Mie Prefecture	10	Processed Food Products operations	100.0	–	–	Contract manufacturing	No
Chu-Shikoku Marudai Food Co., Ltd.	Miyoshi-shi, Hiroshima Prefecture	10	Processed Food Products operations	100.0	1	–	Contract manufacturing	No
Kyushu Marudai Food Co., Ltd.	Karatsu-shi, Saga Prefecture	10	Processed Food Products operations	100.0	1	–	Contract manufacturing	No
Toda Foods Co., Ltd.	Toda-shi, Saitama Prefecture	349	Processed Food Products operations	100.0 (11.7)	1	3,361	Purchasing processed foods, among other operations	Yes
Azumino Food Co., Ltd.	Matsumoto-shi, Nagano Prefecture	495	Processed Food Products operations	100.0	1	1,600	Purchasing processed foods, among other operations	Yes
Toraku Foods Co., Ltd.	Higashinada-ku, Kobe-shi, Hyogo Prefecture	90	Processed Food Products operations	100.0	1	1,000	Purchasing processed foods, among other operations	No
Marushin Foods Co., Ltd.	Moka-shi, Tochigi Prefecture	100	Processed Food Products operations	100.0	1	16	Purchasing processed foods, among other operations	Yes
Pioneer Foods Co., Ltd. (Note 5)	Kyogoku-cho, Abuta-gun, Hokkaido	360	Processed Food Products operations	63.1	2	–	Purchasing processed foods, among other operations	Yes
Umeya Co., Ltd.	Tanabe-shi, Wakayama Prefecture	37	Processed Food Products operations	92.7	1	–	Purchasing processed foods, among other operations	Yes
Yahata Food Co., Ltd. (Note 5)	Kan-onji-shi, Kagawa Prefecture	50	Processed Food Products operations	100.0	1	350	Purchasing processed foods, among other operations	Yes
Hornmeier Co., Ltd.	Takatsuki-Shi, Osaka	340	Processed Food Products operations	100.0	1	771	Contracting sale of processed foods	No
Marudai Food Co., Ltd.	Nishinari-ku, Osaka-shi	80	Processed Food Products operations Meat Products operations	100.0	1	460	Selling processed foods and meat products, among other operations	Yes
Marudai Meat Co., Ltd. (Notes 3 and 6)	Ota-ku, Tokyo	30	Meat Products operations	100.0	–	–	Selling meat products, among other operations	Yes
Meat Supply Co., Ltd.	Takatsuki-Shi, Osaka	30	Meat Products operations	100.0	–	310	Supplying raw materials, among other operations	Yes
Marbest Trading Co., Ltd. (Note 3)	Takatsuki-Shi, Osaka	20	Meat Products operations	100.0	1	–	Purchasing meat, among other operations	Yes
Marudai Service Co., Ltd.	Takatsuki-Shi, Osaka	95	Other	100.0	1	417	Offering insurance agency services, among other services	Yes
And eight other companies								
(Associate accounted for using equity method) Betagro MF Deli Co., Ltd.	Lop Buri, the Kingdom of Thailand	thousand baht 330,000	Processed Food Products operations	20.0	–	–	Purchasing processed foods	No

- (Notes)
- Names of the operations in “Description of principal business” are the same as those stated in the segment information.
 - The ratio of voting rights holding indirectly is shown in parentheses “()” in “Ratio of voting rights holding.”
 - These companies with (Note 3) fall under the category of specified subsidiaries.
 - None of the above companies have filed Securities Registration Statements or Annual Securities Reports.
 - The Company guarantees the loans to these companies with (Note 5).
 - Net sales of Marudai Meat Co., Ltd. (excluding inter-segment net sales among consolidated subsidiaries) accounted for more than 10% of consolidated net sales.

Key profit/loss information:	(1) Net sales	38,776 million yen
	(2) Ordinary loss	153 million yen
	(3) Loss	117 million yen
	(4) Net assets	849 million yen
	(5) Total assets	4,828 million yen

5. Employees

(1) Information about group

As of March 31, 2022

Name of business segment	Number of employees
Processed Food Products operations	1,533 (2,711)
Meat Products operations	425 (373)
Other	8 (21)
Company-wide (shared)	100 (33)
Total	2,066 (3,138)

- (Notes)
1. The number of employees refers to that of full-time employees, excluding those transferred to companies outside the Group.
 2. The average number of temporary employees during the current fiscal year is shown in parentheses “()” in “Number of employees.”

(2) Information about reporting company

As of March 31, 2022

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
784 (778)	43.4	20.7	6,107

Name of business segment	Number of employees
Processed Food Products operations	664 (734)
Meat Products operations	20 (11)
Other	— (—)
Company-wide (shared)	100 (33)
Total	784 (778)

- (Notes)
1. The number of employees refers to that of full-time employees, excluding those transferred from the Company to other companies, but including those transferred to the Company from other companies.
 2. Average annual salary includes bonuses and non-standard wages.
 3. The average number of temporary employees during the current fiscal year is shown in parentheses “()” in “Number of employees.”
 4. The number of employees fell by 91 from the end of the previous fiscal year, most of whom were transferred to the Company’s consolidated subsidiaries.

(3) Status of labor union

The labor union of the Company and part of its consolidated subsidiaries is named the Federation of Marudai Food Group Labor Unions and belongs to UA Zensen. The relationship between management and labor union is stable, without any special issues to mention.

The other consolidated subsidiaries whose employees are not members of the Federation of Marudai Food Group Labor Unions do not have their own labor unions, but the relationship between management and labor unions there is stable.

II. Overview of Business

1. Management policy, business environment, issues to address

The forward-looking statements included in the following description are based on our judgment as of March 31, 2022.

(1) Basic management policy

- 1) The Company's credo: **Sincerity can move heaven**

[What does this mean?]

In your life, bad things can happen suddenly, but you can never obtain excellent results out of the blue. If you plow ahead focusing on your duty and persevering in your efforts every day, Heaven will then notice your sincerity and bring you great results.

(The words by Mr. Toshiyuki Komori, the founding president)

- 2) Management philosophy: We will contribute to society by devoting ourselves to daily operations and acting with complete sincerity.
- 3) Management policy and vision: Pursuing more delicious food and healthier life, the Marudai Food Group offers safe food products to make consumers' diet more enjoyable.

- 4) Slogan: **Innovation**

- 5) Values:

- We will make delicious food products to please consumers.
- We will make our company a place where we can freely dream of our future and obtain high job satisfaction.
- We will create new values in response to trends as times change.

- 6) Conduct policy:

- | | |
|----------------------|--|
| Toward consumers: | We will continue to make our products safer and better.
We will make our consumers' diet healthier and more enjoyable. |
| Toward shareholders: | We will strengthen our management foundation and expand our operations with the aim of enhancing the corporate value. |
| Toward employees: | We will create a workplace where employees can develop themselves through daily operations.
We will pursue the happiness of employees and their families. |
| Toward society: | We will fulfill our social responsibilities by contributing to our local communities and protecting the environment. |

(2) Management environment

Japan has been facing the issue of a dwindling population, and we have seen various relevant changes affecting management environment of the Group. Management environment surrounding the Group is as follows:

- 1) Decreases in Japan's total population and working-age population, its declining birthrate and rapidly aging population
 - Needs to raise minimum wages as the jobs-to-applicants ratio remains high; how to respond to the demand for equal work, equal pay
- 2) Saturated processed food market in terms of volume, or rather a shrinking trend of the market
 - Fiercer competition in price and other aspects among food manufacturers
- 3) Increases in dual-income households and the ratio of women in the working-age population
 - Changes in lifestyles and consumption behavior
- 4) Expansion of e-commerce, rapidly advancing drug stores
 - An increase in logistics costs, a wider consumer trend toward lower-priced goods
- 5) Animal epidemics both in Japan and abroad, U.S.-China trade friction, and growing geopolitical risks
 - A rise in the raw material prices for meat production, among others, and unstable market prices

Since the processed food market, particularly the ham and sausage market, has been saturated, which is the Group's core segment, competition among food manufacturers is growing fiercer. The management environment remains severe, as we are facing concerns not only over surging costs for raw materials, energy, logistics, etc. but also over a labor shortage and rising personnel expenses caused by a drop in the working-age population.

(3) Operational and financial issues we must address as soon as possible

The management environment surrounding the Company is expected to remain uncertain due to, among others, increasingly fierce price competition with competitors, in the situation that we find it almost impossible to forecast when the COVID-19 pandemic will be contained. This uncertainty is the result of structural changes in Japan's consumption structure brought by its dwindling and aging population with the falling birthrate, and also of consumers' defensive sentiment trying to protect their lives, as shown in a wider consumer inclination toward lower-priced goods.

The industry we are in is facing concerns over a possible rise in manufacturing costs, which may then be greater than product prices even if we revise up them, against a backdrop of a sharp fall in the yen as well as soaring costs for raw materials, energy, and logistics.

We have also been seeing consumer values toward food diversifying since the onset of the pandemic, as consumers are growing more aware of safety and healthiness and also adapting to a new lifestyle. In addition, there is an increasing call for initiatives to resolve social issues including those regarding the global environment, such as reductions in carbon dioxide emissions and waste.

Under this environment, we started our 3-Year Medium-Term Management Plan in April 2021 to resolve our management issues. However, the environment surrounding our business is drastically changing and growing highly uncertain mainly because of the prolonged impact of the pandemic, disrupted logistics, and soaring costs for raw materials and energy such as crude oil and grain against a backdrop of the war in Ukraine, among other factors. For this reason, we have formulated a revised 3-Year Medium-Term Management Plan for a period from April 1, 2022 through March 31, 2025 after recalculating and reviewing numerical targets. To flexibly respond to changes in the management environment in the future, we have decided to announce a 3-year medium-term rolling plan with numerical targets, in principle, by reviewing it every year. The 3-Year Medium-Term Management Plan starting on April 1, 2022 has five basic policies: *creation of new customer value*, *reform in earnings structure*, *expansion of business domains*, *development of human resources*, and *contribution to a sustainable society*. Based on these, we will strive to grow sustainably and enhance our corporate value.

(4) Medium-term management strategy (the revised 3-Year Medium-Term Management Plan)

The revised 3-Year Medium-Term Management Plan starting on April 1, 2022 through March 31, 2025 stipulates its basic policy as follows:

1) Creation of new customer value

To differentiate and centralize our products and reduce costs as part of our value-added policy, we will carry out the marketing mix that takes into consideration products, prices, locations, and sales promotion from the consumer perspective. By doing so, we will develop more attractive products. We will also improve our production technology and make full use of new manufacturing methods and novel materials while stepping up our efforts to improve quality.

2) Reform in earnings structure

We will implement a policy for improving productivity and cost competitiveness in all departments. The selling department will continue reform to change the mindset toward profitability by displaying profitability data when selling products. The manufacturing department will aim to reduce manufacturing costs through a further reform and also go ahead with logistics reform by reviewing and analyzing logistics costs.

3) Expansion of business domains

We will evolve the Group's management further to address environmental changes and also try to tap growing markets to launch new product categories in response to changes in the social environment.

4) Developing human resources

We will reform our personnel system to become a company that can adapt to diversified work styles and provide our employees with high job satisfaction. Our goal is to develop talent who will lead the Company in the future in accordance with career plans.

5) Contribution to a sustainable society

We will promote sustainable management to enhance our social credibility including our sustainable growth and medium-term earnings. To do so, we will strengthen our corporate governance and risk management, as well as improve our product quality by obtaining more FSSC 22000 and ISO 22000 certifications. We will work on initiatives to address environment, social, and governance (ESG) issues and achieve the United Nation's Sustainable Development Goals (SDGs), among others, so that we can fulfill our social responsibilities.

(5) Growth strategy

1) Overview

Creation of new customer value

A. Transformation in marketing

- (A) Make full use of digital tools to improve the accuracy of our analyses of palate and consumer trends
- (B) Promote company-wide, cross-sectional marketing Enhance our ability to make our corporate activities widely known

B. Initiatives to improve quality

- (A) Promotion of obtaining a certification for the Food Safety Management System
- (B) Pursue deliciousness by making full use of new manufacturing methods and novel materials.

Reform in earnings structure

C. Transformation in cost structures

- (A) Improve productivity by integrating and digitalizing operations
- (B) Reduce logistics costs
 - Increase the load-carrying efficiency to reduce the number of vehicles used for shuttle services on main routes linking plants
 - Reduce processing charges by simplifying the work of sorting materials or products
 - Reduce freight charges by concentrating the production of ham and sausages at optimal locations
 - Examine the possibility of relocating logistics centers

D. Promotion of improvement in plant efficiency

- (A) Improve productivity and yields through the investment for improving efficiency
 - Improve the efficiency of, or reorganize, core plants manufacturing ham and sausages Takatsuki Plant (4,100 million yen), Kanto Plant (3,500 million yen), Karatsu Plant (1,100 million yen)
* The amounts in () refer to the planned investment amounts including those already invested.
 - Improve the efficiency of, or reorganize, the plants manufacturing precooked & processed foods
Prepare a dedicated line for the products made from vegetables
- (B) Step up efforts to reduce waste

Expansion of business domains

E. Expansion of businesses of the Group companies

- (A) Expand the sales territory covered by the companies selling meat
- (B) Scale up by investing resources in growing businesses
- (C) Develop businesses with an eye on the post-COVID era
- (D) Spin off the department for commercial food products
 - Strengthen sales of commercial food products to restaurants, school meals, delicatessen counters at supermarkets, etc.

F. Foray into growing markets

- Larger sales of the products made from vegetables
 - Increase the number of items we sell by bolstering product development

2) Strategy by category

Aiming to create products that can satisfy consumer needs, we will create a new format that can provide a lineup designed from the consumer perspective and that can respond to diverse eating needs. We will then develop new materials and manufacturing processes, too. Aiming at high productivity based on reduced costs, we will go ahead with efficient capital expenditure and improvement initiatives.

The below shows each segment's strategy by category.

A. Processed Food Products operations

(A) The Ham & Sausage Products department

[Product policy]

a. Improve added value	- Make new value appealing
	- Work to improve quality
b. Scale up sales of mainstay products	- Promote sales by making full use of digital tools
	- Sharpen our cost competitiveness
c. Nurture products to newly work on	- Ally with overseas manufacturers
	- Develop region-specific products

[Specific strategies]

<ul style="list-style-type: none"> - Bolster product development - Review our earnings base and manage profits by channel - Strengthen our sales capabilities and streamline operations - Implement the marketing mix to address diverse consumer needs - Work to develop a microwavable product that is delicious but easy to prepare - Facilitate the shift to environment-friendly packaging materials, such as paper trays with a reduced environmental impact - Develop and produce safe and healthy products by reviewing the use of food additives - Improve our production technology and cost competitiveness by adopting new manufacturing methods and efficient facilities

(B) The Precooked & Processed Foods department

[Product policy]

a. Sell with a focus on growing markets	- Increase sales of retort foods
	- Make full use of topping lines
b. Reduce environmental footprint	- Reduce the amount of the plastic packaging materials used
	- Reduce food waste
c. Tap new business domains	- Increase sales of the products made from vegetables
	- Enter into the frozen food market

[Specific strategies]

<ul style="list-style-type: none"> - Increase soup items such as retort-pouch instant curries and "Sundubu," for which we have extended production lines - Propose new items by further developing precooked and processed food products - Improve our techniques in processing the products made from vegetables / Increase production capacities - Increase channels through convenience stores as well as restaurants, bars, etc. - Increase the lineup of cold chain products, which can keep for a long time and excel in convenience - Augment facilities for whipped-cream lines - Increase sales of next generation's meat substitutes made from vegetables, targeting health-conscious consumers - Increase sales of value-added products that have grilled or fried materials containing ham and sausages - Scale up the size of, and strengthen the foundation of, the Group companies by launching new businesses and through mergers and acquisitions - Stimulate marketing activities - Actively work to reduce food waste and environmental footprint

B. Meat Products operations

[Product policy]

a. Procure the raw materials that could differentiate us from competitors	- Strengthen the relationship with suppliers
b. Import processed food products from overseas	- Respond to reduced or lifted tariffs
c. Respond to changes in the external environment	- Respond to consumer health awareness
	- Procure the raw materials with low environmental footprint

[Specific strategies]

<ul style="list-style-type: none"> - Establish our value chain to focus on handling our own original brands and reduce costs - Strengthen the meat processing business, which handles pre-pack products and sliced meat products - Expand the export and import business of processed food products - Strengthen the foundation of the Group companies - Focus on sales of the products for the restaurant industry
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(6) Initiatives for sustainability

1) Development of human resources

- A. Acquire the organizational capabilities that give us a competitive advantage
 - Strengthen the management of personnel training programs with a focus on diverse values and specialties
 - Develop the personnel who could be candidates for leading positions in the next generation (through training courses for those selected as potential candidates for management and executive positions)
- B. Respond to a labor shortage caused by diversified recruiting channels and intensified recruiting competition
 - Promote the work style reform
 - Provide a diverse choice of work styles
 - Scale up the region-specific employment system and increase the use of teleworking and flexible hours
 - Promote diversity and launch an initiative to enhance opportunities for women
- C. Strengthen health management
 - Expanded the provision of support for employees with children so that they can continue to work while raising children, and obtained the certification under the Regulation for Enforcement of the Act to Advance Measures to Support Next-Generation Child-Rearing, or the Kurumin certification program.
 - Enhance a system that provides stress checkups and monitors mental health conditions
 - Address an issue of a dwindling and aging population
 - Research and development of plasmalogen, a material that can support the brain function
 - Supply health-conscious products

2) Contribution to a sustainable society

- A. Strengthen our corporate governance system
 - Establish committees to enhance objectivity and transparency concerning corporate management
 - The Compliance Committee (chaired by an Independent Outside Director), the Nomination and Remuneration Committee (with a majority of Independent Outside Directors)
 - Make all the employees of the Group thoroughly understand the Marudai Food Group's Code of Conduct, and carry out a compliance training program every month.
- B. Initiatives to address ESG and SDGs
 - We have formulated the Sustainability Basic Policy and Action Guidelines to contribute to the development of a sustainable society through our socially and environmentally friendly business operations, and also established the Sustainability Committee to further promote our initiatives to realize a sustainable society.
- (A) Adaptation to changing climate and mitigation of its impact
 - Set the Sustainability Basic Policy to further reduce the environmental impact by promoting the activities to preserve the environment and introducing the facility using less energy, among other measures
 - Strengthen our efforts to reduce the greenhouse gasses generated by logistics or transportation by encouraging the transport modal shift, etc.

- (B) Contribution to realizing a recycling society
 - Promote the reduction of waste by using lightweight wrapping and packaging materials
 - Promote a 3R strategy—Reduce, Reuse, and Recycle—for wrapping and packaging materials
 - Promote the recycling of food waste into livestock feed or manure
 - Promote the adoption of environment-friendly wrapping and packaging materials
 - [Major measures]
 - Switched from pouch-shaped packages to those with lower environmental footprint (to reduce the amount of plastic used and CO₂ emissions)
 - Started using biomass ink (to reduce CO₂ emissions)
 - Switched to packages without trays (to reduce the amount of plastic used and CO₂ emissions)
- (C) Initiatives to reduce food waste
 - Promote the reduction and reuse of food waste
 - Promote dietary education
- (D) Aid for poverty and hunger
 - Provide support for children’s cafeterias (by supplying food products)
 - Develop products using meat substitutes (soy meat product “*Daizu Life*,” literally meaning “soy life,” and the “*PlantRECIPE*” series)

(7) Impact of the COVID-19 pandemic and our response

The food industry estimates that any developments in the COVID-19 situation will impact consumer behavior and the food market structure. Based on this estimation, the industry forecasts that while competition among food manufacturers is growing fiercer due to consumers’ budget-consciousness driven by their concerns over uncertain future, consumers and the market are pushing the manufacturers to work harder to produce safer and healthier products.

Worsening situations of the pandemic led to state of emergency and quasi-emergency declarations, forcing people to stay at home for a longer time than before and restaurants and bars were requested to shorten their operating hours. For this reason, we only saw a weak recovery of the demand of the restaurant industry. As a result, there has only been a limited pickup in net sales of the products for convenience stores in urban areas and part of commercial food products, as well as in the demand for gift products. In addition, there was a lull in the demand for eat-in and ready-to-eat meals, which had been spurred by the stay-at-home demand (consumption). However, sales of food products through the e-commerce are still growing.

Meanwhile, we are now experiencing more uncertainty and instability in the outlook for the raw material market because of concerns over reduced imports caused by the suspension of production at overseas suppliers and price fluctuations.

The Group will continue to go ahead with each segment’s strategy by category in accordance with the revised 3-Year Medium-Term Management Plan for a period from April 1, 2022 through March 31, 2025. At the same time, we will execute our social mission and fulfill our responsibilities to each of our stakeholders by monitoring when the COVID-19 pandemic will be contained and appropriately responding to the economic trend and private consumption once the pandemic ebbs.

(8) Objective financial data to determine achievement status of management targets

Under the 3-Year Medium-Term Management Plan starting on April 1, 2021 through March 31, 2024, we were going to use net sales, operating profit margin, operating profit as objective financial data. However, since we found it almost impossible to reasonably calculate the impact of the worsening COVID-19 pandemic, we formulated a revised 3-Year Medium-Term Management Plan for a period from April 1, 2022 through March 31, 2025 after recalculating and reviewing numerical targets.

We have set the target of achieving consolidated net sales of 240,000 million yen, consolidated operating profit margin of 1.3%, and consolidated operating profit of 3,000 million yen as our financial data for the fiscal year ending March 31, 2025, the final year of the said Management Plan.

We expect our consolidated earnings performance for the fiscal year ending March 31, 2023 to be as follows: net sales of 225,000 million yen, operating profit margin of 0.7%, and operating profit of 1,500 million yen. This estimation is based on our presumption that—even amid the continually severe management environment caused by the impact of the pandemic—the lifting of the state of quasi-emergency and the progress in vaccination will prompt the demand of the restaurant industry for commercial food products to pick up, albeit slowly. We find it almost impossible to reasonably forecast when the pandemic will be contained and how the economy and private consumption will then react. Our estimation is that the pandemic could still have an enormous impact on our operations. We are also facing the risk of a downturn in the economy due to limitation in supply, rising raw material prices, and fluctuations in financial capital markets, against the background of concerns over the impact of a resurgence in the infections in China and the prolonged war in Ukraine. Since earnings outlook is based on our estimation of the impacts deemed possible when we made this estimation, we may need to announce revisions depending on the development of the situation.

2. Business risks

Of the matters stated in the sections of Overview of Business, Financial Information, etc. in this Annual Securities Report, management recognizes that the following matters may have a material impact on the financial condition, results of operations, and cash flows of the Group companies on a consolidated basis.

The forward-looking statements included in the following description are based on our judgment as of March 31, 2022.

(1) Financial risks

	Risk details	Major measures
Impairment risk	<ul style="list-style-type: none"> - Impairment risk in non-current assets on a non-consolidated basis, showing a sign of impairment with operating deficit continuing for five fiscal years in a row - A subsidiary or an equivalent unable to achieve operational targets - Risk of fluctuations in the market value of assets, such as real estate or securities 	<ul style="list-style-type: none"> - Formulate and implement sufficient measures to increase future cash flows - Monitor their progress in achieving operational plans, as their parent company - Make use of or sell idle assets
Customers' bankruptcy risk	<ul style="list-style-type: none"> - Unexpected bankruptcy of customers 	<ul style="list-style-type: none"> - Gather information, manage credit, preserve account receivables, etc.
Market fluctuation risk	<ul style="list-style-type: none"> - Development of livestock epidemics - Concerns over a limit on imports and a rise in purchasing prices when the government takes a safeguard measure - Global changes in the supply-demand balance - Impact of the fluctuations in crude oil prices 	<ul style="list-style-type: none"> - Diversify raw material procurement channels and take other measures to procure raw materials stably - Work to develop highly value-added products
Currency fluctuation risk	<ul style="list-style-type: none"> - Fluctuations in foreign exchange rates on local currencies 	<ul style="list-style-type: none"> - Reduce risk by importing part of products on a yen basis and, for foreign-currency trade, using foreign exchange futures contracts
Risk of infectious diseases and natural disasters	<ul style="list-style-type: none"> - The pandemic of a new virus or an equivalent - Suspension of operations caused by the effects of a natural disaster, such as an earthquake or a typhoon 	<ul style="list-style-type: none"> - Establish an appropriate management system to prevent infection or its expansion - Work further to improve a system for disaster prevention and mitigation, and risk management, aiming to minimize the damage and casualties caused by natural disasters
Risk of retirement benefit obligations	<ul style="list-style-type: none"> - A case where there is a fluctuation in the market value of plan assets or when there is a change in the assumptions, such as an investment return or discount rates, that are used to calculate retirement benefit obligations 	<ul style="list-style-type: none"> - As an asset owner of a corporate pension, we monitor how assets are managed, as needed, by deploying appropriate personnel to a corporate pension fund - Reduced risk by transferring part of the defined-benefit pension plans to a defined-contribution pension plan in the fiscal year ended March 31, 2017

Since worsening situations of the COVID-19 pandemic led to state of emergency and quasi-emergency declarations, there has only been a limited pickup in the demand for the products mainly for the restaurant industry and convenience stores in urban areas, part of commercial food products, and gift products. At the same time, we are experiencing more uncertainty and instability in the outlook for the raw material market because of concerns over reduced imports caused by the suspension of production at overseas suppliers and price fluctuations.

The Group, a comprehensive food manufacturer, places a top priority on stably supplying consumers with safer and healthier food products. We are determined to establish a thorough management system to prevent infection so that we will not face the suspension of our operations. For this purpose, our preparation also includes responses to the demand for necessary funds.

With regard to the future outlook, we find it almost impossible to reasonably forecast when the pandemic will be contained and how the economy and private consumption will then react. Our estimation is that the pandemic could still have an enormous impact on our operations.

Our countermeasures against COVID-19 at this moment are as follows:

- 1) Thoroughly comply with bans or self-restraint requests against the following (We may review the bans or requests when the pandemic deteriorates or is contained)
Overseas travel, business trips in Japan, meetings, contact with large numbers of the general public, lunch or dinner parties, events at offices, etc.
- 2) Measures to prevent infection
Wearing a mask, taking temperature, sanitizing hands and disinfecting facilities and equipment, ventilating rooms regularly, etc.
- 3) Measures for work styles
Working from home, flexible hours, a satellite office system, staggered working hours, recommendation to use an employee's car to and from the office, recommendation to take paid holidays, etc.
- 4) Thorough measures to prevent infection at the General Meeting of Shareholders

The Risk Management Committee, chaired by a Director/Statutory Auditor with a special title and made up mainly of Directors of the Company, addresses infection risks; swiftly gathers and communicates information; and makes decisions and gives directions without delay.

(2) Materiality items

	Risk details	Major sustainability measures
Ensuring safety	<ul style="list-style-type: none"> - Occurrence of social disorder or an unpredictable accident such as a quality issue affecting the entire society - Effect of the damage caused by rumors - Jeopardized social credibility due to complaints about product quality, among others 	<ul style="list-style-type: none"> - Increase the number of the FSSC 22000 or ISO 22000 certified facilities based on the HACCP system - Establish a strict quality management system by the quality assurance department - Strengthen our efforts to secure safety and improve product quality as well as to prevent the occurrence of products of poor quality or defects
Response to laws and regulations	<ul style="list-style-type: none"> - Restriction on operations when laws and regulations are changed 	<ul style="list-style-type: none"> - Comply with all applicable laws and regulations, including the Food Sanitation Act, the Act on Japanese Agricultural Standards (the JAS Act), and the Food Labeling Act, among others, all of which are related to food safety, in addition to the laws and regulations related to the environmental protection and recycling - Establish a system to thoroughly comply with relevant laws and regulations in close cooperation between each responsible department and the legal department
Changes in consumer lifestyles	<ul style="list-style-type: none"> - Possible loss of our growth opportunity due to the delay in catching up with diverse values and changes in the consumer lifestyles 	<ul style="list-style-type: none"> - Strengthen our capabilities to swiftly respond to the market needs through our food products - Implement appropriate methods, from the consumer perspective, for supplying products, providing services, and communicating information
Sustainable raw material procurement	<ul style="list-style-type: none"> - Delay in responding to social and environmental issues at each stage of our supply chain - Risk of climate change and geopolitical risk 	<ul style="list-style-type: none"> - Step up efforts to involve suppliers in our initiative for sustainable procurement - Establish a system to procure essential raw materials in a responsible manner by conducting human rights due diligence - Comply with relevant laws and regulations and promote fair trading and business practices - Promote the operations aimed at mutually sustainable business development with suppliers
Reduction of food waste	<ul style="list-style-type: none"> - Depletion of food resources - Jeopardized social credibility due to delay in taking measures to reduce food waste 	<ul style="list-style-type: none"> - Improve manufacturing methods so that they will contribute to reducing food waste in the manufacturing process - Make the shelf life of products longer to reduce the food loss resulting from discarding food products before they reach consumers, decrease defective products returned from retailers or consumers
Adaptation to changing climate and mitigation of its impact	<ul style="list-style-type: none"> - Increased production costs resulting from delay in taking measures to reduce greenhouse gas emissions - Jeopardized social credibility due to delay in taking measures against global warming 	<ul style="list-style-type: none"> - Engage in a long-term initiative aimed at carbon neutrality throughout a product life cycle - Work on the information disclosure according to the Task Force on Climate-related Financial Disclosures (TCFD) framework - Reduce environmental footprint by promoting energy saving - Strengthen our efforts to reduce the amount of energy used for production by introducing the facility using less energy or an equivalent - Strengthen our efforts to reduce the greenhouse gasses generated by logistics or transportation by encouraging the transport modal shift, etc.
Contribution to realizing a recycling society	<ul style="list-style-type: none"> - Increased production costs resulting from delay in taking measures to reduce waste - Jeopardized social credibility due to delay in shifting to using environment-friendly packaging materials 	<ul style="list-style-type: none"> - Promote an initiative to reduce waste by using lightweight wrapping and packaging materials - Promote a 3R strategy—Reduce, Reuse, and Recycle—for wrapping and packaging materials - Promote the recycling of food waste into livestock feed or manure - Promote the adoption of environment-friendly wrapping and packaging materials
Water conservation	<ul style="list-style-type: none"> - Suspension of production caused by droughts, floods, and deteriorating water quality 	<ul style="list-style-type: none"> - Conserve and maintain wastewater treatment facilities - Promote environmental conservation through an activity to forest hills or mountains
Thriving of talent with diverse backgrounds	<ul style="list-style-type: none"> - Needs to acquire organizational capabilities that give us a competitive advantage - A labor shortage and a rise in costs caused by diversified recruiting channels and intensified recruiting competition 	<ul style="list-style-type: none"> - Strengthen the management of personnel training programs with a focus on diverse values and specialties - Promote the work style reform - Promote diversity and launch an initiative to enhance opportunities for women

Strengthened corporate governance	<ul style="list-style-type: none"> - An increase in risks that threaten the corporate management due to a fragile governance system - Impacts on our business continuity brought by delay in establishing a risk management system - - Confusion that affects organizational management or a reduction in operational profitability, caused by unstable political, economic, or social situations, such as a financial crisis or trade war - Reduced competitiveness resulting from the incapability of catching up with digital transformation - Reduced competitiveness resulting from a fragile IT management system - Impacts on operations caused by intellectual property risk 	<ul style="list-style-type: none"> - Educate all the employees of the Group about the Marudai Food Group's Code of Conduct to make them thoroughly understand it - Strengthen our corporate governance system by establishing the Risk Management Committee, the Corporate Ethics Committee, the Compliance Committee, and the Nomination and Remuneration Committee. - Establish the Marudai counseling line (a whistleblowing system) - Introduce a new system to visualize data - Strengthen the information security by formulating IT management and operation rules - Manage intellectual property risk
Strengthened health management	<ul style="list-style-type: none"> - Jeopardized social credibility due to delay in taking measures for a health management system 	<ul style="list-style-type: none"> - Strengthen an initiative aimed for health management - Expanded the provision of support for employees with children so that they can continue to work while raising children, and obtained the certification under the Regulation for Enforcement of the Act to Advance Measures to Support Next-Generation Child-Rearing, or the Kurumin certification program. - Enhance a system that provides stress checkups and monitors mental health conditions - Address an issue of a dwindling and aging population (the research and development of plasmalogen, a material that can support the brain function); supply the health-conscious products (as an example, <i>Dashi No Chikara De Oishisa Sono Mama</i>, literally meaning: the use of broth has successfully reduced the amount of the salt used in the product without compromising its original tastiness)

- Formulation of the Sustainability Basic Policy and Action Guidelines and establishment of the Sustainability Committee

On December 20, 2021, we formulated the Sustainability Basic Policy and Action Guidelines to contribute to the development of a sustainable society through our socially and environmentally friendly operations, and also established the Sustainability Committee to further promote our initiatives to achieve a sustainable society.

The Group has recognized the important issues that need to be addressed as part of our sustainability initiatives (Materiality) including climate change measures, and the Sustainability Committee works to achieve sustainable growth and enhance our corporate value by formulating and implementing the Sustainability Action Plan.

[The Marudai Food Group Sustainability Basic Policy]

Resolving the issues regarding the global environment and society—we view this as the challenge common to all humankind. Based on our wish for the future of our children: “Just want you to be healthy and strong as you grow up, even if you are naughty,” we will engage in socially and environmentally friendly operations to contribute to the development of a sustainable society.

[The Marudai Food Group Sustainability Action Guidelines]

1. We comply with laws and regulations, as well as our internal rules, in our all operations, striving for sincere and highly transparent compliance management.
2. We strive to reduce environmental footprint in our all operations, including raw material procurement, manufacturing, logistics, and selling; we work to reduce the amount of energy used and CO₂ emissions; and we offer environmentally and socially friendly products.
3. We offer safe and healthy products, striving to achieve a society where anyone can live a healthy life in affluent circumstances.
4. We create a work environment where every employee can work comfortably, and respect the personality of each of them, striving to strike a work-and-life balance.
5. We work on the development of human resources and educate every employee on human rights and compliance, striving to raise the entire Company’s awareness thereof.
6. We conduct operations from a broader perspective by communicating with each of our stakeholders through social contribution activities.
7. We actively disclose the ESG information of the Marudai Food Group.

- Other initiatives concerning sustainability

1) Social contribution activities

We offer support so that everyone can stay healthy both physically and mentally through our programs for dietary education and sports.

A. Dietary education

Healthy body and mind begin with proper diet. Marudai Food will contribute to society through a wide range of food activities.

Major measures	
	<ul style="list-style-type: none"> - Engage in social contribution activities with the theme of Better Diet - Directly communicate to consumers by participating in a dietary education event or holding a lecture, a cooking program, etc. - Disseminate information through our website - Disseminate information by working with administrative authorities - Develop products with the logo of Kurumin certification that indicates the company supports employees raising children

B. Communication through sports

Marudai Food views sports as one of the communication tools to consumers and engages in various initiatives.

Major measures	
	<ul style="list-style-type: none"> - Hold various sports programs (such as those for volleyball, footraces, and soccer) - Carry out training program of Future Active Athletes

2) Environmental activities

Pass our beautiful Earth on to the next generation: We engage in activities to protect the health of the Earth.

A. Environment-friendly corporate operations

Being aware that the conservation of the global environment is a common challenge faced by humans, we will contribute to the development of society through environment-friendly operations.

Major measures	
	- Endorse the objectives of Fun to Share, a campaign by the Ministry of the Environment to address climate change
	- Implement the Cool Biz and Warm Biz campaigns
	- Use environment-friendly materials for sales at stores and for other purposes
	- Introduce a cogeneration system
	- Work on the transport modal shift
	- Engage in an environmental conservation activity in Hokkaido
	- Engage in an activity making the environment more beautiful

B. Contribution to local communities

Marudai Food engages in environmental conservation activities to conserve forests and prevent global warming

Major measures	
	- The Marudai <i>Satoyama</i> activity to forest hills or mountains (We entered into a contract with Osaka Prefecture and Takatsuki-shi, among others, under their Adopt-a-Forest programs)
	- The Marudai Nasu Forest <i>Satoyama</i> activity to grow woodland at our private land in Nasu-machi, Tochigi Prefecture
	- The Marudai Miyoshi Forest tree planting activity at our private land in Miyoshi-shi, Hiroshima Prefecture

3. Management analysis of financial position, operating results and cash flows

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022. We have also changed the method of recording distribution expenses. We make comparisons and analyses of the data between the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022, using the figures to which these changes in accounting policies have been retrospectively applied.

(1) Overview of operating results, etc.

1) Financial position and operating results

During the fiscal year ended March 31, 2022, the Japanese economy continued to pick up amid severe conditions due to the COVID-19 pandemic, despite weakness seen in some areas, partly driven by the progress in vaccination and the government’s various policy packages. However, the overall outlook for the economy remains unpredictable mainly because concerns persist over the risk of a downturn in the economy due to supply limitations and the trend in raw material prices, against the background of fears about a possible resurgence of infections from the highly contagious Omicron variant and about uncertainty from the war in Ukraine.

The industry in which the Marudai Food Group operates continued to face severe conditions, as rising costs for raw materials, energy, and logistics weighed heavier on corporate earnings, and consumers tended to save more and more money due to the uncertain outlook of the economy against the backdrop of repeated declarations of state of emergency and quasi emergency. Regarding the meat market, domestic beef prices rallied in the first half of this year after having slumped in the previous year due to a drop in demand. However, we only saw a weak recovery of the demand of the restaurant industry, as restaurants and bars were asked to shorten their operating hours. As a result, the prices are currently lower than the previous year’s level. Domestic pork prices steadied after having risen due to increased demand for home consumption. However, the prices are currently higher than the previous year’s level due mainly to the impact of soaring prices of imported pork. Imported meat prices, particularly those of the meat from the United States, have been significantly above the previous year’s level throughout the year due mainly to a jump in demand overseas and soaring livestock feed prices.

In this situation, the Group, a comprehensive food manufacturer that supplies consumers with safer and healthier food products, has pushed ahead with its corporate operations, aiming to be a company whose own value is thoroughly recognized in society.

As a result, our consolidated financial position and operating results for the fiscal year ended March 31, 2022 were as follows:

A. Financial position

Consolidated total assets as of March 31, 2022 were 128,903 million yen, a decrease of 2,438 million yen from the end of the previous fiscal year. Consolidated liabilities were 53,414 million yen, a decrease of 177 million yen from the end of the previous fiscal year. Consolidated net assets were 75,489 million yen, a decrease of 2,261 million yen from the end of the previous fiscal year.

B. Operating results

Consolidated net sales during the fiscal year ended March 31, 2022 were 218,610 million yen, a decrease of 2.0% year on year; consolidated operating loss was 865 million yen, compared to consolidated operating loss of 333 million yen for the previous fiscal year; consolidated ordinary loss was 380 million yen, compared to consolidated ordinary profit of 180 million yen for the previous fiscal year; and consolidated loss attributable to owners of parent was 376 million yen, compared to consolidated profit attributable to owners of parent of 412 million yen for the previous fiscal year.

Operating results for each segment are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year-on-year change (amount)	Year-on-year change (%)
Processed Food Products operations	151,762	148,011	(3,750)	(2.5)%
Ham & Sausage Products	71,161	66,484	(4,677)	(6.6)%
Precooked & Processed Foods	80,600	81,526	926	1.1%
Meat Products operations	71,087	70,455	(632)	(0.9)%
Other	150	143	(7)	(4.9)%
Net sales	223,000	218,610	(4,390)	(2.0)%

Processed Food Products operations	(938)	(1,076)	(138)	—
Ratio to net sales	(0.6)%	(0.7)%	(0.1)%	—
Meat Products operations	547	173	(374)	(68.4)%
Ratio to net sales	0.8%	0.2%	(0.6)%	—
Other	57	38	(18)	(32.8)%
Segment income (loss)	(333)	(865)	(532)	—
Ratio to net sales	(0.1)%	(0.4)%	(0.3)%	—

(Processed Food Products operations)

The Ham & Sausage Products department tried to increase sales of its mainstay product “*Kunseiya-Ripened Pork Sausage*” by launching various campaigns. As an example, aiming to enlighten consumers about the juiciness of “*Kunseiya-Ripened Pork Sausage*”, we officially registered the 14th day of every month as the “Day of Juiciness of *Kunseiya-Ripened Pork Sausage*”. This is based on a kind of word play, as 14 is pronounced “ju-si” in Japanese, which sounds similar to an English word of “juicy”. We also rolled out a new lineup of the *Dashi No Chikara De Oishisa Sono Mama* series, among others, which successfully cut the amount of salt used in the product by 25% compared with other existing products thanks to the *umami* of broth added to loin ham and bacon. However, net sales of the Ham & Sausage Products department decreased by 6.6% year on year due to intensified sales competition with competitors and sluggish sales of midyear and year-end gifts.

The Precooked & Processed Foods department enjoyed stable net sales of “*Chicken Nugget*” in a bulk bag against a backdrop of lifestyle changes as people began to spend more time at home amid the COVID-19 pandemic, and also of the “*Salad Chicken*” series, which satisfies the needs of health-conscious consumers. The department also strived to increase the Company’s market share through sales promotion, for example, by making full use of social media, with a particular focus on the *Sundubu* series, which marked the 15th anniversary of launch. Although net sales of beverages containing black tapioca plunged, we saw a sign of recovery of net sales of the cooked rice products for convenience stores, and also enjoyed the contributions made by net sales of “*Rakuraku Whip*,” a whipped cream product ready to use directly from a refrigerator, manufactured by Toraku Foods Co., Ltd., which joined the Group as of July 1, 2020. As a result, sales of the Precooked & Processed Foods department increased by 1.1% year on year.

As a result, net sales in the Processed Food Products operations segment amounted to 148,011 million yen, a decrease of 2.5% year on year. Despite our efforts to reduce costs by improving operational efficiency, the said segment posted segment loss of 1,076 million yen (compared to segment loss of 938 million yen for the previous fiscal year), owing mainly to lower net sales, lower selling prices due to intensified sales competition, and higher costs for raw materials and energy.

(Meat Products operations)

As for beef, domestic beef posted a drop in net sales, as sales to mass retailers were sluggish despite a pickup in those to the restaurant industry. Meanwhile, imported beef posted an increase in net sales thanks to a rise in unit prices. As a result, overall beef sales were higher than the previous year’s level. Regarding pork, net sales of both domestic and imported pork were lower than the previous year’s level due to our review of the lineup and sluggish sales of pre-pack products.

As a result, net sales in the Meat Products operations segment decreased by 0.9% year on year to 70,455 million yen. Segment income decreased by 68.4% year on year to 173 million yen, because of sluggish net sales, and also because we were not able to pass on a rapid increase in the purchasing costs for imported meat to sales prices, among other reasons.

(Other)

Net sales in Other segment decreased by 4.9% year on year to 143 million yen, and segment income decreased by 32.8% year on year to 38 million yen.

(Impact of the COVID-19 pandemic)

With the state of emergency and quasi-emergency declarations in place amid worsening situations caused by the COVID-19 pandemic, the fiscal year ended March 31, 2022 saw people in Japan forced to review their work styles, as they were encouraged to telework while being asked to refrain from going out, taking part in events, and crossing prefectural borders. We only saw a weak recovery of the demand of the restaurant industry, as restaurants and bars were asked to shorten their operating hours. There has also only been a limited pickup in net sales of the products for convenience stores in urban areas and part of commercial food products, as well as in the demand for gift products.

A slowdown in the demand from the restaurant industry affected the meat market, and the suspension of production at overseas suppliers destabilized the pork market, from which we mainly procure raw materials for ham and sausages. These factors impacted our costs.

As part of our operational efforts, we strengthened the production of products for the eat-in and ready-to-eat meals to satisfy the growing demand, offered special paid holidays to the employees whose children faced school closures, took sweeping measures to prevent infection by disinfecting facilities and equipment, and strove for smooth plant operations while paying attention to employees' physical condition.

2) Cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Changes
Net cash provided by (used in) operating activities	7,673	7,030	(643)
Net cash provided by (used in) investing activities	(5,388)	(5,688)	(300)
Net cash provided by (used in) financing activities	(2,053)	(1,826)	226
Net increase in cash and cash equivalents	231	(485)	(717)
Cash and cash equivalents at end of period	8,476	7,990	(485)

Net cash provided by (used in) operating activities increased by 7,030 million yen due mainly to the recording of depreciation, despite a negative factor of an increase in working capital.

Net cash provided by (used in) investing activities decreased by 5,688 million yen due mainly to the purchase of non-current assets to expand and streamline production facilities and to improve product quality, despite proceeds from sale of investment securities and non-current assets.

Net cash provided by (used in) financing activities decreased by 1,826 million yen due mainly to payment of dividends, repayments of interest-bearing liabilities, and purchase of treasury shares.

As a result, consolidated cash and cash equivalents at end of period as of March 31, 2022 decreased by 485 million yen from the end of the previous fiscal year to 7,990 million yen.

3) Production, orders received, and sales

A. Production results

Production results by segment for the fiscal year ended March 31, 2022 on a consolidated basis are as follows:

Name of business segment	Production (Ton)	Year-on-year change (%)
Processed Food Products operations	198,231	(4.0)
Meat Products operations	14,118	5.4
Other	—	—
Total	212,350	(3.4)

B. Orders received

The Group produces based on our projection made from the consumer trend forecast.

C. Sales results

Sales results by segment for the fiscal year ended March 31, 2022 on a consolidated basis are as follows:

Name of business segment	Sales (Millions of yen)	Year-on-year change (%)
Processed Food Products operations	148,011	(2.5)
Meat Products operations	70,455	(0.9)
Other	143	(4.9)
Total	218,610	(2.0)

(Note) Transactions between segments are offset and eliminated.

(2) Details of analysis and examination of the status of operating results, etc. from management's perspective

Details of the recognition, analysis, and examination of the status of operating results, etc. of the Group from management's perspective are as follows. The forward-looking statements included in the following description are based on our judgment as of March 31, 2022.

1) Details of the recognition, analysis, and examination of the status of operating results, etc. for the fiscal year ended March 31, 2022

A. Operating results

(Net sales)

Consolidated net sales were 218,610 million yen, a decrease of 2.0% year on year, due particularly to sluggish sales of the Ham & Sausage Products department, as consumers tended to save more and more money due to the uncertain outlook of the economy against the backdrop of impact of the COVID-19 pandemic and the rising geopolitical risk. By segment, net sales of the Processed Food Products operations were 148,011 million yen, a decrease of 2.5% year on year, net sales of the Meat Products operations were 70,455 million yen, a decrease of 0.9% year on year, and net sales of Other were 143 million yen, a decrease of 4.9% year on year.

(Cost of sales, gross profit)

Consolidated cost of sales fell by 1.0% year on year to 186,651 million yen due mainly to a decline in the purchase of merchandise and raw materials resulting from decreased net sales. The ratio of cost of sales to net sales rose by 0.9 percentage points year on year to 85.4%, affected mainly by lower selling prices due to intensified sales competition and higher costs for raw materials and energy.

Consolidated gross profit declined by 7.4% year on year to 31,958 million yen.

(Selling, general and administrative expenses; operating profit)

Consolidated selling, general and administrative expenses dropped by 5.8% year on year to 32,823 million yen owing mainly to reduced logistics costs resulting from lower net sales.

Operating loss was 865 million yen, compared to operating loss of 333 million yen for the previous fiscal year, impacted mainly by lower net sales, lower selling prices due to intensified sales competition, higher raw material prices, and weak demand for eating out.

As for segment income (loss), segment loss for the Processed Food Products operations was 1,076 million yen, worse than segment loss of 938 million yen for the previous fiscal year. Segment income for the Meat Products operations was 173 million yen, down 68.4% year on year, and segment income for Other was 38 million yen, down 32.8% year on year. Operating results for each segment are stated in "(1) Overview of operating results, etc., 1) Financial position and operating results, B. Operating results."

(Ordinary profit; profit attributable to owners of parent)

We posted consolidated ordinary loss of 380 million yen due mainly to an increase in operating loss, compared to ordinary profit of 180 million yen for the previous fiscal year.

We posted consolidated loss attributable to owners of parent of 376 million yen, compared to consolidated profit attributable to owners of parent of 412 million yen for the previous fiscal year, due mainly to an increase in operating loss, despite the recording of gain on sale of investment securities in extraordinary income, etc.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year-on-year change	Year-on-year change (%)
			(amount)	
Net sales	223,000	218,610	(4,390)	(2.0)%
Cost of sales	188,487	186,651	(1,836)	(1.0)%
Ratio to net sales	84.5%	85.4%	0.9%	–
Gross profit	34,512	31,958	(2,554)	(7.4)%
Ratio to net sales	15.5%	14.6%	(0.9)%	–
Selling, general and administrative expenses	34,845	32,823	(2,022)	(5.8)%
Ratio to net sales	15.6%	15.0%	(0.6)%	–
Operating loss	(333)	(865)	(532)	–
Ratio to net sales	(0.1)%	(0.4)%	(0.3)%	–
Ordinary profit (loss)	180	(380)	(561)	–
Ratio to net sales	0.1%	(0.2)%	(0.3)%	–
Profit (loss) attributable to owners of parent	412	(376)	(788)	–
Ratio to net sales	0.2%	(0.2)%	(0.4)%	–

(Progress in the Medium-Term Management Plan)

The Group had drew up its 3-Year Medium-Term Management Plan starting on April 1, 2021 through March 31, 2024. However, the environment surrounding our business is drastically changing and growing highly uncertain mainly because of the prolonged impact of the COVID-19 pandemic, disrupted logistics, and soaring costs for raw materials and energy such as crude oil and grain against a backdrop of the war in Ukraine, among other factors. For this reason, we have formulated a revised 3-Year Medium-Term Management Plan for a period from April 1, 2022 through March 31, 2025 after recalculating and reviewing numerical targets. To flexibly respond to changes in the management environment in the future, we have decided to announce a 3-year medium-term rolling plan with numerical targets, in principle, by reviewing it every year.

Details of the revised 3-Year Medium-Term Management Plan are stated in “II. Overview of Business, 1. Management policy, business environment, issues to address.”

B. Financial position

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022	Changes
Total assets	131,342	128,903	(2,438)
Liabilities	53,592	53,414	(177)
Net assets	77,750	75,489	(2,261)
Equity ratio	58.7%	58.1%	(0.6)%
Net assets per share	3,036.59 yen	2,969.87 yen	(66.72) yen

Consolidated total assets as of March 31, 2022 were 128,903 million yen, a decrease of 2,438 million yen from the end of the previous fiscal year, due mainly to decreases in investment securities of 1,595 million yen; in raw materials and supplies of 616 million yen; and in cash and deposits of 485 million yen, despite an increase in merchandise and finished goods of 1,534 million yen.

Consolidated liabilities declined by 177 million yen from the end of the previous fiscal year to 53,414 million yen, helped mainly by decreases in accounts payable - other of 625 million yen and in deferred tax liabilities of 477 million yen, despite increases in notes and accounts payable - trade of 677 million yen and in interest-bearing liabilities of 273 million yen.

Consolidated net assets declined by 2,261 million yen from the end of the previous fiscal year to 75,489 million yen, due mainly to a decrease in valuation difference on available-for-sale securities of 953 million yen, payment of dividends of surplus of 762 million yen, and the recording of loss attributable to owners of parent of 376 million yen.

As a result, equity ratio as of March 31, 2022 stood at 58.1%, a decrease of 0.6% from the end of the previous fiscal year. However, since it still remained at the same level as in the previous fiscal year, we have determined that the Group's financial standing has been sound at a certain level.

By segment, assets of the Processed Food Products operations were 85,353 million yen, compared to 87,405 million yen for the previous fiscal year; assets of the Meat Products operations were 19,817 million yen, compared to 17,821 million yen for the previous fiscal year; and assets of Other and corporate assets not allocated to the reportable segments were 23,733 million yen, compared to 26,115 million yen for the previous fiscal year. The primary factors for a fall in consolidated assets of the Processed Food Products operations were a decrease in raw materials and supplies and a drop in accounts receivable - trade resulting from lower net sales.

C. Cash flows, capital resources, and cash liquidity

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio	58.3%	57.0%	56.5%	58.7%	58.1%
Equity ratio on a market value basis	49.9%	36.1%	37.7%	33.2%	28.9%
Ratio of cash flows to interest-bearing liabilities	4.7 years	2.7 years	2.3 years	2.7 years	2.9 years
Interest coverage ratio	17.3 times	31.3 times	39.7 times	32.9 times	31.9 times
Capital expenditure (Millions of yen)	10,850	9,589	9,167	6,133	7,374
Depreciation (Millions of yen)	5,688	6,433	6,801	7,798	7,945

(Note) Equity ratio = Owners' equity / Total assets

Equity ratio on a market value basis = Aggregate market value / Total assets

Ratio of cash flows to interest-bearing liabilities = Interest-bearing liabilities / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payment

* Each indicator is calculated based on the consolidated financial data.

* Aggregate market value is calculated by multiplying the closing price of shares at end of period by the number of issued shares (after deducting the number of treasury shares).

* For operating cash flows, we use cash flows from operating activities in the consolidated statement of cash flows.

* Of the liabilities in the consolidated balance sheet, interest-bearing liabilities refer to all of those for which we pay interest. Interest payment refers to the interest paid in the consolidated statement of cash flows.

* The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. Accordingly, equity ratio and equity ratio on a market value basis for the fiscal year ended March 31, 2018 are stated as figures to which the above accounting standard has been retrospectively applied.

* We have applied changes in accounting policies since the beginning of the fiscal year ended March 31, 2022. The financial data for the fiscal year ended March 31, 2021 are stated as figures to which the said changes in accounting policies have been retrospectively applied.

With regard to capital resources, the Group views as one of the top priorities to secure appropriate funds for our operations, to maintain liquidity of funds, and to create stable operating cash flows aimed for a sound financial position.

To increase shareholders' value, we must prepare an environment in which we can raise funds based on our continuously growing operations while maintaining a steadfast financial standing.

Although capital expenditure was lower than depreciation for the fiscal year ended March 31, 2022 for the second consecutive fiscal year, it had been higher than depreciation for a period from the fiscal year ended March 31, 2018 through the fiscal year ended March 31, 2020. In this situation, equity ratio, the ratio of cash flows to interest-bearing liabilities, and the interest coverage ratio, among other indicators, have remained at stable levels. For this reason, we have determined that the Group has maintained a financial standing that enables us to remain sound at a certain level and to raise funds for implementing our growth strategy.

As consolidated cash flows for the fiscal year ended March 31, 2022 are stated in "(1) Overview of operating results, etc., 2) Cash flows," net cash provided by (used in) operating activities rose by 7,030 million yen, and net cash provided by (used in) investing activities fell by 5,688 million yen, which led us to secure free cash flows of 1,341 million yen. While interest-bearing liabilities dropped by 691 million yen, we paid dividends of 762 million yen, purchased treasury shares of 368 million yen. As a result, cash and cash equivalents decreased by 485 million yen.

As dividend policy is stated in "IV. Information about Reporting Company, 3. Dividend policy," the Group views the return of profits to shareholders as a key management issue. Taking into consideration consolidated earnings performance and financial conditions, and based on our basic policy to maintain stable dividends, we have decided on an ordinary dividend of 30 yen per share for the current fiscal year.

The Group made a provisional calculation of capital cost as a reference when formulating the Medium-Term Management Plan and to verify the reasonableness of cross-shareholdings. However, since there are various ways of thinking about what numerical data should be used for calculation, we refrain from making public the specific data we used. Capital cost is the returns investors should expect, so we would like to understand what an appropriate capital cost is through dialogue with institutional investors and other investors, aiming to leverage it to achieve operational targets and maximize shareholder returns.

The Group's working capital is most needed by operating expenses for manufacturing products, including raw material costs, labor costs, expenses, and selling, general and administrative expenses. Meanwhile, the capital intended for investment is most needed by the capital expenditure to expand, streamline, and improve production facilities and to improve product quality. We raise these necessary funds through our own capital, which are mainly from operating cash flows. We did not conduct material fundraising, including an increase in capital or issuance of corporate bonds, during the fiscal year ended March 31, 2022. Capital expenditure on an asset basis for the fiscal year ending March 31, 2023 is estimated at 9,200 million yen in total, a majority of which we are planning to raise through our own capital and leases.

The Group has entered into overdraft contracts with our banks for effective fundraising, and the unexercised portion of facilities based on these contracts is 24,770 million yen as of March 31, 2022. Adding this amount to cash and deposits of 7,990 million yen as of March 31, 2022 will bring the total to 32,760 million yen, which surpasses an average net sales per month for the fiscal year ended March 31, 2022. For this reason, we have determined that we are at a certain level in terms of fund capabilities for any emergent demand. Of the overdraft contracts, those with 10,000 million yen were added during the previous fiscal year to prepare ourselves for any possible adversity caused by the COVID-19 pandemic. As of March 31, 2022, we completed a shelf registration of corporate bonds with the planned issuance amount of 20,000 million yen, although details about their new issuance are yet to be worked out. This new issuance would prepare us for the demand for funds, including those for facilities, investment and financing, repayments of borrowings, and working capital.

2) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared on the basis of accounting principles generally accepted in Japan. We calculated the estimates needed to prepare these consolidated financial statements based on reasonable standards.

We have judged these estimates based on the various factors we deemed appropriate in light of past results or according to the information available when making the estimates. However, the estimates might differ from actual results in the future if there is any change in the conditions used as assumptions for the estimates or in the business environment.

The earnings targets used for accounting estimates have assumed that, concerning the effects of the COVID-19 pandemic, lifting of state of quasi-emergency and progress in vaccination will turn around the demand for commercial food products for the restaurant industry for recovery, albeit slowly. However, since the effects of the pandemic still largely remain uncertain, the estimates might differ from actual results in the future.

Of the accounting estimates and assumptions used to prepare the consolidated financial statements, those of importance are stated in “V. Financial Information, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, [Notes], (Significant accounting estimates).”

4. Material contracts, etc.

Not applicable.

5. Research and development activities

The Group encourages the product development underpinned by basic research to create products that are safe and sensitive to the latest trends, and also promotes the planning supported by strategic marketing. Our planning and development are based on the latest marketing data and market analysis. By conducting sweeping marketing research including consumer surveys, we are eager to clarify the needs that are truly meaningful to consumers. Based on our product development in line with such consumer needs, we endeavor to be a manufacturer that is needed by consumers more than ever. What we cherish the most is to produce a product that deeply impresses our customers with its deliciousness.

The research and development expenses paid by the Group during the fiscal year ended March 31, 2022 were 673 million yen in total, mainly for the research and development activities of the Processed Food Products operations.

(Processed Food Products operations)

The Ham & Sausage Products department launched “*Tappuri Tsukaeru Loin Ham - Loin Ham in a Larger Volume*” and “*Tappuri Tsukaeru Bacon - Bacon in a Larger Volume*,” both of which are in a package using biomass ink, as part of our initiative to reduce environmental footprint. The department also added new products to the *Dashi No Chikara De Oishisa Sono Mama* series, such as loin ham, bacon, uncured ham, and cut ham, against a backdrop of the growing health consciousness among consumers. By adding the *umami* from a broth of bonito and vegetables or a broth of kombu kelp, we have successfully cut the amount of the salt used in the product by 25% compared with other existing products but maintains its original tastiness.

The Precooked & Processed Foods department changed the form of a package for “*Chicken Nugget*” in a bulk bag to a zip package, which is more convenient for storage, given the growing demand for eat-in and other factors. Also, as an increasing number of people became more eager for Korean dishes against a backdrop of the stay-at-home request amid the COVID-19 pandemic, we launched new products, “*Budae Jjigae*,” “*Jjimdak*,” and “*Jjukkumi Bokkeum*” under the *Kanbi Shokudo* (literally meaning Korean gourmet food) series as easy-to-prepare meals that boast authentic taste you had only been able to enjoy only at diners in Korea before. The department changed the forms of some packages for the *Sundubu* series, too, to a stand-up pouch, which is easier to stack on store shelves, and also to a package that can cut in a straight line. In addition, amid rising demand for convenience, we also changed the form of a package for the following series to a microwavable pouch: the *Bistro Club Beef Curry* series, which is popular for its flavors brought out by 51 kinds of spices and herbs; and the *Chef's Craft* retort-pouch instant curry series, which has pursued an original taste.

The Central Research Institute jointly conducts the research and development of plant-based foods with the development department of the operating division. Plant-based foods are an area attracting attention from around the globe against a backdrop of growing public awareness of the environmental and health issues and also in light of animal welfare. In view of the anticipated shortage of protein in the future, the Institute focuses on the research and development of a material that can be the next generation's protein. We made a presentation of chicken-derived plasmalogen at an academic conference twice in the fiscal year ended March 31, 2022, as the result of a joint research with a university. The paper was published in an English magazine of The Pharmaceutical Society of Japan. Since we filed the second functional claim, which is the “maintenance of the speed of the cognitive function”, we have been receiving more and more inquiries from consumers interested in retaining the cognitive function. We will continue striving to gain more recognition of plasmalogen in the fiscal year ending March 31, 2023 by making the new findings that have been obtained through the joint research widely known at an exhibition.

(Meat Products operations and Other)

No applicable matters to report.

III. Information about Facilities

1. Overview of capital expenditures

The Group spent capital expenditure of 7,374 million yen in total for the fiscal year ended March 31, 2022, mainly for the investment in expansion, streamlining and quality improvement of production facilities. The total amount of capital expenditure also includes the investment in property, plant and equipment and in intangible assets.

2. Major facilities

(1) Reporting company

As of March 31, 2022

Business place (Location)	Name of business segment	Details of facilities	Book value (Millions of yen)					Total	Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (Area in m ²)	Leased assets	Other		
Hokkaido Plant (Iwamizawa-shi, Hokkaido)	Processed Food Products operations	Manufactur ing facility	420	242	116 (43,460)	0	5	786	2
Iwate Plant (Hanamaki-shi, Iwate Prefecture)	Processed Food Products operations	Manufactur ing facility	277	403	254 (42,335)	5	8	949	5
Niigata Plant (Joetsu-shi, Niigata Prefecture)	Processed Food Products operations	Manufactur ing facility	666	922	227 (51,483)	6	18	1,842	6
Kanto Plant (Shimotsuke-shi, Tochigi Prefecture)	Processed Food Products operations	Manufactur ing facility	1,406	1,992	181 (66,193)	2	34	3,617	70
Ibaraki Plant (Inashiki-shi, Ibaraki Prefecture)	Processed Food Products operations	Manufactur ing facility	257	597	152 (14,932)	1	4	1,013	12
Yokosuka Plant (Yokosuka-shi, Kanagawa Prefecture)	Processed Food Products operations	Manufactur ing facility	250	590	2,476 (6,412)	2	5	3,326	5
Shonan Plant (Hiratsuka-shi, Kanagawa Prefecture)	Processed Food Products operations	Manufactur ing facility	248	227	1,004 (13,937)	1	4	1,485	13
Shizuoka Plant (Kakegawa-shi, Shizuoka Prefecture)	Processed Food Products operations	Manufactur ing facility	171	213	359 (34,862)	0	8	754	14
Matsusaka Plant (Matsusaka-shi, Mie Prefecture)	Processed Food Products operations	Manufactur ing facility	147	246	146 (12,010)	0	3	544	9
Takatsuki Plant (Takatsuki-shi, Osaka)	Processed Food Products operations	Manufactur ing facility	935	2,748	322 (53,889)	38	20	4,065	52
Okayama Plant (Tsuyama-shi, Okayama Prefecture)	Processed Food Products operations	Manufactur ing facility	174	294	454 (42,891)	0	8	933	10
Hiroshima Plant (Miyoshi-shi, Hiroshima Prefecture)	Processed Food Products operations	Manufactur ing facility	345	575	335 (48,753)	4	13	1,273	7
Karatsu Plant (Karatsu-shi, Saga Prefecture)	Processed Food Products operations	Manufactur ing facility	1,751	2,203	501 (39,228)	5	31	4,493	18
Tohoku Hokkaido Sales Dept. (Natori-shi, Miyagi Prefecture, and other locations)	Processed Food Products operations Meat Products operations	Sales facility	158	10	393 (13,058)	2	4	569	28
East Japan Sales Dept. (Chuo-ku, Tokyo, and other locations)	Processed Food Products operations Meat Products operations	Sales facility	257	7	685 (7,549)	9	9	969	125
Chubu Sales Dept. (Komaki-shi, Aichi Prefecture, and other locations)	Processed Food Products operations Meat Products operations	Sales facility	168	6	656 (10,032)	2	4	838	32
Kansai Sales Dept. (Nishinari-ku, Osaka- shi, and other locations)	Processed Food Products operations Meat Products operations	Sales facility	201	4	835 (12,182)	6	15	1,062	91
Chu-Shikoku Sales Dept. (Nishi-ku, Hiroshima- shi, and other locations)	Processed Food Products operations Meat Products operations	Sales facility	159	3	392 (7,427)	3	4	563	37
Kyushu Sales Dept. (Kasuya-gun, Fukuoka Prefecture, and other locations)	Processed Food Products operations Meat Products operations	Sales facility	171	10	241 (8,389)	3	6	433	25

(2) Subsidiaries in Japan

As of March 31, 2022

Company name	Business place (Location)	Name of business segment	Details of facilities	Book value (Millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (Area in m ²)	Leased assets	Other	Total	
Toda Foods Co., Ltd.	Head Office and plant (Toda-shi, Saitama Prefecture, and other locations)	Processed Food Products operations	Manufacturing facility	3,084	1,217	1,152 (21,270)	863	68	6,386	152
Azumino Food Co., Ltd.	Head Office and plant (Matsumoto-shi, Nagano Prefecture, and other locations)	Processed Food Products operations	Manufacturing facility	1,726	1,448	905 (55,711)	1,820	110	6,011	117
Toraku Foods Co., Ltd.	Head Office and plant (Higashinada-ku, Kobe-shi, Hyogo Prefecture, and other locations)	Processed Food Products operations	Manufacturing facility	1,149	1,124	772 (9,094)	369	95	3,511	184

- (Notes)
1. There are no major facilities out of operation.
 2. The "Other" item under book value refers to a total of tools, furniture and fixtures, and intangible assets.
 3. The figures for the reporting company's Takatsuki Plant include the land of the Head Office.

3. Planned addition, retirement, and other changes of facilities

(1) Planned addition of material facilities

The Group plans to add or repair material facilities as of March 31, 2022 as follows. For your information: Capital expenditure on an asset basis for the fiscal year ending March 31, 2023 is estimated at 9,200 million yen in total.

Company name	Business place (Location)	Name of business segment	Details of facilities	(Planned amounts of investment)		Fundraising method	Starting date	Estimated completion date
				Total amount (Millions of yen)	Amount already paid (Millions of yen)			
Reporting company	Takatsuki Plant (Takatsuki-shi, Osaka)	Processed Food Products operations	Improvement in the efficiency of manufacturing facilities, etc.	4,090	2,877	By our own capital	July 2018	June 2023
Reporting company	Kanto Plant (Shimotsuke-shi, Tochigi Prefecture)	Processed Food Products operations	Improvement in the efficiency of manufacturing facilities, etc.	3,489	1,101	By our own capital	December 2020	March 2024
Reporting company	Karatsu Plant (Karatsu-shi, Saga Prefecture)	Processed Food Products operations	Improvement in the efficiency of manufacturing facilities, etc.	1,133	377	By our own capital	December 2020	September 2022
Reporting company	Takatsuki Plant (Takatsuki-shi, Osaka)	Processed Food Products operations	Addition of facilities due to transfer of production	1,618	–	By our own capital	March 2022	February 2023
Toraku Foods Co., Ltd.	Head Office and plant (Higashinada-ku, Kobe-shi, Hyogo Prefecture)	Processed Food Products operations	Manufacturing facilities, etc. for whipped cream for retail	750	–	By our own capital and leases	September 2021	July 2022
Toraku Foods Co., Ltd.	Head Office and plant (Higashinada-ku, Kobe-shi, Hyogo Prefecture)	Processed Food Products operations	Manufacturing facilities, etc. for whipped cream for commercial use	460	–	By our own capital and leases	May 2022	August 2023

(2) Planned retirement of material facilities

Not applicable, except for the removal of operating facilities for regular renovation.

IV. Information about Reporting Company

1. Company's shares, etc.

(1) Total number of shares, etc.

1) Authorized shares

As of March 31, 2022

Class	Total number of shares authorized to be issued (Shares)
Common stock	40,000,000
Total	40,000,000

2) Issued shares

Class	As of the end of the current fiscal year (Shares) (March 31, 2022)	As of the filing date (Shares) (June 27, 2022)	Stock exchange on which the Company is listed	Details
Common stock	26,505,581	26,505,581	Tokyo Stock Exchange First Section (as of the current fiscal year) Prime Market (as of the filing date) Frankfurt Stock Exchange	A minimum trading unit: 100 shares
Total	26,505,581	26,505,581	—	—

(2) Share acquisition rights

1) Employee share option plans

Not applicable.

2) Rights plans

Not applicable.

3) Share acquisition rights for other uses

Not applicable.

(3) Exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in total number of issued shares, share capital and legal capital surplus

Date	Changes in the total number of issued shares (Thousands of shares)	Balance of the total number of issued shares (Thousands of shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
October 1, 2018 (Note)	(106,022)	26,505	—	6,716	—	21,685

(Note) This is attributable to the Company's one-for-five share consolidation of its common stock.

(5) Shareholding by shareholder category

As of March 31, 2022

Category	Status of shares (the minimum unit consists of 100 shares)								Status of shares below unit (Shares)
	Government and local municipalities	Japanese financial institutions and insurance companies	Financial instruments business operators	Other Japanese corporations	Foreign corporations, etc.		Individuals, others	Total	
					Others	Individuals			
Number of shareholders	–	32	27	178	72	18	25,066	25,393	–
Number of shares held (Units)	–	81,120	2,002	51,420	19,749	41	110,360	264,692	36,381
Percentage of shares held (%)	–	30.65	0.76	19.43	7.46	0.02	41.69	100.00	–

(Note) 1,308,897 shares of treasury shares consist of 13,088 units listed under “Individuals, others,” and 97 shares under “Status of shares below unit” The actual number of treasury shares is 1,308,897 as of March 31, 2022.

(6) Major shareholders

As of March 31, 2022

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding shares of treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	2,537	10.06
Marudai Kyoei Kai	21-3 Midori-cho, Takatsuki-shi, Osaka	2,017	8.00
Kanematsu Corporation	119 Ito-machi, Chuo-ku, Kobe-shi, Hyogo Prefecture	1,192	4.73
Komori Memorial Foundation	Inside the Head Office of Marudai Food Co., Ltd. at 21-3 Midori-cho, Takatsuki-shi, Osaka	1,050	4.16
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	887	3.52
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	864	3.43
Sumitomo Life Insurance Company	7-18-24 Tsukiji, Chuo-ku, Tokyo	860	3.41
The Norinchukin Bank	1-2-1 Otemachi, Chiyoda-ku, Tokyo	642	2.55
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	583	2.31
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	511	2.03
Total	–	11,148	44.24

- (Notes)
- Number of shares held is rounded down to the nearest thousand.
 - Percentage of shares held is rounded down to the second decimal place.
 - The Company owns 1,308,897 shares of treasury shares but excludes itself from the major shareholders above.
 - Komori Memorial Foundation is a public interest incorporated foundation established in accordance with the last will of the Company's founding president, the late Mr. Toshiyuki Komori. This Foundation is aimed to provide monetary support for scholarship programs and academic research, among others, using the dividends, etc. gained by managing its base assets, which mainly consist of the Company's shares.
 - The following shares fall into the shares related to trust business:

The Master Trust Bank of Japan, Ltd. (Trust Account)	2,537 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	583 thousand shares

6. The change report on large shareholdings that was made available to the public on October 22, 2021 states that SMBC Nikko Securities Inc. and its joint holders, Sumitomo Mitsui Banking Corporation owned the following shares as of October 15, 2021. However, since the Company has not been able to confirm the actual number of shares alleged to be held by SMBC Nikko Securities Inc. as of March 31, 2022, the Company does not include its information in the major shareholders above.

The details of the change report on large shareholdings are as follows:

Name	Address	Number of share certificates, etc. held (Thousands of shares)	Percentage of share certificates, etc. held (%)
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	29	0.11
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	887	3.35
Total	—	917	3.46

7. The change report on large shareholdings that was made available to the public on December 6, 2021 states that Sumitomo Mitsui Trust Bank, Limited and its joint holders, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., owned the following shares as of November 30, 2021. However, since the Company has not been able to confirm the actual number of shares alleged to be held by the two companies other than Sumitomo Mitsui Trust Bank, Limited as of March 31, 2022, the Company does not include the information of those two companies in the major shareholders above.

The details of the change report on large shareholdings are as follows:

Name	Address	Number of share certificates, etc. held (Thousands of shares)	Percentage of share certificates, etc. held (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	864	3.26
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	615	2.32
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	282	1.07
Total	—	1,763	6.65

(7) Voting rights

1) Issued shares

As of March 31, 2022

Category	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	—	—	—
Shares with limited voting rights (treasury shares, etc.)	—	—	—
Shares with limited voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common stock 1,308,800	—	—
Shares with full voting rights (others)	Common stock 25,160,400	251,604	—
Shares below one unit	Common stock 36,381	—	—
Total number of issued shares	26,505,581	—	—
Total voting rights held by all shareholders	—	251,604	—

(Note) The number of shares of common stock in “Shares below one unit” includes 97 treasury shares held by the Company.

2) Treasury shares, etc.

As of March 31, 2022

Shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total number of shares held (Shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury shares) Marudai Food Co., Ltd.	21-3 Midori-cho, Takatsuki-shi, Osaka	1,308,800	—	1,308,800	4.93
Total	—	1,308,800	—	1,308,800	4.93

2. Acquisition and disposal of treasury shares

Class of shares, etc.: Acquisition of common stock in accordance with Article 155, Items 3 and 7 of the Companies Act

- (1) Acquisition by resolution of shareholders meeting
Not applicable.
- (2) Acquisition by resolution of board of directors meeting
Acquisition in accordance with Article 155, Item 3 of the Companies Act

Category	Number of shares (Shares)	Total amount (Millions of yen)
Resolution at the meeting of the Board of Directors as of August 30, 2021 (Acquired from August 31, 2021 to August 31, 2021)	226,300	405
Treasury shares acquired before the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	205,700	368
Total number and amount of remaining shares to be acquired by resolution	20,600	36
Percentage of unexercised portion as of the end of the current fiscal year (%)	9.10	9.10
Treasury shares acquired during the period reported	–	–
Percentage of unexercised portion as of the filing date (%)	9.10	9.10

(Note) These shares were acquired through ToSTNeT-3, the off-auction treasury shares repurchase system of the Tokyo Stock Exchange.

- (3) Acquisition not based on resolution of shareholders meeting or board of directors meeting
Acquisition in accordance with Article 155, Item 7 of the Companies Act

Category	Number of shares (Shares)	Total amount (Millions of yen)
Treasury shares acquired during the current fiscal year	197	0
Treasury shares acquired during the period reported	10	0

(Note) “Treasury shares acquired during the period reported” does not include the number of shares below one unit acquired during the period from June 1, 2022 to the filing date of this Annual Securities Report.

- (4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		The period reported	
	Number of shares (Shares)	Total amount disposed (Millions of yen)	Number of shares (Shares)	Total amount disposed (Millions of yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were disposed of	–	–	–	–
Treasury shares transferred due to merger, stock exchange, stock delivery, or corporate separation	–	–	–	–
Number of shares of treasury shares held	1,308,897	–	1,308,907	–

(Note) “Number of shares of treasury shares held” during the period reported does not include the number of shares below one unit acquired during the period from June 1, 2022 to the filing date of this Annual Securities Report.

3. Dividend policy

The Company views the return of profits to shareholders as a key management issue. The Company will make it a basic policy to maintain stable dividends, while taking into consideration consolidated earnings performance and financial conditions.

Our dividends of surplus are paid basically once a year as a year-end dividend, the amount of which is decided by the General Meeting of Shareholders.

We intend to make effective use of internal reserves to strengthen our management foundation and competitiveness, aiming to increase our corporate value further by establishing a profitable earnings basis.

Based on the abovementioned policy, we have decided on an ordinary dividend of 30 yen per share for the current fiscal year.

(Note) Dividends of surplus whose record date falls on the current fiscal year are as follows:

Date of resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at the Ordinary General Meeting of Shareholders held on June 24, 2022	755	30

4. Corporate governance

(1) Overview of corporate governance

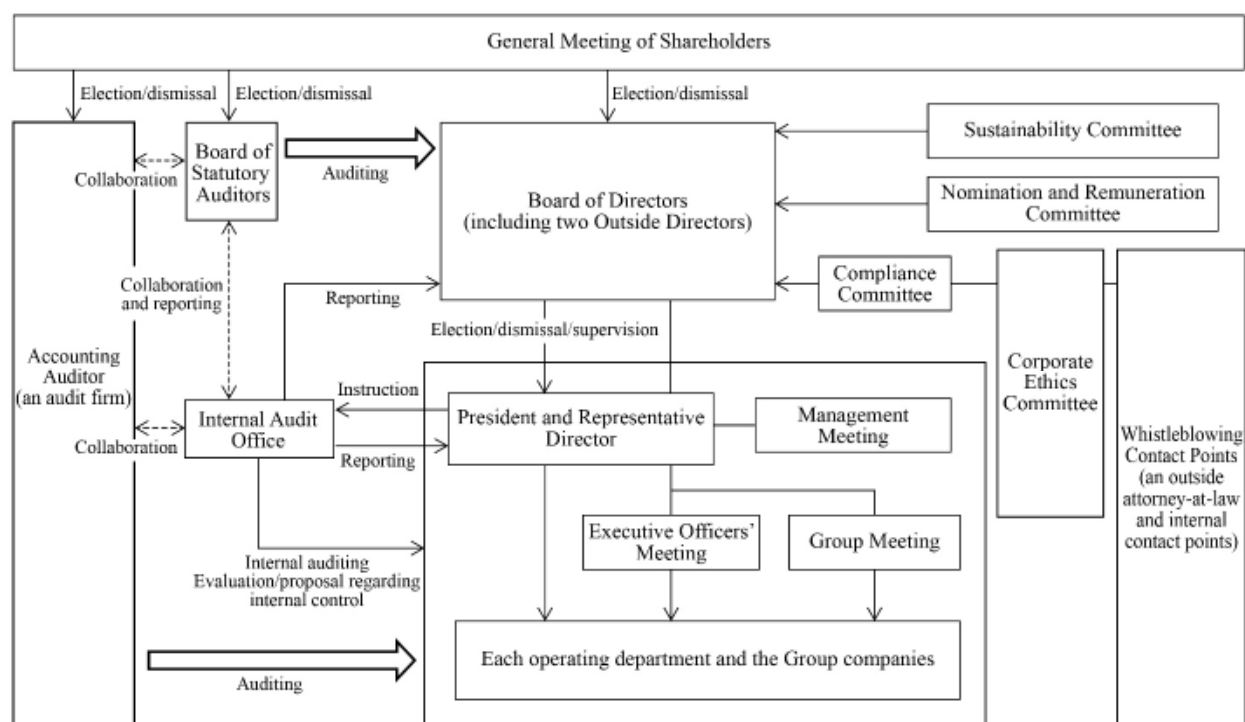
1) Basic policy on corporate governance

The Company's basic policy on corporate governance is to commit ourselves to the corporate management to gain credibility from consumers. Given the growing consumer interest in the food safety, we will strive to strengthen our quality assurance system further to provide consumers with safer and healthier food products. To do so, we will establish a comprehensive hygiene management system, such as the HACCP management system, and ensure that we appropriately label products in accordance with safety requirements as well as with laws and regulations.

The Company formulated the Marudai Food Group's Code of Conduct in January 2004 to comply with the laws and regulations relevant to overall corporate operations as well as corporate ethics, and to further raise the awareness of the Group's Directors/Statutory Auditors and employees, aiming to be a company broadly supported in society by consumers, shareholders, business partners, etc.

2) Overview of the Company's corporate governance system and the reason for adopting this system

The Company's systems for business execution and internal control, as well as the implementation status of measures, are as follows:



(The Company's administrative bodies)

The Company has the General Meeting of Shareholders, the Board of Directors, the Sustainability Committee, the Nomination and Remuneration Committee, the Management Meeting, the Executive Officers' Meeting, and the Group Meeting as management bodies to maintain a system for swift decision-making and business execution. Meanwhile, the Company also has the Compliance Committee and the Corporate Ethics Committee in place to maintain a system of continuously monitoring and supervising the status of the Company's compliance with laws and regulations. Since we have judged that each Statutory Auditor as well as the Board of Statutory Auditors has been functioning as a supervisor to management, we have chosen to be a Company with a Board of Statutory Auditors.

A. Board of Directors

In addition to a monthly regular meeting, the Board of Directors holds an extraordinary meeting in a timely manner, if necessary, to make decisions on material matters related to management and to oversee each Director's execution of their duties. We have six Directors, two of whom are Outside Directors including one woman. By appointing talent with abundant experience and advanced expertise and techniques as Directors, we are striving to make our operations more transparent and fairer.

The meetings of the Board of Directors were held 14 times during the fiscal year ended March 31, 2022, with the attendance rate of Directors being 99% and that of Statutory Auditors being 100%.

B. Sustainability Committee

We have the Sustainability Committee in place, chaired by President and Representative Director, which engages in socially and environmentally friendly operations. By so doing, we promote the Group Sustainability Basic Policy and Sustainability Action Guidelines as part of our responsibility for contributing to the development of a sustainable society. The Sustainability Committee regularly reports to the Board of Directors about sustainability-related matters of the Group, striving to realize our sustainable growth and enhanced corporate value.

C. Nomination and Remuneration Committee

We have the Nomination and Remuneration Committee in place as of the filing date to ensure the transparency and objectivity of the process to decide the candidates for Directors and Statutory Auditors and to decide Directors' remuneration. The Nomination and Remuneration Committee comprises three members, two of whom are Independent Outside Directors, and deliberates the following matters, etc. and advises the Board of Directors.

- Matters related to the election of candidates for Directors and Statutory Auditors
- Matters related to the dismissal of Directors and Statutory Auditors
- Matters related to the selection and dismissal of Representative Director
- Matters related to the plan for successors
- Matters related to the policy for deciding Directors' remuneration, etc.
- Matters related to the decision of each Director's remuneration, etc.

D. Management Meeting

The Management Meeting comprises full-time Directors and is attended by those other than full-time Directors, if necessary. It is held twice a month, in principle, to deliberate in advance matters subject to resolution by the Board of Directors and to deliberate and examine other material matters related to management.

E. Executive Officers' Meeting

We have introduced an executive officer system, in which Executive Officers execute their duties under the direction of President and Representative Director in accordance with the decisions by the Board of Directors. The Executive Officers' Meeting comprises Directors including Outside Directors, Statutory Auditors, and Executive Officers. It is held once a quarter, in principle, to report, deliberate, and examine Executive Officers' execution of their duties.

F. Group Meeting

The Group Meeting comprises Directors including Outside Directors, Statutory Auditors, and presidents of major subsidiaries. It is held once every three months, in principle, to report, deliberate, and examine subsidiaries' operating results, financial conditions, and other material matters.

G. Compliance Committee

We have the Compliance Committee in place, chaired by an Independent Outside Director, to oversee the Group's compliance situation and promote observance of laws. With regard to the Compliance Awareness Survey that covers all the employees of the Group, the Compliance Committee reports to the Board of Directors on the survey results in addition to the cases, etc. deliberated at the Corporate Ethics Committee. By so doing, it strives to raise the awareness about compliance based on corporate ethics and to make the importance of such compliance thoroughly understood, in addition to the importance of observance of laws.

H. Corporate Ethics Committee

We have the Corporate Ethics Committee in place, chaired by a Director. It conducts fact-finding surveys concerning violations of corporate ethics, the cases reported by an insider, etc., and examines and formulates prevention measures.

I. Statutory Auditors and the Board of Statutory Auditors

We have three Statutory Auditors, two of whom are Outside Statutory Auditors, one of whom is a full-time Statutory Auditor. Statutory Auditors attend the meeting of the Board of Directors and other material meetings and hold a regular meeting to exchange views with Directors, Executive Officers, and employees, to oversee Directors' business execution. The meeting of the Board of Statutory Auditors is held once a month, in principle, to resolve, discuss, and deliberate material matters related to the audit policy and plan as well as audits. The Board of Statutory Auditors has a system in place to grasp the Group's condition in a timely and appropriate manner by closely working with the Accounting Auditor and the internal auditing departments.

The meetings of the Board of Statutory Auditors were held 16 times during the fiscal year ended March 31, 2022, with the attendance rate of Statutory Auditors being 100%.

J. Internal Audit Office

We have the Internal Audit Office under the direct authority of President and Representative Director as one of the internal auditing departments that conducts the Group's internal business audits and evaluates the status of its internal control. It comprises nine members and works closely with Statutory Auditors concerning the results of audits and evaluation.

3) Other matters related to corporate governance

Basic policy on internal control system and the establishment of such system

A. Basic policy

The Company strives to appropriately establish and operate its internal control system so that all the companies and departments of the Marudai Food Group can fulfill their own roles, with the aim of achieving its corporate philosophy and operational targets and of improving its corporate value and sustainably growing.

With regard to the internal control system, the Internal Audit Office, under the direct authority of President and Representative Director, plays a core role in evaluating how the internal control system is implemented at the Company's individual departments and the Group's companies overall and in making proposals accordingly.

The Company resolved a proposal for the "Systems for Ensuring Proper Business Activities (internal control system)" stipulated by the Companies Act and the Regulations for Enforcement of the Companies Act at the meeting of the Board of Directors held in May 2006, and resolved a proposal for partially amending the said resolution at the meeting of the Board of Directors held in May 2015. We will continue to enhance transparency of our overall management through active disclosure of information.

B. Business execution and internal control system

- (A) A system to ensure that Directors and employees execute their duties in compliance with laws and regulations as well as with the Articles of Incorporation of the Company

The Directors and employees of the Company and its subsidiaries shall execute their duties in accordance with the Marudai Food Group's Code of Conduct, which stipulates the observance of laws and regulations, the Articles of Incorporation, and social ethics. The Compliance Committee, chaired by an Independent Outside Director, shall oversee the Group's overall compliance situation and promote observance of laws and regulations, etc.

We shall also formulate the Marudai Food Group's Whistleblowing Rules as part of our internal whistleblowing system and make Directors and employees fully understand it to prevent any violation of laws and regulations or the Articles of Incorporation.

- (B) A system to store and manage the information related to Directors' execution of duties

We shall appropriately store and manage the minutes of the meeting of the Board of Directors and relevant documents, as well as the material information, etc. related to Directors' execution of duties, in accordance with the Document Rules.

- (C) Rules and other systems to manage the risk of loss

The Company and its subsidiaries shall formulate the Marudai Food Group's Risk Management Rules to establish and implement a system that ensures food safety as a group of food companies and that prepares us to respond swiftly in the event of a material accident or natural disaster.

- (D) A system to ensure Directors' efficient execution of duties

We shall make a swift and appropriate decision on management matters at a regular meeting of the Board of Directors after deliberating such matters in advance at the Management Meeting, in accordance with the Rules for the Board of Directors and the Guidelines for Operation of the Board of Directors. We shall also formulate the Rules for Division of Duties and Authority for Organization to ensure that the Directors and employees of the Company and its subsidiaries efficiently execute duties. By so doing, we shall set standards for duties and authority, our chain of command, and other organizational matters to clarify the division of roles, etc. among the Directors and employees of the Company and its subsidiaries.

- (E) A system to ensure the appropriateness of the business activities by the group consisting of the Company and its subsidiaries

In the Company, the Internal Audit Office, independent of the business execution departments, shall audit the Group and regularly report to the Board of Directors and the Board of Statutory Auditors about how our compliance system is established and operated.

- (F) Matters related to the report to the Company about execution of duties by Directors, etc. of its subsidiaries
 The Company shall regularly hold the Group meetings attended by Directors of the Company and directors of its major subsidiaries, where the subsidiaries are obliged to regularly report about their operating results, financial conditions, and other material information. We shall also have a system in place for them to report without delay to the Company about material matters that could affect the Company's operations, including an event that might cause the Company material damage or an event that is in violation of laws and regulations or the Articles of Incorporation.
- (G) Matters related to any employee hired as an assistant for Statutory Auditors if requested by them
 If Statutory Auditors request that we hire an employee as an assistant to effectively conduct the audits by Statutory Auditors, Directors shall properly deploy personnel after discussion with Statutory Auditors.
- (H) Matters related to independence from Directors of the said employee stipulated in a preceding item and effectiveness of directions
 Any decision on personnel matters concerning the employee as an assistant for Statutory Auditors, including the nomination, transfer, and evaluation of the said employee, shall necessitate the prior consent of the Board of Statutory Auditors. Any directions to such employee shall be given by Statutory Auditors.
- (I) A system for Directors and employees of the Company and its subsidiaries to report to Statutory Auditors and systems related to other reports to Statutory Auditors
 We shall have a system in place in which the Directors and employees of the Company and its subsidiaries shall report to Statutory Auditors without delay about any event that might cause the Company or its subsidiaries material damage, any case, etc. that is in violation of laws and regulations or the Articles of Incorporation, any case in which such Directors or employees have received a report about the abovementioned event or case, or any report to the whistleblowing contact points. The Internal Audit Office and the Quality Assurance Dept. shall report to Statutory Auditors about audit results regularly and if necessary.
- (J) A system to prevent anyone who has reported to Statutory Auditors from being treated unfavorably on grounds of making such report
 We shall formulate an internal rule that bans treating unfavorably any Director or employee of the Company or its subsidiaries who has reported to Statutory Auditors, or anyone who has reported to Statutory Auditors upon receiving a report from such Director or employee, on grounds of making such report. We also shall make the Directors and employees of the Company and its subsidiaries fully understand the rule.
- (K) Matters related to the policy for prepayment or reimbursement of the expenses incurred when Statutory Auditors execute duties and the policy for dealing with other expenses and obligations incurred when they execute duties
 If Statutory Auditors request prepayment or reimbursement of the expenses incurred when Statutory Auditors execute duties, the Company shall promptly deal with such expenses or obligations.
- (L) Other systems to ensure that Statutory Auditors' audit is effectively conducted
 The Board of Statutory Auditors shall hold a regular meeting to exchange views with Representative Director and Directors including Outside Directors and work closely with the Accounting Auditor and the internal auditing departments, including the Internal Audit Office and the Quality Assurance Dept.
- C. Initiatives to eliminate antisocial forces
- (A) Basic policy for eliminating antisocial forces
 The Company shall act in accordance with the Guidelines for Enterprises to Prevent Damage Caused by Antisocial Forces (Agreement at a Meeting of Cabinet Ministers Responsible for Anti-Crime Measures as of June 19, 2007) and also in conformity with the Basic Principle resolved at the meeting of the Board of Directors held on January 28, 2008.

- (B) Status of establishment of measures to eliminate antisocial forces
- a. We work on an initiative to eliminate antisocial forces as a corporate body, with the General Affairs Section of the General Affairs and Human Resources Dept. serving as the secretariat for such an initiative.
 - b. We work together with outside specialist bodies: police stations throughout Japan, Osaka Center for Removal of Criminal Organizations, and Osaka Corporate Defense Countermeasures Federation.
 - c. We have no relationship with any antisocial forces, including any business relationship.
 - d. Should we face any civil or criminal case against antisocial forces, we shall act in accordance with instructions from our corporate lawyer.
 - e. Not only to ban doing any behind-the-scenes deal with antisocial forces and supplying funds to them, have we been putting all our energies into our corporate-wide efforts to make the Three No Campaign to Eliminate Antisocial Forces, “No fears, no money, and no use,” fully understood throughout our corporate operations.
- 4) Overview of limited liability agreement
- Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreement with Directors, excluding executive Directors and employees, and with Outside Statutory Auditors to limit their liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of the liability for damages pursuant to the agreement shall be the amount stipulated by laws and regulations. This limited liability is applicable only if such Directors, excluding executive Directors and employees, and such Outside Statutory Auditors conducted the duty that has caused liability in good faith and without gross negligence.
- 5) Overview of a directors and officers (D&O) liability insurance agreement
- The Company has entered into a directors and officers (D&O) liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with its Directors and Statutory Auditors as the insured. The insurance covers the damages that may arise when the insured assumes liability for the execution of his or her duties or receives a claim related to the pursuit of such liability. Insurance premiums are fully paid by the Company. Such insurance agreement is scheduled to be renewed during their term of office as Directors and Statutory Auditors.
- 6) Requisite number of Directors
- The Company stipulates in its Articles of Incorporation that the Board of Directors shall comprise not more than ten Directors. With Directors having diverse specialties and experiences, the Board of Directors shall oversee business execution and make a material decision while ensuring swiftness.
- 7) Requirement for resolution of the election of Directors
- The Company stipulates in its Articles of Incorporation that a resolution for the election of Directors shall be passed with the presence of shareholders who represent one-third or more of the total voting rights, and by a majority of the voting rights held by those shareholders present entitled to exercise their voting rights, but not by cumulative votes.
- 8) Purchase of treasury shares
- The Company stipulates in its Articles of Incorporation that it may purchase its own shares via the market, etc., subject to a resolution of the Board of Directors in accordance with Article 165, Paragraph 2 of the Companies Act. This is aimed to flexibly carry out management measures such as financial policy in response to any changes in economic conditions.
- 9) Requirement for special resolution at the General Meeting of Shareholders
- The Company stipulates in its Articles of Incorporation that special resolutions as stipulated in Article 309, Paragraph 2 of the Companies Act shall be passed with the presence of shareholders who represent one-third or more of the total voting rights, and by two-thirds or more of the voting rights held by those shareholders present entitled to exercise their voting rights. This is aimed to maintain smooth operation of the General Meeting of Shareholders.
- 10) Transactions with related parties
- In the case of conducting transactions with related parties, such as Directors or major shareholders, the Company requires the approval at the meeting of the Board of Directors in accordance with its internal rules.

(2) Directors (and other officers)

1) List of Directors/Statutory Auditors

Male: 8, Female: 1 (Ratio of female to Directors/Statutory Auditors: 11.1%)

As of June 27, 2022

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Shares)
President and Representative Director	Yuji Sato	December 25, 1964	March 1983 April 2005 March 2009 April 2012 April 2013 April 2018 April 2021 June 2021	Joined the Company General Manager of Regional Sales Dept., Kanto Sales Dept. General Manager of Sales Dept., Sales Div. General Manager of Chugoku and Shikoku Sales Dept. Executive Officer, General Manager of Sales Dept. President and Representative Director, Azumino Food Co., Ltd. Managing Executive Officer of the Company President and Representative Director (to present)	(Note3)	3,000
Director and Chairman	Tokuo Kudara	February 2, 1939	February 1960 March 1970 April 1973 October 1981 April 2001 June 2019 June 2021	Joined the Company General Manager, Purchasing Dept. Director Managing Director President and Representative Director Chairman and Representative Director Director and Chairman (to present)	(Note 3)	42,400
Director General Manager of Accounting Dept.	Nobuyoshi Katoh	January 14, 1960	April 2010 May 2012 May 2012 June 2013	General Manager of Tennoji-ekimae Corporate Sales Dept., Sumitomo Mitsui Banking Corporation Joined the Company Executive Officer, General Manager of Accounting Dept. Director, General Manager of Accounting Dept. (to present)	(Note 3)	5,900
Director In charge of Quality Assurance Dept., General Manager of General Affairs and Human Resources Dept. and General Manager of Environmental Protection Office	Toshio Tanaka	January 9, 1963	April 1985 April 2019 June 2021	Joined the Company Executive Officer, General Manager of General Affairs and Human Resources Dept. and General Manager of Environmental Protection Office Director in charge of Quality Assurance Dept., General Manager of General Affairs and Human Resources Dept. and General Manager of Environmental Protection Office (to present)	(Note 3)	1,200
Director	Masahiro Fuchizaki	April 8, 1956	April 1979 April 2007 April 2008 May 2009 June 2009 April 2010 April 2011 June 2011 April 2012 May 2015 June 2019 June 2020 June 2021	Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation) Executive Officer, General Manager of Operations Planning Dept., Sumitomo Mitsui Banking Corporation Executive Officer, Deputy Officer in charge of Operations Planning Dept. and Operations Promotion Dept. Advisor, JSOL Corporation Director, Senior Managing Director Managing Executive Officer, Sumitomo Mitsui Banking Corporation Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc. Director, The Japan Research Institute, Limited Director, Sumitomo Mitsui Financial Group, Inc. Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation Representative Director, President and CEO, The Japan Research Institute, Limited Director and Chairman Special Advisor (to present) Outside Director of the Company (to present)	(Note 3)	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Shares)
Director	Keiko Kaneko	November 27, 1958	April 1981 April 2007 April 2014 October 2014 June 2016 April 2018 June 2019 April 2022	Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) General Manager, Information Security Division Assistant to Director, Senior Counsel for Personal Information Protection, Legal Division General Manager, Security Compliance Division, Benesse Holdings, Inc. General Manager, Information Security Division Associate Professor, Department of Business Law, Faculty of Business Administration, Osaka University of Economics Outside Director of the Company (to present) Senior researcher, Center for International Economic Collaboration (to present)	(Note 3)	—
Full-time Statutory Auditor	Toru Miyachi	September 1, 1959	April 1983 June 2008 June 2018 April 2020 June 2020 June 2021	Joined the Company Statutory Auditor, Marudai Service Co., Ltd. Retired from the position of Statutory Auditor of Marudai Service Co., Ltd. General Manager of General Affairs and Accounting Dept., Pioneer Foods Co., Ltd. Director Full-time Statutory Auditor of the Company (to present)	(Note 4)	300
Full-time Statutory Auditor	Takashi Matsuzawa	January 2, 1962	April 1984 February 2007 August 2008 July 2013 June 2015 June 2020	Joined The Norinchukin Bank Deputy General Manager of Internal Audit Division Deputy General Manager of Agriculture, Fishery and Forestry Financing Division General Manager of Office of Audit & Supervisory Board Members Executive Officer, General Manager of Administration Div., NOCHU INFORMATION SYSTEM CO., LTD. Outside Statutory Auditor of the Company (to present)	(Note 5)	—
Statutory Auditor	Motoaki Nishimura	July 9, 1943	April 1972 June 2012 June 2013 June 2015	Registered as attorney-at-law (Osaka Bar Association) Outside Auditor, Nikkato Co., Ltd. Outside Statutory Auditor of the Company (to present) Outside Director (Audit & Supervisory Committee Member), Nikkato Co., Ltd. (to present)	(Note 6)	—
Total						52,800

- (Notes)
1. Directors Mr. Masahiro Fuchizaki and Ms. Keiko Kaneko are Outside Directors.
 2. Statutory Auditors Mr. Takashi Matsuzawa and Mr. Motoaki Nishimura are Outside Statutory Auditors.
 3. The term of office for Directors is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2021, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023.
 4. The term of office for Statutory Auditor Mr. Toru Miyachi is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2021, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025.
 5. The term of office for Statutory Auditor Mr. Takashi Matsuzawa is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2020, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024.
 6. The term of office for Statutory Auditor Mr. Motoaki Nishimura is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2019, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023.

7. In order to ensure that the number of incumbent Statutory Auditors does not fall short of that required by laws and regulations, the Company has nominated one substitute Statutory Auditor as stipulated in Article 329, Paragraph 3 of the Companies Act.

The career summary of the candidate for substitute Statutory Auditor is as follows.

Name	Date of birth	Career summary		Term	Number of shares of the Company held (Shares)
Kenji Tabuchi	May 18, 1959	April 1990 April 1995 June 2001	Registered as attorney-at-law (Osaka Bar Association) Joined Tsukaguchi Law Office Opened Tabuchi Law Office Opened Tabuchi Nishino Law Office (to present)	(Note)	—

(Note) The term of office for a substitute Statutory Auditor is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2022, to the beginning of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023.

2) Outside Directors (and other officers)

We have two Outside Directors and two Outside Statutory Auditors.

Mr. Masahiro Fuchizaki has a wealth of experience and profound insight through his involvement in corporate management over the years. The Company judges that he is capable of providing advice concerning overall management of the Company and fulfilling his duties as an Outside Director of the Company. For these reasons, the Company judges that he is a suitable person to oversee business execution of the Company in its pursuit of sustainable growth and medium- to long-term enhancement of corporate value and has nominated him as a candidate for Outside Director.

Ms. Keiko Kaneko has professional knowledge in the legal and information security operations as well as a wealth of experience and profound insight. She is providing advice concerning overall management of the Company and is fulfilling her duties as an Outside Director of the Company. For these reasons, the Company judges that she is a suitable person to oversee business execution of the Company in its pursuit of sustainable growth and medium-to long-term enhancement of corporate value and has nominated her as a candidate for Outside Director.

Mr. Takashi Matsuzawa has years of experience at a financial institution and profound insight into financial and accounting affairs. The Company judges that he is capable of contributing to enhancing the Company's audit systems. For these reasons, the Company judges that he is indispensable for the Company's audit systems and has nominated him as a candidate for Outside Statutory Auditor.

Mr. Motoaki Nishimura has professional knowledge and experience as an attorney-at-law and is contributing to enhancing the Company's audit systems. For these reasons, the Company judges that he is indispensable for the Company's audit systems and has nominated him as a candidate for Outside Statutory Auditor.

There are no human relationships, financial relationships, transaction relationships, or any other interests between Outside Directors/Statutory Auditors and the Company.

We have formulated and made public our Independence Standards for Outside Directors/Statutory Auditors as the specific criteria for us to make a judgment concerning their independence, based on the independence criteria set forth by a relevant financial instruments exchange.

The Independence Standards for Outside Directors/Statutory Auditors formulated by the Company are as follows:

[Independence Standards for Outside Directors/Statutory Auditors]

If any of the following attributes applies to an Outside Director/Statutory Auditor of the Company, the Company judges that such Outside Director/Statutory Auditor is not fully independent from the Company.

- (1) An executive person (Note 1) of the Company or consolidated subsidiaries of the Company (hereinafter referred to as the "Marudai Food Group")
- (2) A party to whom any of 1) to 9) below applied in the past three years
 - 1) A party whose principal business partner is the Marudai Food Group (Note 2) or its executive person
 - 2) A principal business partner of the Marudai Food Group (Note 3) or its executive person
 - 3) A principal lender to the Marudai Food Group (Note 4) or its executive person
 - 4) A major shareholder (directly or indirectly holding 10% or more of the total voting rights) of the Company or its executive person
 - 5) A party of which the Company is a major shareholder (directly or indirectly holding 10% or more of the total voting rights) or the executive person
 - 6) A party affiliated with an audit firm that is the Accounting Auditor of the Marudai Food Group
 - 7) A party who received remuneration exceeding 10 million yen a year excluding the Directors' or Auditors' remuneration
 - 8) A party who received donations exceeding a certain limit (Note 5) from the Marudai Food Group or its executive person

- 9) An executive person of an entity for which an executive person of the Marudai Food Group serves as a Director/Statutory Auditor
- (3) The spouse or relative in the second degree of kinship of a party to whom (1) or (2) above applies and who holds an important position (Note 6)

(Notes)

1. An “executive person” means an executive director, an executive officer, a general manager, a party in a similar position, and an employee of an organization such as a corporation.
2. A “party whose principal business partner is the Marudai Food Group” means a party who received payment from the Company equal to 2% or more of the party’s consolidated annual sales in the most recent fiscal year.
3. A “principal business partner of the Marudai Food Group” means a party whose payment to the Company was equal to 2% or more of the Company’s consolidated annual sales in the most recent fiscal year.
4. A “principal lender to the Marudai Food Group” is a lender from which the Marudai Food Group borrows an amount equal to 2% or more of consolidated total assets.
5. “Donations exceeding a certain limit” means donations to an organization such as a corporation that amount to 10 million yen a year or more or that are equal to 2% or more of net sales or total revenues of such organization, whichever is larger.
6. A “party who holds an important position” means a director, an executive, an executive officer, or a party who executes important business and holds the position of general manager or higher.

In light of guaranteeing the objectivity and independence of the Board of Directors overall, the Company has notified the Tokyo Stock Exchange of Outside Directors Mr. Masahiro Fuchizaki and Ms. Keiko Kaneko and Outside Statutory Auditors Mr. Takashi Matsuzawa and Mr. Motoaki Nishimura as Independent Directors/Statutory Auditors, in accordance with the standards above.

If the Company’s Outside Directors/Statutory Auditors concurrently serve as director or auditor at publicly listed companies other than the Company, they will limit the liabilities they assume to a reasonable range, taking into consideration their own fiduciary duties.

Outside Directors contribute to strengthening our corporate governance by providing advice concerning overall management of the Company while overseeing its management. Outside Statutory Auditors’ efforts to conduct effective audits include overseeing business execution of the Company in light of the professional knowledge in financial and legal areas they have acquired through abundant operational experience; closely working with the Internal Audit Office, a supervising department in charge of internal audits and control; and exchanging information and views with the Accounting Auditor. With regard to our elected Outside Directors/Statutory Auditors, we consider that the current system to oversee and supervise business execution of the Company is adequate, given our business scale, operations, etc.

(3) Audits

1) Audits by Statutory Auditors

A. Organization and personnel of the Board of Statutory Auditors

The Statutory Auditors of the Company comprises three members: two full-time Statutory Auditors (including one Outside Statutory Auditor) and one part-time Statutory Auditor (Outside Statutory Auditor). The two Outside Statutory Auditors satisfy the requirements for Independent Statutory Auditors set forth by the Company. Full-time Statutory Auditor Mr. Toru Miyachi has a wealth of operational experience in the Company's general affairs and human resources department and corporate strategy department, among others, and extensive knowledge derived from his past positions such as Director at the Group company. Full-time Statutory Auditor (and Outside Statutory Auditor) Mr. Takashi Matsuzawa, who had been working for a financial institution before, also has abundant knowledge about financial and accounting affairs through his experience and expertise in financial institutions over the years. Outside Statutory Auditor Mr. Motoaki Nishimura has professional knowledge and experience as an attorney-at-law over the years. While executing duties as Audit & Supervisory Committee Member at a publicly listed company, he has also been serving as an outside contact point for the Company's whistleblowing system.

We have no full-time staff members who provide support for the Board of Statutory Auditors. We instead have a system in which each department provides Statutory Auditors in a timely and accurate manner with the information, material, etc. necessary for them to execute duties.

B. Activities of Statutory Auditors and the Board of Statutory Auditors

In principle, the meetings of the Board of Statutory Auditors are held once a month in accordance with the Rules for the Board of Statutory Auditors. The meetings of the Board of Statutory Auditors were held 16 times during the current fiscal year. Attendance of each Statutory Auditor is shown below.

Title and position	Name	Attendance	Remarks
Full-time Statutory Auditor	Toru Miyachi	10 out of 10 meetings (100%)	Assumed office on June 25, 2021
Full-time Statutory Auditor	Yoshikazu Sawanaka	6 out of 6 meetings (100%)	Retired on June 25, 2021
Full-time Statutory Auditor (Outside)	Takashi Matsuzawa	16 out of 16 meetings (100%)	—
Part-time Statutory Auditor (Outside)	Motoaki Nishimura	16 out of 16 meetings (100%)	—

The meeting of the Board of Statutory Auditors is held to deliberate and resolve material matters related to the audit policy and plan as well as audits. The Board of Statutory Auditors also holds a regular meeting to exchange views with Representative Director and to interview Directors, Executive Officers and other relevant parties concerning the status of their business execution once every six months. In accordance with the Rules for the Board of Statutory Auditors, the Standards for Audits by Statutory Auditors, and the audit policy and audit plan, etc., Statutory Auditors attended the meeting of the Board of Directors and other material meetings, reviewed important approval documents and other material, and conducted audits at the Head Office and also by visiting major operational bases and Group companies, with a focus on how Directors, Executive Officers and other employees had worked on the compliance with laws and regulations and how they had established and operated the internal control system, among others. Various restrictions related to the COVID-19 pandemic forced us to postpone part of the planned audits at operational bases and subsidiaries. We responded to this situation by closely sharing information with the management and supervising departments and divisions, the internal auditing departments (the Internal Audit Office and the Quality Assurance Dept.), Statutory Auditors of the Group companies, the Accounting Auditor, etc.

2) Internal audits

The Company has the Internal Audit Office, which comprises nine members, under the direct authority of President as one of the internal auditing departments. The establishment of the said Office has allowed the Company to ensure a system for making a fair and objective judgment about whether the Group's operations have been executed properly in terms of compliance with laws and regulations, operational efficiency, credibility of financial statements, and preservation of assets, as well as providing advice or recommendations accordingly.

The Internal Audit Office reports to personnel in charge of relevant departments about evaluation results of business audits and internal control situations, and also to the Board of Directors and the Board of Statutory Auditors, when necessary, so that audits are conducted under close cooperation with them.

The Internal Audit Office also exchanges views with an audit firm as the Accounting Auditor about the information on the internal control status, risk evaluations, etc. obtained by the audit firm as well as about audit results, maintaining close cooperation with the audit firm.

3) Accounting audits

A. Name of the audit firm

KPMG AZSA LLC

B. Consecutive auditing period

31 years

- C. Certified public accountants engaged in the accounting audit services
- | | | |
|--------------------------------------|--------------------|-------------------|
| Designated Limited Liability Partner | Engagement Partner | Takahide Nakahata |
| Designated Limited Liability Partner | Engagement Partner | Satoru Komatsuno |
- Neither of them has engaged in the Company's audits for more than seven consecutive fiscal periods.

- D. Assistants for the accounting audits
- | | |
|--|------------|
| Certified Public Accountant: | 12 persons |
| Persons who have passed the CPA examination: | 8 persons |
| Other: | 13 persons |

E. Policy and reason for selecting audit firm

The Board of Statutory Auditors has set the following policy: it shall verify the appropriateness of the reason why the executive management departments have selected the Accounting Auditor as a candidate for the Company's Accounting Auditor and the appropriateness of the process in which the executive management departments have examined candidates for an Accounting Auditor; the Board of Statutory Auditors shall ask the candidates to provide material concerning the following items, etc. and have interviews with them. If the Board of Statutory Auditors judges a certain candidate appropriate, it shall decide to select the said candidate as an Accounting Auditor.

- Overview of a candidate for an Accounting Auditor
- Any factor for disqualification
- The candidate's internal control system
- Standards for audit remuneration
- Matters related to the execution of duties concerning the Accounting Auditor's independence stipulated in Article 131 of the Regulations on Corporate Accounting

In the case of reappointment of the Accounting Auditor, the Board of Statutory Auditors determines whether or not the said Accounting Auditor is appropriate for reappointment based on its audit activities, including how the said Accounting Auditor has executed duties, how its audit system is structured, how independent its audit is, how specialized it is, and through what process the executive management departments have examined and decided on the reappointment of it.

As for the policy for dismissal and non-reappointment of the Accounting Auditor, the Board of Statutory Auditors shall dismiss the Accounting Auditor with the consent of all the Statutory Auditors if the Accounting Auditor is deemed to fall under any one of the items in Article 340, Paragraph 1 of the Companies Act. In such a case, the Statutory Auditor selected by the Board of Statutory Auditors shall report the fact that it has dismissed the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders to be held after such dismissal.

Besides the above case, if the Board of Statutory Auditors determines that the said Accounting Auditor is unable to conduct proper audits because it is not appropriate as an Accounting Auditor or independent enough, or that a change of the Accounting Auditor is deemed reasonable to improve the appropriateness of audits, the Board of Statutory Auditors shall dismiss or shall not reappoint the Accounting Auditor and shall instead submit a proposal to the General Meeting of Shareholders to elect a new Accounting Auditor.

F. Assessment of the audit firm by Statutory Auditors and the Board of Statutory Auditors

The Board of Statutory Auditors has set evaluation guidelines and standards for the Accounting Auditor regarding the following items and evaluates their appropriateness every fiscal year.

- How the audit firm manages quality
- How independent and specialized the audit firm (team) is
- How adequate and reasonable the audit firm's audit plan and activities are
- Whether the audit firm has made audit reports in accordance with laws and regulations, and how cooperative the audit firm has been with Statutory Auditors
- Whether or not the audit firm's estimation of the time required for an audit as well as audit remuneration are appropriate, etc.

In addition to these items, the Board of Statutory Auditors had a deliberation by referring to the evaluation of the Accounting Auditor by the executive management departments and internal auditing departments. As a result, the Board of Statutory Auditors has determined that KPMG AZSA LLC has conducted adequate audits and the evaluation results are appropriate, and judged that its reappointment is therefore reasonable.

4) Details of audit remuneration

A. Details of remuneration for auditing certified public accountants, etc.

(Millions of yen)

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Remuneration in accordance with audit certification	Remuneration in accordance with non-audit certification	Remuneration in accordance with audit certification	Remuneration in accordance with non-audit certification
Reporting company	70	—	68	—
Consolidated subsidiaries	—	—	—	—
Total	70	—	68	—

B. Remuneration to the same network (KPMG) as auditing certified public accountants, etc. (excluding A)

(Millions of Thai baht)

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Remuneration in accordance with audit certification	Remuneration in accordance with non-audit certification	Remuneration in accordance with audit certification	Remuneration in accordance with non-audit certification
Reporting company	—	0	—	0
Consolidated subsidiaries	—	—	—	—
Total	—	0	—	0

As non-audit certification for the Company, we pay remuneration for the income tax return services for the representatives at our Thailand office.

C. Details of remuneration in accordance with other important audit certification services

Not applicable.

D. Policy for deciding audit remuneration

Not applicable.

E. Reasons for the Board of Statutory Auditors' consent to remuneration, etc. for the Accounting Auditor

The Board of Statutory Auditors conducted necessary verification on what the Accounting Auditor's audit plan was, how the Accounting Auditor had been conducting accounting audits for the previous fiscal years, and whether the base for calculating the estimated remuneration was appropriate, by obtaining necessary material or reports from Directors, relevant divisions in the Company, and the Accounting Auditor. As a result, the Board of Statutory Auditors has determined that the Accounting Auditor ensured audit quality and guaranteed its independence in a reasonable manner, and therefore given the consent specified in Article 399, Paragraph 1 of the Companies Act to the amount of the remuneration, etc. for the Accounting Auditor.

(4) Remuneration for Directors and Statutory Auditors

- 1) Matters relating to the policy for determining the amount of remuneration for Directors and Statutory Auditors or the method of calculating such amount

The Company has established a policy for determining the details of remuneration for individual Directors (hereinafter referred to as the “Determination Policy”) that provides that remuneration for individual Directors shall be determined by considering both existing payment criteria based on the Company’s performance, practices, etc. and the contribution of respective Directors to the Company performance etc., for the purpose of motivating Directors to contribute to the Company’s sustained growth and medium- to long-term corporate value enhancement. The remuneration for Directors, in principle, consists of fixed remuneration and performance-linked bonuses. A policy on the determination of the payment ratio of performance-linked remuneration and compensation other than performance-linked remuneration provides that the ratio shall not be fixed. Rather, the Nomination and Remuneration Committee shall discuss it at the request of the Board of Directors and Representative Director, taking into account the existing payment criteria based on the Company’s performance, practices, etc. as well as remuneration standards among companies with similar business scale, and the payment ratio shall be determined based on the Committee’s findings.

The Determination Policy has been established pursuant to the resolution of the Board of Directors, which was based on the findings of the Nomination and Remuneration Committee that deliberated the validity and appropriate operation of remuneration system relating to individual Directors’ fixed remuneration, performance-linked remuneration, etc., at the request of the Board of Directors and the Representative Director. The Board of Directors decided that respective Directors’ remuneration, etc. are in line with the Determination Policy, because the proposed amounts of respective Directors’ remuneration have been deliberated and discussed extensively, including its validity in light of the Determination Policy, and reported to the Board of Directors, by the Nomination and Remuneration Committee, and the Board of Directors respected the Committee’s findings.

Pursuant to the resolution at the 63rd Ordinary General Meeting of Shareholders held on June 29, 2011, the Company sets maximum monthly remuneration for Directors at 30 million yen (including 3 million yen for Outside Directors but excluding the employee portion of salaries of employees concurrently serving as Directors). The number of Directors as of the conclusion of the above Ordinary General Meeting of Shareholders was nine (including two Outside Directors). In addition, pursuant to the resolution at the 46th Ordinary General Meeting of Shareholders held on June 29, 1994, the Company sets maximum monthly remuneration for Statutory Auditors at 5 million yen. The number of Statutory Auditors as of the conclusion of the Ordinary General Meeting of Shareholders concerned was four (including two Outside Statutory Auditors).

The Company has introduced a short-term performance-linked remuneration system for its Directors. The total amount of the performance-linked remuneration is determined with a ceiling of 1% of the consolidated operating profit. Proposed remuneration paid to each individual Director is calculated taking into consideration his/her title and responsibilities as well as existing payment criteria for each position based on performance, practices, etc. The Nomination and Remuneration Committee deliberates the proposal and reports the findings to the Board of Directors, and the final performance-linked remuneration for individual Directors is decided upon the resolution of the Board of Directors based on such findings.

The performance indicator chosen as the basis for calculating the amount of performance-linked remuneration, etc. is the consolidated operating profit. This is because the consolidated operating profit indicates the Group’s overall business results and the Group considers it to be an important indicator. The fiscal year ended March 31, 2022 recorded an operating loss of 865 million yen. Therefore, performance-linked remuneration, etc. is not paid.

- 2) Total amount of remuneration by categories and type, and the number of paid Directors and Statutory Auditors

Category	Total amount (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Number of persons
		Fixed remuneration	Performance- linked remuneration	Bonuses and retirement benefits	
Directors (excluding Outside Directors)	118	118	—	—	9
Statutory Auditor (excluding Outside Statutory Auditors)	9	9	—	—	2
Outside Directors/Statutory Auditors	28	28	—	—	5

- 3) The total amounts of remuneration paid to individual Directors and Statutory Auditors of the Company
This information is omitted as none of Directors and Statutory Auditors of the Company received aggregated consolidated remuneration of 100 million yen and above.
- 4) Significant amount of employee’s salary paid to Directors who concurrently serve as employees
Not applicable.

(5) Shareholdings

1) Criteria for and approach to the classification of investment securities

The Company classifies investment securities into two types: securities held to yield profit through changes in their value and receiving dividend are classified as investment securities held for pure investment purposes; and the other securities are classified as investment securities held for purposes other than pure investment (strategic shareholdings). The Company only holds investment securities held for purposes other than pure investment (strategic shareholdings), and does not hold any investment securities held for pure investment purposes.

2) About investment securities held for purposes other than pure investment (strategic shareholdings)

A. Policy on strategic shareholdings

The Company believes that it is critical to cooperate with a variety of companies at every phase of business operations such as research and development, manufacturing, logistics, sales, services and financing. Based on this belief, the Company makes it its policy to own shares in another company as strategic shareholding only when the Company decides that it will contribute to the Company's sustained growth and medium- to long-term corporate value enhancement, taking overall business relationship/strategy, etc. into consideration.

B. Means to verify the appropriateness of shareholding and the Board of Directors' verification of the appropriateness of individual holdings

Individual strategic shareholdings are subject to verification of their holding purpose and rationale, etc., taking into consideration factors such as the Company's sustained growth and medium- to long-term corporate value enhancement as well as the maintenance and enhancement of overall relationship with the relevant business partners, and reported each year to the Board of Directors for comprehensive deliberation regarding the justification of their holding.

The verification of shareholding rationale includes determining whether risks and benefits resulting from the shareholdings are proportionate to the cost of capital.

C. Criteria for exercising voting rights associated with strategic shareholdings

The Company exercises its voting rights appropriately through a comprehensive assessment of whether the shareholding concerned contributes to the sustained growth of and medium- to long-term corporate value enhancement for the Company and the companies in which it invests.

D. Number of stocks and their book value on the balance sheet

	Number of issues (Issue)	Total book value on the balance sheet (Millions of yen)
Unlisted stocks	8	38
Stocks other than unlisted stocks	57	11,640

(Stocks in which the Company increased its stake during the current fiscal year)

	Number of issues (Issue)	Total amount of purchase costs relating to the increase in number of shares (Millions of yen)	Reason for increase
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	18	34	Purchase through business partner's shareholding association

(Stocks in which the Company decreased its stake during the current fiscal year)

	Number of issues (Issue)	Total amount of sales value relating to the decrease in number of shares (Millions of yen)
Unlisted stocks	—	—
Stocks other than unlisted stocks	1	681

E. Information on the number of shares and book value on the balance sheet, etc. per specified investment stocks

Although it is difficult to describe the quantitative effect of shareholding, when considering its effect on business relationship or the stock market, the Company has verified the appropriateness of the purpose of each individual shareholding. In addition, the Company has verified shareholding rationale by evaluating whether loss or gain on valuation, dividend yields, transaction amounts, etc. are proportionate to the cost of capital, including the qualitative effect of the shareholding.

Specified investment stocks

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
Aeon Co., Ltd.	1,049,153	1,044,679	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 4,474 shares through purchase by the business partner's shareholding association.	No
	2,737	3,446		
Sumitomo Corporation	826,000	1,239,000	The Company purchases raw materials etc. from the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. Due to the sale of part of its stake, the number of shares of the company concerned that the Company holds decreased by 413,000 shares.	Yes
	1,750	1,953		
Izumi Co., Ltd.	381,260	381,260	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	1,227	1,652		
Sumitomo Mitsui Financial Group, Inc.	213,000	213,000	The Company conducts financial transactions with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	No (Note) 3.
	832	853		
Sumitomo Mitsui Trust Holdings, Inc.	206,067	206,067	The Company conducts financial transactions with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	No (Note) 4.
	824	795		
Rengo Co., Ltd.	653,000	653,000	The Company purchases materials etc. from the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	Yes
	510	627		
Nippon Shinyaku Co., Ltd.	47,500	47,500	The Company purchases raw materials etc. from the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	Yes
	395	390		

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
OUG Holdings Inc.	115,000	115,000	The Company purchases raw materials etc. from the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	Yes
	314	342		
Sapporo Holdings Limited	109,200	109,200	The Company purchases products from the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	Yes
	251	250		
Seven & i Holdings Co., Ltd.	36,520	36,520	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	212	162		
United Super Markets Holdings Inc.	180,733	180,733	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	190	210		
Retail Partners Co., Ltd.	131,733	129,621	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 2,112 shares through purchase by the business partner's shareholding association.	No (Note) 5.
	189	180		
Lawson, Inc.	39,658	39,658	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	185	215		
Life Corporation	56,092	55,799	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 293 shares through purchase by the business partner's shareholding association.	No
	176	188		

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
Kansai Food Market Ltd. (Note) 6.	132,148	129,257	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 2,891 shares through purchase by the business partner's shareholding association.	No
	161	145		
Kaneka Corporation	42,600	42,600	The Company purchases raw materials etc. from the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	Yes
	151	193		
Fuji Co., Ltd.	63,214	56,661	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 708 shares through purchase by the business partner's shareholding association. Effective March 1, 2022, a share exchange was carried out in which the company concerned became the wholly-owning parent company resulting from a share exchange, and Maxvalu Nishinohon Co., Ltd. became the wholly-owned subsidiary resulting from a share exchange. As a result, the number of shares the Company holds in the company concerned increased by 5,845 shares.	No
	146	121		
Mitsubishi UFJ Financial Group, Inc.	158,300	158,300	The Company conducts financial transactions with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	No (Note) 7.
	120	93		
Kanematsu Corporation	82,000	82,000	The Company purchases raw materials etc. from the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	Yes
	110	121		
Inageya Co., Ltd.	72,107	70,692	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 1,415 shares through purchase by the business partner's shareholding association.	No
	97	117		

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
AEON Hokkaido Corporation	75,900	75,900	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	85	91		
Arcs Company, Limited	34,140	33,982	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 158 shares through purchase by the business partner's shareholding association.	No
	72	81		
The San-in Godo Bank, Ltd.	108,150	108,150	The Company conducts financial transactions with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	Yes
	67	60		
Axial Retailing Inc.	20,413	20,232	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 181 shares through purchase by the business partner's shareholding association.	No
	65	97		
The Chiba Bank, Ltd.	89,250	89,250	The Company conducts financial transactions with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	Yes
	64	64		
The Chugoku Bank, Ltd.	67,200	67,200	The Company conducts financial transactions with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	Yes
	58	62		
MINISTOP Co., Ltd.	33,674	33,674	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	48	49		
Albis Co., Ltd.	20,204	19,665	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 539 shares through purchase by the business partner's shareholding association.	No
	45	48		

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
OM2 Network Co., Ltd.	41,169	39,562	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 1,607 shares through purchase by the business partner's shareholding association.	No
	44	49		
The Bank of Kyoto, Ltd.	8,000	8,000	The Company conducts financial transactions with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	Yes
	42	54		
Okuwa Co., Ltd.	46,191	43,817	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 2,374 shares through purchase by the business partner's shareholding association.	No
	42	53		
H2O Retailing Corporation	47,250	47,250	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	40	43		
Hirogin Holdings, Inc.	60,500	60,500	The Company conducts financial transactions with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	No (Note) 8.
	39	40		
Mebuki Financial Group, Inc.	149,292	149,292	The Company conducts financial transactions with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	No (Note) 9.
	38	38		
Valor Holdings Co., Ltd.	15,840	15,840	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	33	39		
AEON Kyushu Co., Ltd.	15,098	14,762	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 336 shares through purchase by the business partner's shareholding association.	No
	31	28		

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
Belc Co., Ltd.	4,400	4,400	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	23	27		
Resona Holdings, Inc.	44,200	44,200	The Company conducts financial transactions with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	No (Note) 10.
	23	20		
Yamaguchi Financial Group, Inc.	34,000	34,000	The Company conducts financial transactions with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance stable financial relationship with it.	No (Note) 11.
	23	25		
HEIWADO Co., Ltd.	11,000	11,000	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	20	24		
Eco's Co., Ltd.	10,000	10,000	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	20	19		
Halows Co., Ltd.	6,000	6,000	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	18	17		
Yamanaka Co., Ltd.	23,666	22,769	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 897 shares through purchase by the business partner's shareholding association.	No
	16	16		
Kanemi Co., Ltd.	4,625	4,398	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 227 shares through purchase by the business partner's shareholding association.	No
	12	12		

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
Oomitsu Co., Ltd.	17,269	16,242	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 1,027 shares through purchase by the business partner's shareholding association.	No
	12	11		
Mammy Mart Corporation	5,000	5,000	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	11	11		
Ocean System Corporation	10,000	10,000	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	9	11		
Poplar Co., Ltd.	65,954	64,350	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 1,604 shares through purchase by the business partner's shareholding association.	No
	9	22		
Central Forest Group, Inc.	3,000	3,000	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No (Note) 12.
	5	5		
Maruyoshi Center Inc.	2,000	2,000	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	5	6		
Kakiyasu Honten Co., Ltd.	2,130	1,944	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 186 shares through purchase by the business partner's shareholding association.	No
	5	5		
Olympic Group Corporation	5,500	5,500	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	3	4		

Issue	Current fiscal year	Previous fiscal year	Purpose and quantitative effect of shareholding and reason for increase in its stake	Whether the issuer holds a stake in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Book value on the balance sheet (Millions of yen)	Book value on the balance sheet (Millions of yen)		
Gourmet Kineya Co., Ltd.	3,300	3,300	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	3	3		
COSMOS Pharmaceutical Corporation	200	200	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	2	3		
Maxvalu Tokai Co., Ltd.	708	708	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	1	1		
Three F Co., Ltd.	6,050	6,050	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it.	No
	1	1		
Isetan Mitsukoshi Holdings Ltd.	1,867	1,702	The Company conducts transactions in processed food products etc. with the consolidated subsidiaries of the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. The number of shares of the company concerned that the Company holds increased by 165 shares through purchase by the business partner's shareholding association.	No
	1	1		
Maxvalu Nishinohon Co., Ltd.	—	5,845	The Company conducts transactions in processed food products etc. with the company concerned. Taking this business relationship into consideration, the Company has been holding a stake in the company concerned to maintain and enhance the business relationship and cooperation with it. Effective March 1, 2022, a share exchange was carried out in which Fuji Co., Ltd. became the wholly-owning parent company resulting from a share exchange and the company concerned became wholly-owned subsidiary resulting from a share exchange.	No
	—	10		

- (Notes)
1. "—" denotes that such stocks are not held.
 2. Although the book values of the stocks of Axial Retailing Inc. and the companies thereunder on the consolidated balance sheet are not larger than 1% of the Company's share capital, we covered the top 60 issues in this section.
 3. Sumitomo Mitsui Banking Corporation, a consolidated subsidiary of Sumitomo Mitsui Financial Group, Inc., holds the Company's shares.
 4. Sumitomo Mitsui Trust Bank, Limited, a consolidated subsidiary of Sumitomo Mitsui Trust Holdings, Inc., holds the Company's shares.
 5. Marukyu Co., Ltd., a consolidated subsidiary of Retail Partners Co., Ltd., holds the Company's shares.
 6. Effective February 1, 2022, Kansai Super Market Ltd. changed its corporate name to Kansai Food Market Ltd.

7. MUFG Bank, Ltd., a consolidated subsidiary of Mitsubishi UFJ Financial Group, Inc., holds the Company's shares.
8. The Hiroshima Bank, Ltd., a consolidated subsidiary of Hirogin Holdings, Inc., holds the Company's shares.
9. Joyo Bank, Ltd. and The Ashikaga Bank, Ltd., consolidated subsidiaries of Mebuki Financial Group, Inc., hold the Company's shares.
10. Resona Bank, Limited., a consolidated subsidiary of Resona Holdings, Inc., holds the Company's shares.
11. The Yamaguchi Bank, Ltd., a consolidated subsidiary of Yamaguchi Financial Group, Inc., holds the Company's shares.
12. Tokan Co., Ltd., a consolidated subsidiary of Central Forest Group, Inc., holds the Company's shares.

V. Financial Information

1. Preparation of the consolidated/non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of Ministry of Finance No. 28, 1976 / hereinafter referred to as the "Consolidated Financial Statements Regulations").

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ordinance of Ministry of Finance No. 59, 1963 / hereinafter referred to as the "Non-Consolidated Financial Statements Regulations").

As a company designated for the submission of financial statements prepared in accordance with special provision, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Non-Consolidated Financial Statements Regulations.

2. Independent auditor's report

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated/non-consolidated financial statements for the current fiscal year (from April 1, 2021 through March 31, 2022) were audited by KPMG AZSA LLC.

3. Specific efforts to secure the appropriateness of the consolidated financial statements, etc.

The Company makes specific efforts to secure the appropriateness of the consolidated financial statements, etc. For example, in order to establish a mechanism to correctly understand the details of accounting standards, the Company has joined the Financial Accounting Standards Foundation. In addition, the Company attends the relevant seminars organized by external institutions and subscribes to accounting magazines to address any change in accounting standards etc. in a timely manner.

1. Consolidated Financial Statements, etc.
(1) Consolidated Financial Statements
1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	8,476	7,990
Notes and accounts receivable - trade	23,833	*1 23,436
Merchandise and finished goods	9,693	11,227
Work in process	377	464
Raw materials and supplies	5,797	5,181
Other	1,900	1,522
Allowance for doubtful accounts	(12)	(10)
Total current assets	50,065	49,813
Non-current assets		
Property, plant and equipment		
Buildings and structures	61,928	62,794
Accumulated depreciation	(43,776)	(44,958)
Buildings and structures, net	*3 18,152	*3 17,836
Machinery, equipment and vehicles	69,987	73,270
Accumulated depreciation	(54,174)	(56,785)
Machinery, equipment and vehicles, net	*3 15,812	*3 16,485
Tools, furniture and fixtures	5,048	4,991
Accumulated depreciation	(3,480)	(3,505)
Tools, furniture and fixtures, net	1,567	1,485
Land	*3 18,839	*3 18,722
Leased assets	8,344	9,205
Accumulated depreciation	(3,279)	(4,149)
Leased assets, net	5,065	5,055
Construction in progress	908	500
Total property, plant and equipment	60,346	60,085
Intangible assets	2,779	2,267
Investments and other assets		
Investment securities	13,314	11,718
Shares of subsidiaries and associates	*2 166	*2 218
Long-term loans receivable	18	16
Retirement benefit asset	1,580	2,130
Deferred tax assets	317	319
Other	2,866	2,463
Allowance for doubtful accounts	(112)	(129)
Total investments and other assets	18,150	16,737
Total non-current assets	81,277	79,090
Total assets	131,342	128,903

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,236	20,913
Short-term borrowings	7,890	8,100
Current portion of long-term borrowings	*3 2,657	*3 2,817
Lease liabilities	905	1,084
Accounts payable - other	6,841	6,216
Income taxes payable	187	171
Accrued consumption taxes	264	308
Provision for bonuses	850	810
Other	1,376	1,308
Total current liabilities	41,210	41,729
Non-current liabilities		
Long-term borrowings	*3 4,649	*3 4,551
Lease liabilities	4,296	4,118
Deferred tax liabilities	1,470	992
Retirement benefit liability	1,308	1,378
Other	657	644
Total non-current liabilities	12,381	11,685
Total liabilities	53,592	53,414
Net assets		
Shareholders' equity		
Share capital	6,716	6,716
Capital surplus	22,086	22,086
Retained earnings	45,270	44,132
Treasury shares	(2,697)	(3,066)
Total shareholders' equity	71,375	69,868
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,944	4,990
Deferred gains or losses on hedges	34	71
Foreign currency translation adjustment	34	33
Remeasurements of defined benefit plans	(251)	(133)
Total accumulated other comprehensive income	5,761	4,962
Non-controlling interests	612	658
Total net assets	77,750	75,489
Total liabilities and net assets	131,342	128,903

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	223,000	*1 218,610
Cost of sales	*2 188,487	*2 186,651
Gross profit	34,512	31,958
Selling, general and administrative expenses	*3 34,845	*3 32,823
Operating loss	(333)	(865)
Non-operating income		
Interest income	16	17
Dividend income	321	361
Rental income from real estate	172	162
Other	385	274
Total non-operating income	896	816
Non-operating expenses		
Interest expenses	233	220
Other	148	111
Total non-operating expenses	381	331
Ordinary profit (loss)	180	(380)
Extraordinary income		
Gain on disposal of non-current assets	*4 316	*4 131
Gain on sale of investment securities	1	429
Gain on bargain purchase	997	—
Total extraordinary income	1,315	561
Extraordinary losses		
Loss on disposal of non-current assets	*5 260	*5 351
Impairment losses	*6 299	*6 9
Loss on valuation of investment securities	—	29
Extra retirement payments	204	19
Total extraordinary losses	764	409
Profit (loss) before income taxes	732	(229)
Income taxes - current	328	238
Income taxes - deferred	(79)	(140)
Total income taxes	248	97
Profit (loss)	483	(326)
Profit attributable to non-controlling interests	70	49
Profit (loss) attributable to owners of parent	412	(376)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit (loss)	483	(326)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,111	(953)
Deferred gains or losses on hedges	37	36
Remeasurements of defined benefit plans, net of tax	929	118
Share of other comprehensive income of entities accounted for using equity method	(6)	(0)
Total other comprehensive income	* 3,072	* (799)
Comprehensive income	3,555	(1,126)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,485	(1,175)
Comprehensive income attributable to non-controlling interests	70	49

3) Consolidated Statements of Changes in Net Assets
For the previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,716	22,086	45,676	(2,657)	71,821
Cumulative effects of changes in accounting policies			72		72
Restated balance	6,716	22,086	45,748	(2,657)	71,893
Changes during period					
Dividends of surplus			(889)		(889)
Profit (loss) attributable to owners of parent			412		412
Purchase of treasury shares				(40)	(40)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(477)	(40)	(517)
Balance at end of period	6,716	22,086	45,270	(2,697)	71,375

	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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,832	(2)	40	(1,181)	2,688	545	75,056
Cumulative effects of changes in accounting policies							72
Restated balance	3,832	(2)	40	(1,181)	2,688	545	75,128
Changes during period							
Dividends of surplus							(889)
Profit (loss) attributable to owners of parent							412
Purchase of treasury shares							(40)
Net changes in items other than shareholders' equity	2,111	37	(6)	929	3,072	66	3,139
Total changes during period	2,111	37	(6)	929	3,072	66	2,621
Balance at end of period	5,944	34	34	(251)	5,761	612	77,750

For the current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,716	22,086	45,270	(2,697)	71,375
Cumulative effects of changes in accounting policies					—
Restated balance	6,716	22,086	45,270	(2,697)	71,375
Changes during period					
Dividends of surplus			(762)		(762)
Profit (loss) attributable to owners of parent			(376)		(376)
Purchase of treasury shares				(368)	(368)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(1,138)	(368)	(1,507)
Balance at end of period	6,716	22,086	44,132	(3,066)	69,868

	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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,944	34	34	(251)	5,761	612	77,750
Cumulative effects of changes in accounting policies							—
Restated balance	5,944	34	34	(251)	5,761	612	77,750
Changes during period							
Dividends of surplus							(762)
Profit (loss) attributable to owners of parent							(376)
Purchase of treasury shares							(368)
Net changes in items other than shareholders' equity	(953)	36	(0)	118	(799)	45	(753)
Total changes during period	(953)	36	(0)	118	(799)	45	(2,261)
Balance at end of period	4,990	71	33	(133)	4,962	658	75,489

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	732	(229)
Depreciation	7,798	7,945
Impairment losses	299	9
Increase (decrease) in allowance for doubtful accounts	(7)	15
Increase (decrease) in retirement benefit liability	(266)	(321)
Gain on bargain purchase	(997)	—
Extra retirement payments	204	19
Interest and dividend income	(338)	(379)
Interest expenses	233	220
Loss (gain) on sale of investment securities	(1)	(429)
Loss (gain) on valuation of investment securities	—	29
Loss (gain) on disposal of non-current assets	(56)	219
Decrease (increase) in trade receivables	2,220	406
Decrease (increase) in inventories	2,288	(1,013)
Increase (decrease) in trade payables	(3,566)	707
Increase (decrease) in accrued consumption taxes	(198)	43
Other, net	(84)	(298)
Subtotal	8,259	6,945
Interest and dividends received	336	358
Interest paid	(233)	(220)
Income taxes paid	(597)	(297)
Income taxes refund	—	449
Extra retirement payments	(90)	(204)
Net cash provided by (used in) operating activities	7,673	7,030
Cash flows from investing activities		
Purchase of investment securities	(34)	(34)
Proceeds from sale of investment securities	2	681
Purchase of non-current assets	(5,418)	(6,777)
Proceeds from sale of non-current assets	1,008	647
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (1,195)	—
Other, net	247	(204)
Net cash provided by (used in) investing activities	(5,388)	(5,688)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(190)	210
Proceeds from long-term borrowings	3,910	2,720
Repayments of long-term borrowings	(3,924)	(2,657)
Repayments of lease liabilities	(914)	(963)
Dividends paid	(889)	(762)
Purchase of treasury shares	(40)	(368)
Other, net	(3)	(3)
Net cash provided by (used in) financing activities	(2,053)	(1,826)
Net increase (decrease) in cash and cash equivalents	231	(485)
Cash and cash equivalents at beginning of period	8,244	8,476
Cash and cash equivalents at end of period	*1 8,476	*1 7,990

[Notes]

(Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries:

27

Names of major consolidated subsidiaries are referred to in "4. Subsidiaries and other affiliated entities" under "I. Overview of Company," therefore they are omitted here.

Kyomigawa Co., Ltd. was excluded from the scope of consolidation as the liquidation of the company concerned was completed during the current fiscal year.

(2) Non-consolidated subsidiaries:

Not applicable.

2. Disclosure about application of equity method

(1) Non-consolidated subsidiaries to which the equity method is applied:

Not applicable.

(2) Number of subsidiaries and associates to which the equity method is applied:

1

Name of the company concerned:

Betagro MF Deli Co., Ltd.

(3) Non-consolidated subsidiaries and associates to which the equity method is not applied:

Not applicable.

3. Book-closing date of consolidated subsidiaries

Consolidated subsidiaries whose book-closing date differs from that of the Company:

Not applicable.

4. Disclosure of accounting policies

(1) Basis and method concerning valuation of important assets

1) Securities

Available-for-sale securities

- Securities other than shares without market price, etc.

Stated at fair value.

(Any valuation difference is booked directly to net assets and the cost of securities sold are computed by the moving-average method.)

- Shares without market price, etc.

Stated at their cost determined by the moving-average method.

2) Derivatives

Stated at fair value.

- 3) Inventories
Merchandise and finished goods, work in process, and raw materials and supplies
Stated at their cost determined by the weighted average method.
(Balance sheet values reflect write-downs for decreased profitability.)
- (2) Depreciation and amortization methods of major depreciable assets
- 1) Property, plant and equipment (excluding leased assets)
Primarily applying the declining balance method. However, the straight-line method is applied for the buildings (excluding the facilities attached to buildings) acquired on and after April 1, 1998 and the facilities attached to buildings and structures acquired on and after April 1, 2016.
Useful lives of assets are principally as follows:
- | | |
|------------------------------------|-------------|
| Buildings and structures: | 12-50 years |
| Machinery, equipment and vehicles: | 4-10 years |
- 2) Intangible assets (excluding leased assets)
Applying the straight-line method. For software for its own use, the straight-line method is applied based on the internally estimated useful life of 5 years.
- 3) Leased assets
Leased assets under finance leases that do not transfer its ownership
Leased assets under finance lease transactions that do not transfer their ownership are amortized using the straight-line method over the lease term with a residual value of zero.
- (3) Accounting policies for significant allowances and provisions
- 1) Allowance for doubtful accounts
An allowance for doubtful accounts is provided to cover bad-debt losses. 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.
- 2) Provision for bonuses
To provide for payments of employees' bonuses, an amount accrued for the current fiscal year among the estimated future obligations is recorded as provisions.
- (4) Accounting for retirement benefits
- 1) Periodic attribution of projected retirement benefits
Projected benefit obligations are attributed to the periods of service until the end of the current fiscal year on a benefit formula basis in determining retirement benefit obligations.
- 2) Amortization method for actuarial gains or losses
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.
- 3) Adoption of a simplified method to certain small-scale group companies
Several consolidated subsidiaries adopt, in calculating their retirement benefit liability and retirement benefit expenses, 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.

- (5) Accounting policies for significant revenues and expenses
- 1) The Company's key performance obligation in its primary business operations
The Group's primary business operations are the Processed Food Products operations (manufacturing and sales of ham, sausage and precooked and processed foods) and the Meat Products operations (processing and sales of beef, pork, chicken, etc.) and we identify delivery of these merchandise and finished goods to our customers as our performance obligation.
 - 2) General timing when the Company satisfies its performance obligation
The Company applies an alternative treatment set forth in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition." Therefore, revenue is, in principle, recognized at the time of shipment of merchandise and finished goods, where control over them is transferred to a customer and thus we judge that our performance obligation is satisfied.
Transaction prices are calculated by deducting a portion of distributing expenses, promotion expenses, etc. from prices agreed in a contract with a customer.
- (6) Significant hedge accounting method
- 1) Hedge accounting method
Exceptional accounting treatments are applied to interest rate swaps because they meet specific conditions. In addition, accounts receivable and accounts payable in a foreign currency hedged by fixed-rate contracts, etc., are treated with designated hedge accounting.
 - 2) Hedging instrument and hedged items
 - Hedging instrument: Derivative transactions (fixed-rate contracts and interest rate swap transactions)
 - Hedged items: Items that have risks associated with foreign exchange fluctuations, etc. that are not reflected in their value; and items that avoid the risks associated with foreign exchange fluctuations with their cash flow being fixed.
 - 3) Hedging policy
The Company adopts a hedging policy that stipulates only risks associated with foreign exchange/interest rate fluctuations in the future should be hedged. Therefore, the Company does not engage in any speculative transactions or derivative transactions that aim for short-term gains.
 - 4) Assessment of the effectiveness of hedging
Important conditions for the hedging instrument and the hedged items are the same and the Company's hedging approach is expected to offset or limit to certain extent the effects of foreign exchange/interest rate fluctuations at the start of hedging and throughout subsequent periods. Hence, the assessment of the effectiveness of hedging is omitted.
 - 5) Other risk management methods relating to hedge accounting
Derivative transactions are carried out based on our internal rules that define transaction-related authority, amount limits, procedures, etc.
- (7) Method and period for goodwill amortization
Goodwill is amortized over a period of 5 years using the straight-line method.
- (8) Cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents as stated in the consolidated statement of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months from the acquisition date whose value is not subject to significant fluctuation risk.
- (9) Other important matters in preparing the consolidated financial statements
- 1) Application of consolidated taxation system
The Company applies a consolidated taxation system.

2) Application of tax effect accounting related to the transition from a consolidated taxation system to a group tax sharing system

The Company and some of its consolidated subsidiaries in Japan will make a transition from a consolidated taxation system to a group tax sharing system from the next fiscal year. However, regarding items that have been transitioned to a group tax sharing system established under the “Act for Partial Amendment to 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 has not applied the provisions in Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment prescribed in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities for these items are based on taxation law as it was before amendment.

The Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (the Practical Solution No.42, August 12, 2021), that defines the accounting treatment and disclosure methods for national/regional income taxes and those for tax effect accounting when applying the group tax sharing system, from the beginning of the next fiscal year.

3) Accounting treatment of asset-related non-deductible consumption taxes, etc.

Asset-related non-deductible national/regional consumption taxes are recorded as expenses for the fiscal year ended March 31, 2022.

(Significant accounting estimates)

1. Impairment of non-current assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

The book value of business assets (including common assets) of Marudai Food Co., Ltd.: 33,998 million yen
(Property, plant and equipment: 31,940 million yen / Intangible assets: 2,058 million yen)

The Company determined that there was an indication of impairment of the business assets of Marudai Food Co., Ltd. due to the continuous recording of operating loss and reviewed the necessity of recording impairment losses. However, as it was determined that the undiscounted future cash flows would exceed the book value of the business assets, including the common assets of Marudai Food Co., Ltd., the Company did not record any impairment losses.

(2) Significant accounting estimates for identified items

1) Calculation method

When an indication of impairment exists for an asset or asset group, the Company conducts an assessment of whether recording an impairment loss is required based on the future cash flows of the asset.

The Company groups its cash generating units, which are the units used to determine whether recognizing impairment is required, into business assets, rental assets, idle assets and artwork. Regarding business assets, the management accounting business category in which income and expenditure are continuously monitored is considered one asset group, and future cash flows are calculated based on the profit plan formulated on the basis of the management plan approved by the Board of Directors. Regarding rental assets, idle assets and artwork, individual assets are used as the smallest unit for grouping. The future cash flows of rental assets are estimated by the net selling price on the basis of appraisal values, etc., or future cash flows on the basis of rental income, etc., while future cash flows of idle assets and artwork are estimated based on the net selling price on the basis of the appraisal values, etc.

2) Key assumptions

The key assumptions used in the calculation of undiscounted future cash flows, as set out below, are subject to a high degree of uncertainty.

- With regard to the net sales plan, based on numerical plans developed by individual departments, the Company lowered them taking into account the degree of achievement of budgets in the past fiscal years as well as decrease in net sales in the current fiscal year. The resulting figures are then further adjusted to come up with net sales forecast by reflecting the revenue-increasing effect of price revisions expected from the most recent business talks, etc. In addition, we assume that net sales for the next fiscal year and beyond will remain at the same level, taking into account the market environment for our mainstay ham and sausage products.
- The cost of sales plan reflects factors such as the impact of recent increases in raw material prices and energy costs, as well as the cost reduction effect of capital investment in the production division.

With regard to the impact of COVID-19, the Company assumes that demand for professional use products for the restaurant industry will recover, albeit gradually, thanks to the lifting of quasi-state of emergency and progress in vaccination.

3) Effect on the consolidated financial statements for the fiscal year ending March 31, 2023

There may be a significant impact on the consolidated financial statements for the fiscal year ending March 31, 2023 if actual amounts differ from the estimates due to uncertain future economic conditions or changes in the business environment.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

Deferred tax assets before offsetting with deferred tax liabilities: 2,211 million yen

(2) Significant accounting estimates for identified items

1) Calculation method

Deferred tax assets are only recognized to the extent that it is highly probable that taxable income will be available against which the unused portion of tax loss carryforwards and future deductible temporary differences can be utilized. In determining the taxable income to be generated, the Company calculates the timing and amount of taxable income that can be earned in the future based on the future profit plan formulated on the basis of the management plan approved by the Board of Directors.

2) Key assumptions

For Marudai Food Co., Ltd., the estimated amount of taxable income is calculated using the figures linked to the profit plan based on “2) Key assumptions” under “1. Impairment of non-current assets.”

Among the consolidated subsidiaries that have a significant impact on the amount of taxable income, for those companies whose management plans for the next fiscal year, as approved by the Board of Directors, are expected to increase significantly as compared to the actual results of the current fiscal year, taxable income is estimated based on the assumption that profits from the next fiscal year will remain at the same level as those in the current fiscal year, except for items that are expected to improve in the next fiscal year.

3) Effect on the consolidated financial statements for the fiscal year ending March 31, 2023

There may be a significant impact on the consolidated financial statements for the fiscal year ending March 31, 2023 if the actual timing and amounts differ from the estimates due to uncertain future economic conditions or changes in the business environment. In addition, changes in the effective statutory tax rate due to tax reforms may also have a significant impact on those consolidated financial statements.

(Changes in accounting policies)

(Application of an accounting standard for revenue recognition, etc.)

The Company began applying the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020, hereinafter referred to as the “Revenue Recognition Standard”), etc., at the beginning of the fiscal year ended March 31, 2022, and recognizing revenue when it transfers the control of promised goods or services to a customer, based on amounts expected to be received in exchange for such goods or services. As a result, we have changed an accounting method in which a portion of distribution expenses and promotion expenses, etc., which had previously been recorded as selling, general and administrative expenses, are now deducted from net sales. In principle, this change in accounting policies has been applied retrospectively, including the consolidated financial statements for the previous fiscal year. However, the following method that is provided in Paragraph 85 of the Revenue Recognition Standard is applied:

- For contracts under which almost all of revenues had been recognized before the beginning of the previous fiscal year in accordance with the previous revenue recognition policy, comparative information shall not be revised retrospectively.

As a result, when compared to figures not applying the new Revenue Recognition Standard, both net sales and selling, general and administrative expenses for the fiscal year ended March 31, 2021 decreased by 11,151 million yen, respectively. In addition, both other accounts payable - other and trade accounts receivable - trade at the end of the fiscal year ended March 31, 2021 decreased by 2,304 million yen, respectively.

In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Standard, notes for “Revenue recognition” related to the previous fiscal year are omitted.

(Application of an accounting standard for fair value measurement, etc.)

The Company began applying the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Fair Value Measurement Standard”), etc., at the beginning of the fiscal year ended March 31, 2022, and adopts new accounting policies that are stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change has no effect on the consolidated financial statements.

In addition, we have decided to present the breakdown of financial instruments by the level of their fair value, etc. in notes for “Financial instruments.” However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), relevant notes relating to the fiscal year ended March 31, 2021 are omitted.

(Change in the method of recording distribution expenses)

The Group has decided to start recording a portion of distribution expenses, which had previously been recorded as selling, general and administrative expenses, as manufacturing cost from the beginning of the fiscal year ended March 31, 2022. This change was implemented to make our profit and loss management better reflect the real situations (regarding relevant divisions, items, customers, etc.) within the Group, including the revision of allocation method of distribution expenses, while the importance of distribution expenses are growing, taking advantage of the system unification of the Company and its major consolidated subsidiaries thanks to the update of the enterprise system.

This change in accounting policies has been applied retrospectively, including the consolidated financial statements for the previous fiscal year. As a result, when compared to figures not applying the new accounting policy, merchandise and finished goods increased by 100 million yen, deferred tax liabilities increased by 30 million yen, and retained earnings increased by 70 million yen on the consolidated balance sheet for the fiscal year ended on March 31, 2021. For the consolidated statement of income for the same fiscal year, cost of sales increased by 3,799 million yen, selling, general and administrative expenses decreased by 3,796 million yen, operating loss increased by 2 million yen, and ordinary profit, profit before income taxes, profit and profit attributable to owners of parent decreased by 2 million yen, respectively. As cumulative effects of this change were reflected in net assets at the beginning of the previous fiscal year, the balance of retained earnings at the beginning of the period, with the change being applied retrospectively, increased by 72 million yen in the consolidated statement of changes in net assets. The effect of this change on per share information are described in the “Per share information” section.

(Consolidated balance sheets)

*1. Among notes and accounts receivable - trade, the amounts of receivables resulting from the contracts with customers are as follows:

	Current fiscal year (As of March 31, 2022)
Notes receivable - trade	36 million yen
Accounts receivable - trade	23,400 million yen

*2. The following are related to subsidiaries and associates:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Shares of subsidiaries and associates	166 million yen	218 million yen

*3. Pledged assets and secured debts

Pledged assets and secured debts are as follows:

Pledged assets	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Buildings and structures	40 million yen	36 million yen
Machinery, equipment and vehicles	62 million yen	43 million yen
Land	3 million yen	3 million yen
Total	107 million yen	82 million yen

Secured debts

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Current portion of long-term borrowings	38 million yen	38 million yen
Long-term borrowings	99 million yen	61 million yen
Total	137 million yen	99 million yen

4. 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 periods were as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Total amounts in the overdraft agreements	32,760 million yen	32,770 million yen
Borrowing balance	7,790 million yen	8,000 million yen
Difference	24,970 million yen	24,770 million yen

(Consolidated statements of income)

*1. Revenues generated from contracts with customers

Net sales are presented without distinguishing revenues generated from contracts with customers and other revenues. The amount of revenues generated from contracts with customers is shown in “[Notes] (Segment information, etc.)” in the consolidated financial statements.

*2. Loss on valuation of inventories

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:

Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
(24) million yen	46 million yen

*3. Selling, general and administrative expenses

(1) Major items and their amounts were as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Distribution expenses	13,017 million yen	12,482 million yen
Salaries and allowances	6,498 million yen	6,252 million yen
Provision for bonuses	401 million yen	372 million yen
Retirement benefit expenses	399 million yen	316 million yen
Provision of allowance for doubtful accounts	3 million yen	3 million yen

(2) Research and development expenses included in general and administrative expenses are as follows (they are not included in manufacturing cost for the current fiscal year):

Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
673 million yen	673 million yen

*4. Gain on disposal of non-current assets

Primarily generated from the sales of real estate for rent and other.

*5. Loss on disposal of non-current assets

Primarily comprised of loss on retirement of, and removal expenses for buildings and structures and machinery, equipment and vehicles.

*6. Impairment losses

The Group recorded impairment losses on the following assets:

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Category	Type	Location	Amount
Idle assets	Real estate for rent and other (Land, buildings, etc.)	Nagasaki Prefecture, etc.	299 million yen
Total	—	—	299 million yen

The Company classifies non-current assets into four categories: business assets, rental assets, idle assets and artwork. The Company groups its business assets by business units that are continuously monitored in management accounting; and rental assets, idle assets and artwork by individual asset. As a result, where the recoverable value of idle assets has fallen below the book value due to declines in market prices, the book value of these assets has been reduced to their recoverable value. All of the impairment losses of 299 million yen relate to real estate for rent and other (“Other” under “Investments and other assets”).

The recoverable value of idle assets was measured by the net realizable value assessed based on the appraisal value, etc.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Category	Type	Location	Amount
Idle assets	Real estate for rent and other (Land)	Hiroshima Prefecture, etc.	8 million yen
Rental assets	Real estate for rent and other (Land)	Kumamoto Prefecture	0 million yen
Total	—	—	9 million yen

The Company classifies non-current assets into four categories: business assets, rental assets, idle assets and artwork. The Company groups its business assets by business units that are continuously monitored in management accounting; and rental assets, idle assets and artwork by individual asset. As a result, when the recoverable value of idle assets or rental 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. All of the impairment losses of 9 million yen relate to real estate for rent and other (“Other” under “Investments and other assets”).

The recoverable value of rental assets is measured by the net realizable value or the value in use. The recoverable value of idle assets is measured by the net realizable value. The net realizable value is assessed based on the appraisal value, etc. and value in use is calculated by discounting the future cash flows by 2.7%.

(Consolidated statements of comprehensive income)

*Reclassification adjustment and tax effect relating to other comprehensive income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities		
Increase (decrease) during the year	2,994	(949)
Reclassification adjustments	(1)	(400)
Amount before tax effect	2,993	(1,349)
Tax effect	(882)	395
Valuation difference on available-for-sale securities	2,111	(953)
Deferred gains or losses on hedges		
Increase (decrease) during the year	54	52
Amount before tax effect	54	52
Tax effect	(16)	(16)
Deferred gains or losses on hedges	37	36
Adjustments for retirement benefits		
Increase (decrease) during the year	960	23
Reclassification adjustments	282	135
Amount before tax effect	1,243	158
Tax effect	(313)	(40)
Adjustments for retirement benefits	929	118
Share of other comprehensive income of associates accounted for using equity method		
Increase (decrease) during the year	(6)	(0)
Total other comprehensive income	3,072	(799)

(Consolidated statement of changes in net assets)

Previous fiscal year (From April 1, 2020 to March 31, 2021)

1. Class and total number of issued shares and treasury shares

	Balance at beginning of the fiscal year (Shares)	Increase during the fiscal year (Shares)	Decrease during the fiscal year (Shares)	Balance at end of the fiscal year (Shares)
Issued shares				
Common stock	26,505,581	—	—	26,505,581
Total	26,505,581	—	—	26,505,581
Treasury shares				
Common stock	1,081,261	21,739	—	1,103,000
Total	1,081,261	21,739	—	1,103,000

(Note) Increase in treasury shares of 21,739 shares consists of an acquisition of 21,600 shares through the off-hours trading system (ToSTNeT-3) and purchase of odd lots of 139 shares.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common stock	Retained earnings	889	35	March 31, 2020	June 29, 2020

(2) Dividends whose record date falls in the current fiscal year but whose effective date comes after March 31, 2021

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	Retained earnings	762	30	March 31, 2021	June 28, 2021

Current fiscal year (From April 1, 2021 to March 31, 2022)

1. Class and total number of issued shares and treasury shares

	Balance at beginning of the fiscal year (Shares)	Increase during the fiscal year (Shares)	Decrease during the fiscal year (Shares)	Balance at end of the fiscal year (Shares)
Issued shares				
Common stock	26,505,581	—	—	26,505,581
Total	26,505,581	—	—	26,505,581
Treasury shares				
Common stock	1,103,000	205,897	—	1,308,897
Total	1,103,000	205,897	—	1,308,897

(Note) Increase in treasury shares of 205,897 shares consists of an acquisition of 205,700 shares through the off-hours trading system (ToSTNeT-3) and purchase of odd lots of 197 shares.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	Retained earnings	762	30	March 31, 2021	June 28, 2021

(2) Dividends whose record date falls in the current fiscal year but whose effective date comes after March 31, 2022

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2022	Common stock	Retained earnings	755	30	March 31, 2022	June 27, 2022

(Consolidated statements of cash flows)

*1. Relationship between the cash and cash equivalents at end of period and the amount of consolidated balance sheet items is as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash and deposits	8,476 million yen	7,990 million yen
Cash and cash equivalents	8,476 million yen	7,990 million yen

*2. Breakdown of the major assets and liabilities of a company that became a newly consolidated subsidiary through acquisition of shares

Previous fiscal year (From April 1, 2020 to March 31, 2021)

The breakdown of the assets and liabilities at the time of the consolidation of Toraku Foods Co., Ltd. due to the acquisition of its shares and the relationship between the acquisition price of that company and the expenditure (net) for the acquisition were as follows:

Current assets	1,835 million yen
Non-current assets	3,553 million yen
Current liabilities	(1,198) million yen
Non-current liabilities	(1,992) million yen
Gain on bargain purchase	(997) million yen
Acquisition price of shares	1,200 million yen
Cash and cash equivalents	(4) million yen
Net: Expenditures for the acquisition	1,195 million yen

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

3. Significant non-cash transactions

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

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Assets and liabilities related to finance lease transactions	548 million yen	967 million yen

(Leases)

Finance lease transactions

(Lessee side)

Finance leases that do not transfer their ownership

(1) Leased assets

Property, plant and equipment

Primarily concerning production facilities (machinery and equipment) of Processed Food Products operations.

(2) Depreciation and amortization method for leased assets

Leased assets under finance lease transactions that do not transfer their ownership are amortized using the straight-line method over the lease term with a residual value of zero.

(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 on a customer-by-customer basis 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 risks 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 the Company's 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. The verification of shareholding rationale includes determining whether risks and benefits resulting from the shareholdings are proportionate to the cost of capital.

Operating payables, such as trade notes and accounts payables, and other account payables, are generally due 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. Lease liabilities from finance leases are incurred to raise funds for capital expenditure. The amount of interest expenses 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 March 31, 2022.

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 cash flow plans 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

As a variety of factors, some of which are variable, are taken into account when calculating the fair values of financial instruments, 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.

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Book value on the consolidated balance sheet	Fair value	Difference
(1) Notes and accounts receivable - trade	23,833	23,833	—
(2) Investment securities			
Available-for-sale securities	13,266	13,266	—
Total assets	37,100	37,100	—
(1) Notes and accounts payable - trade	20,236	20,236	—
(2) Accounts payable - other	6,841	6,841	—
(3) Short-term borrowings	7,890	7,890	—
(4) Long-term borrowings	7,306	7,303	(3)
(5) Lease liabilities	5,201	5,236	34
Total Liabilities	47,476	47,508	31
Derivatives transactions (*3)	50	50	—

(*1) “Cash and deposits” are omitted as they are cash or deposits that are settled in a short period of time and thus their fair values are similar to their book values.

(*2) Book value on the consolidated balance sheet of financial instruments whose fair value is deemed to be considerably difficult to estimate

(Millions of yen)

Category	As of March 31, 2021
Unlisted stocks	47
Shares of subsidiaries and associates	166

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, unlisted stocks are not included in “(2) Investment securities (Available-for-sale securities)” under “Assets.”

The fair values of shares of subsidiaries and associates 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) Derivative receivables and payables are presented on a net basis.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Book value on the consolidated balance sheet	Fair value	Difference
(1) Notes receivable - trade	36	36	—
(2) Accounts receivable - trade	23,400	23,400	—
(3) Investment securities			
Available-for-sale securities	11,671	11,671	—
Total assets	35,108	35,108	—
(1) Notes and accounts payable - trade	20,913	20,913	—
(2) Accounts payable - other	6,216	6,216	—
(3) Short-term borrowings	8,100	8,100	—
(4) Long-term borrowings	7,369	7,364	(4)
(5) Lease liabilities	5,203	5,229	26
Total Liabilities	47,801	47,823	21
Derivatives transactions (*3)	102	102	—

(*1) “Cash and deposits” are omitted as they are cash or deposits that are settled in a short period of time and thus their fair values are similar to their book values.

(*2) Unlisted stocks and shares of subsidiaries and associates are not included in the table above as they do not have market prices. Book values on the consolidated balance sheet for these financial instruments are as follows:

(Millions of yen)

Category	As of March 31, 2022
Unlisted stocks	47
Shares of subsidiaries and associates	218

(*3) Derivative receivables and payables are presented on a net basis.

(Note 1) Estimated redemption amounts of monetary assets and available-for-sale securities with maturity dates after the consolidated balance sheet date
Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	8,476	—	—
Notes and accounts receivable - trade	23,833	—	—
Investment securities			
Available-for-sale securities with maturity dates	—	—	—
Total	32,309	—	—

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	7,990	—	—
Notes receivable - trade	36	—	—
Accounts receivable - trade	23,400	—	—
Investment securities			
Available-for-sale securities with maturity dates	—	—	—
Total	31,427	—	—

(Note 2) Estimated repayment amounts of long-term borrowings, lease liabilities and other interest-bearing debts after the closing date of each fiscal year
Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	7,890	—	—	—	—	—
Long-term borrowings	2,657	2,159	1,419	834	210	25
Lease liabilities	905	991	865	831	611	996
Total	11,452	3,151	2,285	1,665	821	1,021

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	8,100	—	—	—	—	—
Long-term borrowings	2,817	2,077	1,482	588	388	15
Lease liabilities	1,084	960	929	711	535	981
Total	12,002	3,038	2,411	1,299	923	997

3. Breakdown of financial instruments by the level of their fair value

The Company classifies the fair values of financial instruments into the following three levels in accordance with the observability and importance of inputs used in the calculation of fair values.

Level 1 fair values: Fair values calculated using (non-adjusted) market prices of identical assets/liabilities in active markets

Level 2 fair values: Fair values calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair values: Fair values calculated using important but unobservable inputs

When several types of inputs that have a significant impact on the calculation of fair values are used, those fair values are classified at the level that is the least prioritized in calculating them, among the respective levels of these inputs.

(1) Financial instruments recorded at fair value in consolidated balance sheet

Current fiscal year (As of March 31, 2022)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	11,671	—	—	11,671
Equity securities	11,671	—	—	11,671
Bonds	—	—	—	—
Other	—	—	—	—
Derivatives transactions	—	102	—	102
Currency-related derivatives	—	102	—	102
Interest-related derivatives	—	—	—	—
Total assets	11,671	102	—	11,774

(2) Financial instruments other than those recorded at fair value in consolidated balance sheet

Current fiscal year (As of March 31, 2022)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	36	—	36
Accounts receivable - trade	—	23,400	—	23,400
Total assets	—	23,436	—	23,436
Notes and accounts payable - trade	—	20,913	—	20,913
Accounts payable - other	—	6,216	—	6,216
Short-term borrowings	—	8,100	—	8,100
Long-term borrowings	—	7,364	—	7,364
Lease liabilities	—	5,229	—	5,229
Total Liabilities	—	47,823	—	47,823

(Note) Explanation on evaluation technique and inputs used to calculate fair values

Investment securities

Available-for-sale securities

The fair values of these securities are based on prices on securities exchanges, and therefore are classified as Level 1.

Derivatives transactions

All of the derivative transactions are fixed-rate transactions with the calculation of fair value being based on the prices and other information presented by financial institutions. Therefore, their fair values are classified as Level 2.

Notes receivable – trade and accounts receivable - trade

The fair values of these items are stated at book value as these instruments are settled in a short period of time, and thus book value approximates fair value. Therefore, their fair values are classified as Level 2.

Notes and accounts payable - trade, accounts payable - other, and short-term borrowings

The fair values of these items are stated at book value as these instruments are settled in a short period of time, and thus book value approximates fair value. Therefore, their fair values are classified as Level 2.

Long-term borrowings and lease liabilities

The fair values for these items have been calculated as the present value of the sum of principal and interest amounts, discounted using the estimated interest rates for new borrowings or lease transactions of the same kind. Therefore, their fair values are classified as Level 2.

(Securities)

1. Available-for-sale securities

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

Category	Book value on the consolidated balance sheet	Historical cost	Difference
Securities with book values exceeding historical cost			
1) Equity securities	13,059	4,551	8,508
2) Bonds	—	—	—
3) Other	—	—	—
Subtotal	13,059	4,551	8,508
Securities with book values not exceeding historical cost			
1) Equity securities	207	265	(57)
2) Bonds	—	—	—
3) Other	—	—	—
Subtotal	207	265	(57)
Total	13,266	4,816	8,450

(Note) Unlisted stocks (carrying amount of 47 million yen) 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.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Category	Book value on the consolidated balance sheet	Historical cost	Difference
Securities with book values exceeding historical cost			
1) Equity securities	11,433	4,277	7,156
2) Bonds	—	—	—
3) Other	—	—	—
Subtotal	11,433	4,277	7,156
Securities with book values not exceeding historical cost			
1) Equity securities	237	293	(55)
2) Bonds	—	—	—
3) Other	—	—	—
Subtotal	237	293	(55)
Total	11,671	4,570	7,101

(Note) Unlisted stocks (carrying amount of 47 million yen) are not included in the table above as they do not have market prices.

2. Available-for-sale securities sold during the year
 Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

Category	Proceeds	Gains on sales	Losses on sales
Equity securities	2	1	—
Bonds	—	—	—
Other	—	—	—
Total	2	1	—

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Category	Proceeds	Gains on sales	Losses on sales
Equity securities	681	429	—
Bonds	—	—	—
Other	—	—	—
Total	681	429	—

3. Impairment of investment securities

There was no impairment of investment securities during the fiscal year ended March 31, 2021.

The Company recognized 29 million yen as impairment losses for investment securities during the fiscal year ended March 31, 2022.

When the value of stocks depreciated from 30% to 50%, the Company determined impairment loss by analyzing the operational performance of their respective issuing entities based on their published financial statements as well as each stock's fair value information such as discrepancies between the book value and the highest or lowest market value during the year.

(Derivatives transactions)

1. Derivative transactions not subject to the application of hedge accounting
Not applicable.

2. Derivative transactions subject to the application of hedge accounting

The contract amount or the amount equivalent to the principal set forth in the contract, etc. by hedge accounting method on the consolidated closing date are as follows:

(1) Currency-related derivatives

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

Hedge accounting method	Transaction types	Major hedged items	Contract amount		Fair value
				Due over 1 year	
Designated hedge accounting such as fixed-rate contracts	Fixed-rate transaction On purchased U.S. dollar	Accounts payable - trade	1,651	—	50
Total			1,651	—	50

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Hedge accounting method	Transaction types	Major hedged items	Contract amount		Fair value
				Due over 1 year	
Designated hedge accounting such as fixed-rate contracts	Fixed-rate transaction On purchased U.S. dollar	Accounts payable - trade	2,955	—	102
Total			2,955	—	102

(2) Interest-related derivatives

Previous fiscal year (As of March 31, 2021)

Not applicable.

Current fiscal year (As of March 31, 2022)

Not applicable.

(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 March 31, 2022 and 2021 (excluding those for which the simplified method was applied)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Beginning balance of retirement benefit obligation	13,210	million yen	12,833	million yen
Service cost - benefits earned during the year	310	million yen	296	million yen
Interest cost on projected benefit obligation	105	million yen	102	million yen
Actuarial gains and losses	20	million yen	(172)	million yen
Retirement benefits paid	(814)	million yen	(786)	million yen
Ending balance of retirement benefit obligation	12,833	million yen	12,274	million yen

(2) The changes in plan assets for the fiscal years ended March 31, 2022 and 2021 (excluding those for which the simplified method was applied)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Beginning balance of plan assets	13,780	million yen	14,941	million yen
Expected return on plan assets	413	million yen	373	million yen
Actuarial gains and losses	980	million yen	(148)	million yen
Contribution from the employer	394	million yen	384	million yen
Retirement benefits paid	(627)	million yen	(602)	million yen
Ending balance of plan assets	14,941	million yen	14,947	million yen

(3) The changes in retirement benefit liability of the plans for which the simplified method was applied for the fiscal years ended March 31, 2022 and 2021

	Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Beginning balance of retirement benefit liability	1,351	million yen	1,835	million yen
Retirement benefit expenses	171	million yen	174	million yen
Retirement benefits paid	(97)	million yen	(89)	million yen
Amount of increase due to new consolidation	455	million yen	–	
Amount of decrease due to transfer to defined contribution pension plans	(45)	million yen	–	
Ending balance of retirement benefit liability	1,835	million yen	1,921	million yen

(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

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Funded retirement benefit obligation	13,360 million yen	12,817 million yen
Plan assets	(14,941) million yen	(14,947) million yen
	(1,580) million yen	(2,130) million yen
Unfunded retirement benefit obligation	1,308 million yen	1,378 million yen
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	(271) million yen	(751) million yen
Retirement benefit asset	(1,580) million yen	(2,130) million yen
Retirement benefit liability	1,308 million yen	1,378 million yen
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	(271) million yen	(751) million yen

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

(5) The components of retirement benefit expenses

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Service cost - benefits earned during the year	310 million yen	296 million yen
Interest cost on projected benefit obligation	105 million yen	102 million yen
Expected return on plan assets	(413) million yen	(373) million yen
Amortization of actuarial differences	282 million yen	135 million yen
Retirement benefit expenses calculated using the simplified method	171 million yen	174 million yen
Retirement benefit expenses on defined benefit plans	457 million yen	335 million yen
Extra retirement payments (Note)	204 million yen	19 million yen

(Note) Recorded under extraordinary losses. In addition, extra retirement payments for the fiscal year ended March 31, 2021 are additional severance benefits for early retirees while those for the fiscal year ended March 31, 2022 are additional severance benefits for those who were permanently transferred to consolidated subsidiaries.

(6) Adjustments for retirement benefits

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

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Actuarial gains and losses	1,243 million yen	158 million yen
Total	1,243 million yen	158 million yen

(7) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effect) were as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Unrecognized actuarial gain or loss	334 million yen	175 million yen
Total	334 million yen	175 million yen

(8) Plan assets

1) Major components of plan assets

The components of plan assets were as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Bonds	43.0 %	43.5 %
Alternatives (Note)	24.7 %	23.7 %
Equity securities	22.4 %	22.7 %
General account	7.8 %	7.8 %
Short-term assets	2.1 %	2.3 %
Total	100 %	100 %

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

2) 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

Key basis for actuarial calculations

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Discount rate	0.8 %	0.8 %
Long-term expected rate of return	3.0 %	2.5 %
Expected rate of salary increase (Note)		
Lump-sum payment plans	4.6 %	4.6 %

(Note) As 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. Defined contribution plans

The amount of required contribution to the defined contribution plans of the Company and its consolidated subsidiaries was 244 million yen for the year ended March 31, 2022 and 252 million yen for the year ended March 31, 2021.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets		
Tax loss carryforwards (Note) 3	729 million yen	1,106 million yen
Impairment losses	920 million yen	793 million yen
Denied sales discounts, etc.	665 million yen	683 million yen
Retirement benefit liability	438 million yen	469 million yen
Provision for bonuses	274 million yen	262 million yen
Long-term trade receivables	215 million yen	215 million yen
Allowance for doubtful accounts	41 million yen	46 million yen
Other	717 million yen	521 million yen
Deferred tax assets subtotal	4,001 million yen	4,099 million yen
Valuation allowance for tax loss carryforwards (Note) 3	(404) million yen	(496) million yen
Valuation allowance for deductible temporary differences	(1,409) million yen	(1,390) million yen
Valuation allowances subtotal (Note) 1	(1,814) million yen	(1,887) million yen
Total deferred tax assets	2,187 million yen	2,211 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,509) million yen	(2,113) million yen
Retirement benefit asset	(483) million yen	(652) million yen
Reserve for advanced depreciation of non-current assets	(29) million yen	(29) million yen
Other	(317) million yen	(89) million yen
Total deferred tax liabilities	(3,339) million yen	(2,884) million yen
Net deferred tax assets (liabilities)	(1,152) million yen	(672) million yen

- (Notes)
1. Valuation allowance increased 73 million yen year on year. It was due mainly to an increase in valuation allowance for tax loss carryforwards of 92 million yen.
 2. As described in “[Notes] (Changes in accounting policies),” the Company changed its accounting policy. As a result, the financial data for the fiscal year ended March 31, 2021 are stated as figures to which the said changes in accounting policies have been retrospectively applied.
 3. Tax loss carryforwards and deferred tax assets by expiration periods

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	14	9	11	13	9	670	729
Valuation allowances	(14)	(9)	(11)	(13)	(8)	(346)	(404)
Deferred tax assets	—	—	—	0	0	324	(*2) 324

(*1) Tax loss carryforwards shown in the above table are after multiplying the statutory tax rate.

(*2) With respect to 729 million yen in tax loss carryforwards (after application of the statutory tax rate), 324 million yen in deferred tax assets has been recognized. This 324 million yen in deferred tax assets was recognized as loss carryforwards recoverable based on projected future taxable income out of the 729 million yen balance in tax loss carryforwards (mainly inhabitants tax and enterprise tax) (after application of the statutory tax rate) at the Company and some consolidated subsidiaries.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	9	11	13	9	47	1,014	1,106
Valuation allowances	(9)	(11)	(13)	(8)	(32)	(420)	(496)
Deferred tax assets	—	—	0	0	14	594	(*2) 609

(*1) Tax loss carryforwards shown in the above table are after multiplying the statutory tax rate.

(*2) With respect to 1,106 million yen in tax loss carryforwards (after application of the statutory tax rate), 609 million yen in deferred tax assets has been recognized. This 609 million yen in deferred tax assets was recognized as loss carryforwards recoverable based on projected future taxable income out of the 1,106 million yen balance in tax loss carryforwards (after application of the statutory tax rate) at the Company and some consolidated subsidiaries.

(Changes in presentation)

“Denied sales discounts” and “accounts payable on distribution expenses”, which had been recorded as deferred tax assets during the fiscal year ended March 31, 2021, were consolidated into “denied sales discounts, etc.” starting from the fiscal year ended March 31, 2022, in order to improve the clarity of disclosure, as both of them are expenses deducted from net sales. The notes to the previous fiscal year have been reclassified to reflect this change in presentation. As a result, “accounts payable on distribution expenses” of 361 million yen and “denied sales discounts” of 303 million yen for the fiscal year ended March 31, 2021 were reclassified to “denied sales discounts, etc.” of 665 million yen.

2. Breakdown of major items that caused the significant difference between the statutory tax rate and the effective tax rate after applying tax effect accounting

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Statutory tax rate	30.6%	—
Adjustment:		
Nondeductible expenses, including entertainment expenses	3.7%	—
Nontaxable income, including dividend income	(2.7)%	—
Per capita inhabitants tax	13.6%	—
Changes in valuation allowance	23.0%	—
Tax rate difference between the Company and consolidated subsidiaries	6.2%	—
Income taxes for prior periods	1.0%	—
Gain on bargain purchase	(41.7)%	—
Other	0.2%	—
Effective tax rate after applying tax effect accounting	33.9%	—

(Notes) 1. Notes for the current fiscal year are omitted as we recorded loss before income taxes.

2. The Company changed its accounting policy in the current fiscal year. As a result, the effective tax rate after applying tax effect accounting and the breakdown of major items that caused the significant difference for the previous fiscal year are presented with figures to which the new policy is applied retrospectively.

(Asset retirement obligations)

This note has been omitted due to the insignificance of the total amount of asset retirement obligations.

(Real estate for lease, etc.)

This note has been omitted due to the insignificance of the total amount of real estate for lease, etc.

(Revenue recognition)

1. Breakdown of revenues generated from contracts with customers

The breakdown of revenues generated from contracts with customers is shown in “[Notes] (Segment information, etc.)”

2. Information that forms the basis to understand revenues generated from contracts with customers

Information that forms the basis to understand revenues generated from contracts with customers is shown in “(5) Accounting policies for significant revenues and expenses” under “4. Disclosure of accounting policies” in “(Significant accounting policies for preparation of consolidated financial statements).”

3. Relationship between the satisfaction of performance obligations based on the contracts with customers and cash flows generated from these contracts, and information on the expected amount and timing of revenue to be recognized in or after the next fiscal year based on the contracts with customers that exist at the end of the current fiscal year

The balance of receivables generated from contracts with customers is as follows: There is no balance of contractual assets/liabilities at the beginning/end of the period.

(Millions of yen)

	Fiscal year ended March 31, 2022
Receivables generated from contracts with customers (Balance at beginning of period)	23,833
Receivables generated from contracts with customers (Balance at end of period)	23,436

(Segment information, etc.)

[Segment information]

1. Description of 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, based on their respective product categories: The "Processed Food Products operations" segment and the "Meat Products operations" segment.

(2) Description of the businesses that constitute each reportable segment

In the Processed Food Products operations segment, the Company manufactures and sells ham, sausage and precooked and processed foods. In the Meat Products operations segment, the Company manufactures and sells meat (beef, pork, chicken, etc.) 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 "Significant accounting policies for preparation of consolidated financial statements."

(Application of an accounting standard for revenue recognition, etc.)

As described in "[Notes] (Changes in accounting policies)," the Company began applying the Revenue Recognition Standard, etc. from the consolidated financial statements for the fiscal year ended March 31, 2022 and changed the accounting treatment in relation to revenue recognition. The calculation method for the profit/loss of reportable segments has been changed in the same manner accordingly.

Segment information for the previous fiscal year is presented after applying the new calculation method for profit/loss.

(Change in the method of recording distribution expenses)

As described in "[Notes] (Changes in accounting policies)," the Company changed the method of recording distribution expenses starting from the consolidated financial statements for the fiscal year ended March 31, 2022. The calculation method for the profit/loss of reportable segments has been changed in the same manner accordingly.

Segment information for the previous fiscal year is presented after applying the new calculation method for profit/loss.

3. Disclosure of sales, profit (loss), asset, liability, and other items and disaggregation of revenues for each reportable segment
Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment			Other (Note) 1	Total	Adjustments (Note) 2	Book value on the consolidated financial statements (Note) 3
	Processed Food Products operations	Meat Products operations	Total				
Net sales							
Sales to external customers	151,762	71,087	222,849	150	223,000	—	223,000
Intersegment sales and transfers	—	—	—	746	746	(746)	—
Total	151,762	71,087	222,849	896	223,746	(746)	223,000
Segment income (loss)	(938)	547	(390)	57	(333)	—	(333)
Segment assets	87,405	17,821	105,227	214	105,442	25,900	131,342
Other items							
Depreciation and amortization (Note) 4	7,413	373	7,787	10	7,798	—	7,798
Increase in property, plant and equipment, and intangible assets (Note) 4	5,447	679	6,127	12	6,139	7	6,146

- (Notes)
1. The “Other” segment is business other than that of the reportable segments and includes the insurance agency business.
 2. Adjustments for segment assets of 25,900 million yen refer to corporate assets that are comprised mainly of cash and deposits, investment securities and real estate for rent and other.
 3. Segment income (loss) is equal to the operating loss in the consolidated statements of income.
 4. Depreciation and amortization and increase in property, plant and equipment and intangible assets include long-term prepaid expenses.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Other (Note) 1	Total	Adjustments (Note) 2	Book value on the consolidated financial statements (Note) 3
	Processed Food Products operations	Meat Products operations	Total				
Net sales							
Ham & Sausage Products	66,484	—	66,484	—	66,484	—	66,484
Precooked & Processed Foods	81,526	—	81,526	—	81,526	—	81,526
Meat Products operations	—	70,455	70,455	—	70,455	—	70,455
Other	—	—	—	143	143	—	143
Revenues generated from contracts with customers	148,011	70,455	218,466	143	218,610	—	218,610
Sales to external customers	148,011	70,455	218,466	143	218,610	—	218,610
Intersegment sales and transfers	—	—	—	721	721	(721)	—
Total	148,011	70,455	218,466	865	219,332	(721)	218,610
Segment income (loss)	(1,076)	173	(903)	38	(865)	—	(865)
Segment assets	85,353	19,817	105,170	201	105,371	23,532	128,903
Other items							
Depreciation and amortization (Note) 4	7,519	418	7,937	8	7,945	—	7,945
Increase in property, plant and equipment, and intangible assets (Note) 4	6,994	381	7,376	—	7,376	0	7,376

- (Notes)
1. The “Other” segment is business other than that of the reportable segments and includes the insurance agency business.
 2. Adjustments for segment assets of 23,532 million yen refer to corporate assets that are comprised mainly of cash and deposits, investment securities and real estate for rent and other.
 3. Segment income (loss) is equal to the operating loss in the consolidated statements of income.
 4. Depreciation and amortization and increase in property, plant and equipment and intangible assets include long-term prepaid expenses.

[Related information]

Previous fiscal year (From April 1, 2020 to March 31, 2021)

1. Information by product and services

(Millions of yen)

	Ham & Sausage Products	Precooked & Processed Foods	Meat Products	Other	Total
Sales to external customers	71,161	80,600	71,087	150	223,000

2. Information by geographic area

(1) Net sales

Not applicable as the Company’s external customers were based solely in Japan.

(2) Property, plant and equipment

Not applicable as the Company’s property, plant and equipment were located solely in Japan.

3. Information by major customer

This statement is omitted because there were no sales to specific customers that account for 10% or more of net sales in the consolidated statement of income.

Current fiscal year (From April 1, 2021 to March 31, 2022)

1. Information by product and services

(Millions of yen)

	Ham & Sausage Products	Precooked & Processed Foods	Meat Products	Other	Total
Sales to external customers	66,484	81,526	70,455	143	218,610

2. Information by geographic area

(1) Net sales

Not applicable as the Company’s external customers were based solely in Japan.

(2) Property, plant and equipment

Not applicable as the Company’s property, plant and equipment were located solely in Japan.

3. Information by major customer

This statement is omitted because there were no sales to specific customers that account for 10% or more of net sales in the consolidated statement of income.

[Information on impairment losses on non-current assets by reportable segment]

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment			Other	Total	Adjustments (Note)	Amount recorded on the consolidated statement of income
	Processed Food Products operations	Meat Products operations	Total				
Impairment losses	—	—	—	—	—	299	299

(Note) Impairment losses of 299 million yen have been recognized due to decrease in recoverable value for real estate for rent and other not belonging to any segment.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Other	Total	Adjustments (Note)	Amount recorded on the consolidated statement of income
	Processed Food Products operations	Meat Products operations	Total				
Impairment losses	—	—	—	—	—	9	9

(Note) Impairment losses of 9 million yen have been recognized due to decrease in recoverable value for real estate for rent and other not belonging to any segment.

[Information about amortization and balance of goodwill by reportable segment]

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

Previous fiscal year (From April 1, 2020 to March 31, 2021)

In the Processed Food Products operations segment, the Company recorded gain on bargain purchase of 997 million yen in the fiscal year ended March 31, 2021 due to the acquisition of shares of Toraku Foods Co., Ltd. in the second quarter ended September 30, 2020.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

[Related parties]

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

(Per share information)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	3,036.59 yen	2,969.87 yen
Profit (loss) per share	16.23 yen	(14.88 yen)

- (Notes)
1. Diluted profit per share is not stated because there is no dilutive security.
 2. We have changed the method of recording distribution expenses as described in “[Notes] (Changes in accounting policies).” As a result, when comparing to figures not applying the new method, net assets per share for the fiscal year ended March 31, 2021 increased by 2.76 yen, and profit per share decreased by 0.08 yen.
 3. Basis of calculation

(1) The basis of calculation of profit (loss) per share is as follows:

Item	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit (loss) attributable to owners of parent (Millions of yen)	412	(376)
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent associated with to common stock (Millions of yen)	412	(376)
Weighted average number of common shares during the fiscal year (Thousand shares)	25,411	25,282

(2) The basis of calculation of net assets per share is as follows:

Item	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Total net assets (Millions of yen)	77,750	75,489
Amount deducted from total net assets (Millions of yen)	612	658
(Non-controlling interests included in the above) (Millions of yen)	(612)	(658)
Amounts of net assets related to common stock at the end of the fiscal year (Millions of yen)	77,137	74,830
Number of common shares used to calculate net assets per share at the end of the fiscal year (Thousand shares)	25,402	25,196

(Significant events after reporting period)

Not applicable.

5) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	7,890	8,100	0.42	—
Current portion of long-term borrowings	2,657	2,817	0.83	—
Current portion of lease liabilities	905	1,084	2.83	—
Long-term borrowings (excluding a current portion)	4,649	4,551	0.78	April 2023 to September 2028
Lease liabilities (excluding a current portion)	4,296	4,118	2.68	April 2023 to March 2031
Total	20,398	20,672	—	—

(Notes) 1. Average interest rate represents weighted average interest rate for the balance of borrowings, etc. at the end of the current fiscal year.

2. Scheduled annual repayment of long-term borrowings and lease liabilities (excluding the current portion) for 5 years subsequent to March 31, 2022.

Category	Over 1 year but within 2 years (Millions of yen)	Over 2 years but within 3 years (Millions of yen)	Over 3 years but within 4 years (Millions of yen)	Over 4 years but within 5 years (Millions of yen)
Long-term borrowings	2,077	1,482	588	388
Lease liabilities	960	929	711	535

[Annexed consolidated detailed schedule of asset retirement obligations]

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not larger than 1% of the total amount of liabilities and net assets at the beginning and the end of the current fiscal year. Consequently, this information is omitted.

(2) Other

Quarterly information for the fiscal year ended March 31, 2022

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Current fiscal year
Net sales (Millions of yen)	53,684	109,204	169,358	218,610
Profit (loss) before income taxes (Millions of yen)	273	230	1,156	(229)
Profit (loss) attributable to owners of parent (Millions of yen)	178	98	713	(376)
Profit (loss) per share (Yen)	7.03	3.88	28.21	(14.88)

(Accounting period)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share (Yen)	7.03	(3.16)	24.42	(43.27)

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	2,898	2,227
Notes receivable - trade	32	24
Accounts receivable - trade	16,609	16,332
Merchandise and finished goods	6,338	7,558
Work in process	263	244
Raw materials and supplies	4,408	3,680
Short-term loans receivable	2,535	3,557
Other	2,763	3,223
Allowance for doubtful accounts	(3)	(1)
Total current assets	35,847	36,847
Non-current assets		
Property, plant and equipment		
Buildings	8,069	8,353
Structures	580	586
Machinery and equipment	10,058	11,350
Vehicles	9	6
Tools, furniture and fixtures	1,280	1,237
Land	10,894	10,894
Leased assets	124	130
Construction in progress	661	498
Total property, plant and equipment	31,678	33,056
Intangible assets	2,568	2,058
Investments and other assets		
Investment securities	13,272	11,678
Shares of subsidiaries and associates	5,337	5,337
Real estate for rent and other	7,684	7,135
Long-term loans receivable from subsidiaries and associates	6,985	4,938
Other	2,585	2,875
Allowance for doubtful accounts	(809)	(821)
Total investments and other assets	35,055	31,145
Total non-current assets	69,301	66,260
Total assets	105,149	103,108

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes payable - trade	96	85
Accounts payable - trade	15,332	15,689
Short-term borrowings	7,210	7,330
Current portion of long-term borrowings	2,619	2,779
Lease liabilities	53	52
Accounts payable - other	4,217	3,931
Income taxes payable	—	56
Provision for bonuses	378	320
Other	586	471
Total current liabilities	30,495	30,717
Non-current liabilities		
Long-term borrowings	4,549	4,490
Lease liabilities	110	103
Deferred tax liabilities	2,279	1,914
Provision for loss on business of subsidiaries and associates	6	4
Other	247	257
Total non-current liabilities	7,192	6,770
Total liabilities	37,688	37,488
Net assets		
Shareholders' equity		
Share capital	6,716	6,716
Capital surplus		
Legal capital surplus	21,685	21,685
Other capital surplus	387	387
Total capital surplus	22,073	22,073
Retained earnings		
Legal retained earnings	1,676	1,676
Other retained earnings		
General reserve	20,050	20,050
Reserve for tax purpose reduction entry of non-current assets	67	66
Retained earnings brought forward	13,606	13,050
Total retained earnings	35,400	34,843
Treasury shares	(2,697)	(3,066)
Total shareholders' equity	61,492	60,566
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,933	4,982
Deferred gains or losses on hedges	34	71
Total valuation and translation adjustments	5,968	5,053
Total net assets	67,461	65,619
Total liabilities and net assets	105,149	103,108

2) Non-consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	151,801	139,319
Cost of sales	130,900	121,514
Gross profit	20,900	17,805
Selling, general and administrative expenses	*1 22,139	*1 19,002
Operating loss	(1,239)	(1,197)
Non-operating income		
Interest and dividend income	1,813	883
Rental income from real estate	566	564
Other	215	201
Total non-operating income	2,594	1,648
Non-operating expenses		
Interest expenses	109	98
Rental expenses on real estate	294	280
Other	86	46
Total non-operating expenses	490	424
Ordinary profit	864	26
Extraordinary income		
Gain on disposal of non-current assets	*3 307	*3 123
Gain on sale of investment securities	0	429
Reversal of provision for loss on business of subsidiaries and associates	1	1
Total extraordinary income	310	555
Extraordinary losses		
Loss on disposal of non-current assets	*4 186	*4 340
Impairment losses	299	9
Loss on valuation of investment securities	—	29
Extra retirement payments	204	19
Loss on business of and investment in subsidiaries and affiliates	*5 3	*5 11
Total extraordinary losses	693	410
Profit before income taxes	480	171
Income taxes - current	(68)	(47)
Income taxes - deferred	(29)	14
Total income taxes	(98)	(33)
Profit	579	204

3) Non-consolidated Statements of Changes in Net Assets
For the previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward
Balance at beginning of period	6,716	21,685	387	22,073	1,676	20,050	68	13,850
Cumulative effects of changes in accounting policies								65
Restated balance	6,716	21,685	387	22,073	1,676	20,050	68	13,916
Changes during period								
Dividends of surplus								(889)
Reversal of reserve for tax purpose reduction entry of non-current assets							(0)	0
Profit								579
Purchase of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	(0)	(310)
Balance at end of period	6,716	21,685	387	22,073	1,676	20,050	67	13,606

	Shareholders' equity			Valuation and translation adjustments			Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Total retained earnings						
Balance at beginning of period	35,645	(2,657)	61,777	3,824	(2)	3,821	65,599
Cumulative effects of changes in accounting policies	65		65				65
Restated balance	35,711	(2,657)	61,843	3,824	(2)	3,821	65,665
Changes during period							
Dividends of surplus	(889)		(889)				(889)
Reversal of reserve for tax purpose reduction entry of non-current assets	—		—				—
Profit	579		579				579
Purchase of treasury shares		(40)	(40)				(40)
Net changes in items other than shareholders' equity				2,109	37	2,147	2,147
Total changes during period	(310)	(40)	(350)	2,109	37	2,147	1,796
Balance at end of period	35,400	(2,697)	61,492	5,933	34	5,968	67,461

For the current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward
Balance at beginning of period	6,716	21,685	387	22,073	1,676	20,050	67	13,606
Cumulative effects of changes in accounting policies								
Restated balance	6,716	21,685	387	22,073	1,676	20,050	67	13,606
Changes during period								
Dividends of surplus								(762)
Reversal of reserve for tax purpose reduction entry of non-current assets							(0)	0
Profit								204
Purchase of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	(0)	(556)
Balance at end of period	6,716	21,685	387	22,073	1,676	20,050	66	13,050

	Shareholders' equity			Valuation and translation adjustments			Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Total retained earnings						
Balance at beginning of period	35,400	(2,697)	61,492	5,933	34	5,968	67,461
Cumulative effects of changes in accounting policies	—		—				—
Restated balance	35,400	(2,697)	61,492	5,933	34	5,968	67,461
Changes during period							
Dividends of surplus	(762)		(762)				(762)
Reversal of reserve for tax purpose reduction entry of non-current assets	—		—				—
Profit	204		204				204
Purchase of treasury shares		(368)	(368)				(368)
Net changes in items other than shareholders' equity				(951)	36	(915)	(915)
Total changes during period	(557)	(368)	(926)	(951)	36	(915)	(1,841)
Balance at end of period	34,843	(3,066)	60,566	4,982	71	5,053	65,619

[Notes]

(Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Significant accounting policies)

1. Basis and method concerning valuation of assets

(1) Basis and method concerning valuation of securities

1) Shares of subsidiaries and associates

Stated at their cost determined by the moving-average method.

2) Available-for-sale securities

- Securities other than shares without market price, etc.

Stated at fair value.

(Any valuation difference is booked directly to net assets and the cost of securities sold are computed by the moving-average method.)

- Shares without market price, etc.

Stated at their cost determined by the moving-average method.

(2) Basis and method concerning valuation of derivatives

Derivatives

Stated at fair value.

(3) Basis and method concerning valuation of inventories

Merchandise and finished goods, work in process, and raw materials and supplies

Stated at their cost determined by the weighted average method.

(Balance sheet values reflect write-downs for decreased profitability.)

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Applying the declining balance method. However, the straight-line method is applied for the buildings (excluding the facilities attached to buildings) acquired on and after April 1, 1998 and the facilities attached to buildings and structures acquired on and after April 1, 2016.

(2) Intangible assets (excluding leased assets)

Applying the straight-line method. For software for its own use, the straight-line method is applied based on the internally estimated useful life of 5 years.

(3) Leased assets

Leased assets under finance leases that do not transfer its ownership

Leased assets under finance lease transactions that do not transfer their ownership are amortized using the straight-line method over the lease term with a residual value of zero.

3. Accounting policies for allowances and provisions

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided to cover bad-debt losses. 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.

(2) Provision for bonuses

To provide for payments of employees' bonuses, an amount accrued for the current fiscal year among the estimated future obligations is recorded as provisions.

(3) Provision for retirement benefits

Provision for retirement benefits is provided at an amount based on the projected retirement benefit obligation and plan assets at the end of the current fiscal year. When the estimated amount of plan assets is smaller than the projected amount of retirement benefit obligations adjusted by unrecognized actuarial gain or loss, the difference is recorded as provision for retirement benefits. When it exceeds the adjusted retirement benefit obligations, the difference is recorded as prepaid pension expenses. As the estimated plan assets exceeded the adjusted retirement benefit obligations at the end of the current fiscal year, prepaid pension expenses were recorded in "Other" under "Investments and other assets."

1) Periodic attribution of projected retirement benefits

Projected benefit obligations are attributed to the periods of service until the end of the current fiscal year on a benefit formula basis in determining retirement benefit obligations.

2) Amortization method for actuarial gains or losses

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.

(4) Provision for loss on business of subsidiaries and associates

Provision for loss on business of subsidiaries and associates is provided for the estimated loss that the Company would need to bear above its investment, taking into consideration the financial position and operational performance, etc. of the subsidiaries and associates.

4. Accounting policies for revenues and expenses

(1) The Company's key performance obligation in its primary business operations

The Company's primary business operations are the Processed Food Products operations (manufacturing and sales of ham, sausage and precooked and processed foods) and the Meat Products operations (processing and sales of beef, pork, chicken, etc.) and we identify that delivery of these merchandise and finished goods to our customers as our performance obligation.

(2) General timing when the Company satisfies its performance obligation

The Company applies an alternative treatment set forth in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition." Therefore, revenue is, in principle, recognized at the time of shipment of merchandise and finished goods, where control over them is transferred to a customer and thus we judge that our performance obligation is satisfied.

Transaction prices are calculated by deducting a portion of distributing expenses, promotion expenses, etc. from prices agreed in a contract with a customer.

5. Other significant accounting policies for preparation of non-consolidated financial statements

(1) Hedge accounting

Exceptional accounting treatments are applied to interest rate swaps because they meet specific conditions. In addition, accounts receivable and accounts payable in a foreign currency hedged by fixed-rate contracts, etc., are treated with designated hedge accounting.

(2) Accounting treatment of retirement benefits

The accounting treatment of unrecognized actuarial gain or loss relating to retirement benefits is different from the accounting treatment of unrecognized actuarial gain or loss in the consolidated financial statements.

(3) Application of consolidated taxation system

The Company applies a consolidated taxation system.

(4) Application of tax effect accounting related to the transition from a consolidated taxation system to a group tax sharing system

The Company will make a transition from a consolidated taxation system to a group tax sharing system from the next fiscal year. However, regarding items that have been transitioned to a group tax sharing system established under the “Act for Partial Amendment to 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 has not applied the provisions in Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment prescribed in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities for these items are based on taxation law as it was before amendment.

The Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (the Practical Solution No.42, August 12, 2021), that defines the accounting treatment and disclosure methods for national/regional income taxes and those for tax effect accounting when applying the group tax sharing system, from the beginning of the next fiscal year.

(5) Accounting treatment of asset-related non-deductible consumption taxes, etc.

Asset-related non-deductible national/regional consumption taxes are recorded as expenses for the fiscal year ended March 31, 2022.

(Significant accounting estimates)

1. Impairment of non-current assets

(1) Amount recorded in the financial statements for the fiscal year ended March 31, 2022

The book value of business assets (including common assets): 33,998 million yen
(Property, plant and equipment: 31,940 million yen / Intangible assets: 2,058 million yen)

The Company determined that there was an indication of impairment of the business assets due to the continuous recording of operating loss and reviewed the necessity of recording impairment losses. However, as it was determined that the undiscounted future cash flows would exceed the book value of the business assets, including the common assets, the Company did not record any impairment losses.

(2) Significant accounting estimates for identified items

A method to calculate the amount set out in section (1) is identical to that described in “1. Impairment of non-current assets” under “[Notes] (Significant accounting estimates)” in the consolidated financial statements.

2. Recoverability of deferred tax assets

(1) Amount recorded in the financial statements for the fiscal year ended March 31, 2022

Deferred tax assets before offsetting with deferred tax liabilities: 1,047 million yen

(2) Significant accounting estimates for identified items

A method to calculate the amount set out in section (1) is identical to that described in “2. Recoverability of deferred tax assets” under “[Notes] (Significant accounting estimates)” in the consolidated financial statements.

(Changes in accounting policies)

(Application of an accounting standard for revenue recognition, etc.)

The Company began applying the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020, hereinafter referred to as the “Revenue Recognition Standard”), etc., at the beginning of the fiscal year ended March 31, 2022, and recognizing revenue when it transfers the control of promised goods or services to a customer, based on amounts expected to be received in exchange for such goods or services. As a result, we have changed an accounting method in which a portion of distribution expenses and promotion expenses, etc., which had previously been recorded as selling, general and administrative expenses, are now deducted from net sales. In principle, this change in accounting policies has been applied retrospectively, including the non-consolidated financial statements for the previous fiscal year. However, the following method that is provided in Paragraph 85 of the Revenue Recognition Standard is applied:

- For contracts under which almost all of revenues had been recognized before the beginning of the previous fiscal year in accordance with the previous revenue recognition policy, comparative information shall not be revised retrospectively.

As a result, when compared to figures not applying the new Revenue Recognition Standard, net sales decreased by 8,344 million yen, cost of sales decreased by 1,250 million yen, and selling, general and administrative expenses decreased by 7,094 million yen, for the fiscal year that ended March 31, 2021. In addition, both accounts payable - other and accounts receivable - trade at the end of the fiscal year ended March 31, 2021 decreased by 1,566 million yen, respectively.

In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Standard, notes for “Revenue recognition” related to the previous fiscal year are omitted.

(Application of an accounting standard for fair value measurement, etc.)

The Company began applying the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Fair Value Measurement Standard”), etc., at the beginning of the fiscal year ended March 31, 2022, and adopts new accounting policies that are stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change has no effect on the non-consolidated financial statements.

(Change in the method of recording distribution expenses)

The Company has decided to start recording a portion of distribution expenses, which had previously been recorded as selling, general and administrative expenses, as manufacturing cost from the beginning of the fiscal year ended March 31, 2022. This change was implemented to make our profit and loss management better reflect the real situations (regarding relevant divisions, items, customers, etc.) of the Company, including the revision of allocation method of distribution expenses, while the importance of distribution expenses are growing, taking advantage of the update of the enterprise system.

This change in accounting policies has been applied retrospectively, including the non-consolidated financial statements for the previous fiscal year. As a result, when compared to figures not applying the new accounting policy, merchandise and finished goods increased by 92 million yen, deferred tax liabilities increased by 28 million yen, and retained earnings increased by 64 million yen on the non-consolidated balance sheet for the fiscal year ended on March 31, 2021. For the non-consolidated statement of income for the same fiscal year, cost of sales increased by 3,078 million yen, selling, general and administrative expenses decreased by 3,075 million yen, operating loss increased by 2 million yen, ordinary profit and profit before income taxes decreased by 2 million yen, respectively, and profit decreased by 1 million yen. As cumulative effects of this change were reflected in net assets at the beginning of the previous fiscal year, the balance of retained earnings brought forward at the beginning of the period, with the change being applied retrospectively, increased by 65 million yen in the statement of changes in net assets.

When compared to figures not applying the new method, net assets per share increased by 2.52 yen, and profit per share decreased by 0.07 yen for the fiscal year ended March 31, 2021.

(Non-consolidated balance sheets)

1. Monetary claims and obligations to subsidiaries and associates

Monetary claims and obligations to the subsidiaries and associates concerned, excluding those presented separately, are as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Short-term monetary claims	8,280 million yen	9,788 million yen
Long-term monetary claims	6,985 million yen	4,938 million yen
Short-term monetary obligations	7,303 million yen	7,210 million yen

2. Guarantee obligation

Loans to the following companies have been guaranteed by the Company: Loan guarantees refer to guarantees on borrowings from financial institutions.

Previous fiscal year (As of March 31, 2021)

Guarantee	Guaranteed amount (Millions of yen)	Details
Yahata Food Co., Ltd.	100	Loan guarantees
Total	100	

Current fiscal year (As of March 31, 2022)

Guarantee	Guaranteed amount (Millions of yen)	Details
Yahata Food Co., Ltd.	100	Loan guarantees
Pioneer Foods Co., Ltd.	7	Transaction guarantees
Total	107	

3. Overdraft agreements

The Company has signed overdraft agreements with its correspondent banks to efficiently procure working capital. The unrealized borrowings under these agreements at the end of the fiscal year were as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Total amounts in the overdraft agreements	30,800 million yen	30,800 million yen
Borrowing balance	7,210 million yen	7,330 million yen
Difference	23,590 million yen	23,470 million yen

(Non-consolidated statements of income)

*1. The percentages of selling expenses among total expenses for the previous fiscal year and the current fiscal year were some 85% and 84%, respectively, while those of general and administrative expenses were some 15% and 16%, respectively.

Major items and their amount included in selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Distribution expenses	9,033 million yen	7,708 million yen
Salaries and allowances	3,374 million yen	2,900 million yen
Depreciation and amortization	751 million yen	823 million yen
Retirement benefit expenses	253 million yen	164 million yen
Provision for bonuses	197 million yen	159 million yen
Provision of allowance for doubtful accounts	(4) million yen	0 million yen

2. Amount of business transactions with subsidiaries and associates and transactions with subsidiaries and associates other than business transactions are as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Operating revenue	39,815 million yen	38,391 million yen
Operating expenses	27,502 million yen	23,985 million yen
Amount of transactions other than business transactions	608 million yen	623 million yen

*3. Gain on disposal of non-current assets

Primarily generated from the sales of real estate for rent and other.

*4. The breakdown of loss on disposal of non-current assets are as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Buildings and structures	161 million yen	283 million yen
Machinery and equipment	18 million yen	54 million yen
Other	5 million yen	2 million yen
Total	186 million yen	340 million yen

*5. The breakdown of loss on business of and investment in subsidiaries and associates are as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Provision of allowance for doubtful accounts	3 million yen	11 million yen

(Securities)

Previous fiscal year (As of March 31, 2021)

Shares in subsidiaries and associates do not have market prices and the fair values of those shares are judged to be extremely difficult to estimate. As a result, their fair values are not stated.

The book values of the shares in subsidiaries and associates whose fair values are deemed to be considerably difficult to estimate on the balance sheet are as follows:

(Millions of yen)

Category	Previous fiscal year (As of March 31, 2021)
Shares of subsidiaries	5,281
Shares of associates	55
Total	5,337

Current fiscal year (As of March 31, 2022)

Shares in subsidiaries and associates do not have market prices. As a result, their fair values are not stated.

The book values of the shares in subsidiaries and associates without market prices on the balance sheet are as follows:

(Millions of yen)

Category	Current fiscal year (As of March 31, 2022)
Shares of subsidiaries	5,281
Shares of associates	55
Total	5,337

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets		
Impairment losses	883 million yen	758 million yen
Tax loss carryforwards	383 million yen	587 million yen
Loss on valuation of shares of subsidiaries and associates	465 million yen	465 million yen
Denied sales discounts, etc.	477 million yen	454 million yen
Allowance for doubtful accounts	248 million yen	252 million yen
Long-term trade receivables	208 million yen	208 million yen
Provision for bonuses	116 million yen	98 million yen
Other	232 million yen	243 million yen
Deferred tax assets subtotal	3,016 million yen	3,067 million yen
Valuation allowances	(2,037) million yen	(2,020) million yen
Total deferred tax assets	978 million yen	1,047 million yen

Deferred tax liabilities

Valuation difference on available-for-sale securities	(2,505) million yen	(2,110) million yen
Prepaid pension costs	(678) million yen	(790) million yen
Deferred gains or losses on hedges	(15) million yen	(31) million yen
Reserve for advance depreciation of non-current assets	(29) million yen	(29) million yen
Retrospective effect of change in accounting policy on inventories	(28) million yen	—
Total deferred tax liabilities	(3,257) million yen	(2,962) million yen
Net deferred tax assets (liabilities)	(2,279) million yen	(1,914) million yen

(Note) As described in “[Notes] (Changes in accounting policies),” the Company changed its accounting policy. As a result, the financial data for the fiscal year ended March 31, 2021 are stated as figures to which the said changes in accounting policies have been retrospectively applied.

(Changes in presentation)

“Denied sales discounts” and “accounts payable on distribution expenses”, which had been recorded as deferred tax assets during the fiscal year ended March 31, 2021, were consolidated into “denied sales discounts, etc.” starting from the fiscal year ended March 31, 2022, in order to improve the clarity of disclosure, as both of them are expenses deducted from net sales. The notes to the previous fiscal year have been reclassified to reflect this change in presentation. As a result, “accounts payable on distribution expenses” of 221 million yen and “denied sales discounts” of 255 million yen for the fiscal year ended March 31, 2021 were reclassified to “denied sales discounts, etc.” of 477 million yen.

2. Breakdown of major items that caused the significant difference between the statutory tax rate and the effective tax rate after applying tax effect accounting

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Statutory tax rate	30.6%	30.6 %
Adjustment:		
Non-deductible expenses, including entertainment expenses	4.9%	14.6 %
Nontaxable income, including dividend income	(92.3)%	(85.6)%
Per capita inhabitants tax	13.7%	35.5 %
Changes in valuation allowance	17.8%	(14.0)%
Income taxes for prior periods	3.9%	(0.8)%
Other	1.0%	0.3 %
Effective tax rate after applying tax effect accounting	(20.4)%	(19.4)%

(Note) The Company changed its accounting policy in the current fiscal year. As a result, the effective tax rate after applying tax effect accounting and the breakdown of major items that caused the significant difference for the previous fiscal year are presented with figures to which the new policy is applied retrospectively.

(Revenue recognition)

With regard to information that forms the basis to understand revenues generated from contracts with customers, the same contents are presented in “[Notes] (Revenue recognition)” in the consolidated financial statements. Therefore, notes are omitted here.

(Significant events after reporting period)

Not applicable.

4) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of asset	Balance at beginning of period	Increase during the year	Decrease during the year	Depreciation and amortization during the period	Balance at end of period	Accumulated depreciation and amortization
Property, plant and equipment	Buildings	8,069	1,088	40	761	8,353	24,799
	Structures	580	63	0	57	586	3,172
	Machinery and equipment	10,058	4,249	41	2,918	11,350	42,020
	Vehicles	9	3	0	6	6	386
	Tools, furniture and fixtures	1,280	81	0	124	1,237	2,119
	Land	10,894	–	–	–	10,894	–
	Leased assets	124	53	–	47	130	104
	Construction in progress	661	1,248	1,411	–	498	–
	Total	31,678	6,787	1,493	3,915	33,056	72,603
Intangible assets	Total	2,568	665	482	691	2,058	1,666

(Notes) 1. Major increases in “Increase during the year” are as follows:

Buildings: Primarily for renovation work on plants.

Major increases during the year by plant are as follows:

Kanto Plant 337 million yen

Karatsu Plant 207 million yen

Takatsuki Plant 164 million yen

Machinery and equipment: For the reinforcement of existing production facilities and the acquisition of new machinery and equipment to streamline the operations.

Major increases during the year by plant are as follows:

Takatsuki Plant 1,588 million yen

Kanto Plant 852 million yen

Yokosuka Plant 533 million yen

Construction in progress Takatsuki Plant 361 million yen

Karatsu Plant 268 million yen

Kanto Plant 234 million yen

2. Major decreases in “Decrease during the year” are as follows:

Construction in progress: Primarily due to reclassification to buildings, machinery and equipment.

[Annexed detailed schedule of provisions]

(Millions of yen)

Category	Balance at beginning of period	Increase during the year	Decrease during the year (Used for primary purposes)	Decrease during the year (Other)	Balance at end of period
Allowance for doubtful accounts	813	17	3	4	823
Provision for bonuses	378	320	378	–	320
Provision for loss on business of subsidiaries and associates	6	–	–	1	4

- (Notes)
1. “Decrease during the year (Other)” in the allowance for doubtful accounts was due to the collection of receivables, etc.
 2. “Decrease during the year (Other)” in the provision for loss on business of subsidiaries and associates was due to the reversal of a portion thereof in line with the improved performance of subsidiaries and associates.

(2) Components of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for dividends of surplus	March 31
Number of shares consisting of a minimum unit	100
Purchase of shares less than one unit	
Handling office	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 4-5-33 Kitahama, Chuo-ku, Osaka-shi, Osaka
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Transfer office	—
Purchasing fee	Free
Method of public notice	The Company's method of public notice is by electronic public notice. However, if the Company is unable to give an electronic public notice due to an accident or other unavoidable reason, the public notice shall be posted on the Nihon Keizai Shimbun. The Company's URL for public notice: https://www.marudai.jp/
Shareholders' privileges	Each shareholder listed on the shareholder list and holding 2 units (200 shares) or more as of September 30 each year will receive 3,000 yen worth of products of Marudai Food Co., Ltd.

VII. Reference Information of Reporting Company

1. Information about parent of reporting company

The Company does not have a parent company or other entity that is provided for in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company filed the following documents during the period from the starting date of the current fiscal year to the filing date of the Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

For the 73rd fiscal year (from April 1, 2020 to March 31, 2021)

Filed to the Director-General of Kanto Local Finance Bureau on June 28, 2021

(2) Internal Control Report

For the 73rd fiscal year (from April 1, 2020 to March 31, 2021)

Filed to the Director-General of Kanto Local Finance Bureau on June 28, 2021

(3) Quarterly Securities Reports and Confirmation Letters thereof

For the first quarter of the 74th fiscal year (from April 1, 2021 to June 30, 2021)

Filed to the Director-General of Kanto Local Finance Bureau on August 12, 2021

For the second quarter of the 74th fiscal year (from July 1, 2021 to September 30, 2021)

Filed to the Director-General of Kanto Local Finance Bureau on November 12, 2021

For the third quarter of the 74th fiscal year (from October 1, 2021 to December 31, 2021)

Filed to the Director-General of Kanto Local Finance Bureau on February 14, 2022

(4) Extraordinary Report

An Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of the Exercise of Voting Rights at General Meetings of Shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs

Filed to the Director-General of Kanto Local Finance Bureau on June 28, 2021

(5) Share Buyback Reports

Filed to the Director-General of Kanto Local Finance Bureau on September 8, 2021

(6) Amended Shelf Registration Statement (straight bond)

Filed to the Director-General of Kanto Local Finance Bureau on June 28, 2021

Part II Information about Reporting Company's Guarantor, etc.

Not applicable.

Independent Auditors' Report on Consolidated Financial Statements and Internal Control

June 24, 2022

To the Board of Directors of Marudai Food Co., Ltd.

KPMG AZSA LLC

Osaka Office

Takahide Nakahata
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Satoru Komatsuno
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

<Financial Statements Audit>

Audit Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, we have audited the consolidated financial statements of Marudai Food Co., Ltd. included in "Financial Information" for the fiscal year from April 1, 2021 to March 31, 2022, which comprise the consolidated balance sheets, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets, the consolidated statements of cash flows, significant accounting policies for preparation of consolidated financial statements, other notes and the annexed consolidated detailed schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of Marudai Food Co., Ltd. and its consolidated subsidiaries as of March 31, 2022, and their results of operations and their cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibility as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements for the current fiscal year. Key audit matters are the matters addressed in the process of conducting the audit of and forming the audit opinions on the consolidated financial statements as a whole, and we do not express separate opinions on such matters.

Appropriateness of the judgment of Marudai Food Co., Ltd. as to whether an impairment loss should be recognized on non-current assets	
Details of the key audit matters and the basis for our determination thereof	How the key audit matter was addressed in the audit
<p>Property, plant and equipment of 60,085 million yen and intangible assets of 2,267 million yen were recognized in the consolidated balance sheets of Marudai Food Co., Ltd. (the Company) for the fiscal year ended March 31, 2022. As described in [Notes] “(Significant accounting estimates) 1. Impairment of non-current assets” to the consolidated financial statements, the Company’s business assets (including common assets) include property, plant and equipment of 31,940 million yen and intangible assets of 2,058 million yen, the total of which accounted for 26.3% of consolidated total assets.</p> <p>While these non-current assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the total amount of undiscounted future cash flows that are expected to be generated from the related asset groups with their book values. If the recognition of an impairment loss is deemed necessary, the book value is reduced to the recoverable amount, and the resulting decrease in the book value is recognized as an impairment loss.</p> <p>Marudai Food Co., Ltd. has faced harsh business conditions and recorded operating losses for five consecutive fiscal years. This was due to lowered selling prices from intensifying sales competition as well as a rise in raw material prices and in costs for energy and logistics. For this reason, the asset group including the common assets was reviewed whether to recognize an impairment loss in the current fiscal year. The undiscounted future cash flows used in the review were estimated based on the management plan of the Company formulated by its management. However, there is uncertainty with the following assumptions: the net sales projected based on the degree of achievement of the budget and changes in the market environment for the current fiscal year; the unit prices of raw materials and the cost reduction effect of capital investment in the production division, which were projected in consideration of current market trends. The judgment of the management on these matters will have a significant impact on the estimation of the undiscounted future cash flows.</p> <p>Based on the above, we have determined that the appropriateness of the decision regarding the necessity of recognizing an impairment loss on non-current assets of Marudai Food Co., Ltd. is of particular importance in the audit of the consolidated financial statements for the current fiscal year and constitutes a key audit matter.</p>	<p>Our audit procedures related to the appropriateness of the decision regarding the necessity of recognizing an impairment loss on non-current assets of Marudai Food Co., Ltd. included the following, among others.</p> <p>(1) Assessment of internal controls</p> <p>We assessed the design and operating effectiveness of the Company’s internal controls for determining the necessity of recognizing an impairment loss on the non-current assets.</p> <p>(2) Assessment of the reasonableness of estimates of undiscounted future cash flows</p> <p>In order to assess the appropriateness of the key assumptions made by Marudai Food Co., Ltd. in formulating the management plan, which are the basis for estimating undiscounted future cash flows, we primarily conducted the following procedures, in addition to questioning personnel in charge of the departments for the bases of these assumptions.</p> <ul style="list-style-type: none"> ● We conducted the following procedures regarding the projected net sales in the management plan. <ul style="list-style-type: none"> - We analyzed the trend of relationship between management plans and actual results for prior periods, monitored the status of selling price revisions during recent years, and examined the feasibility of selling price revision in the future, which is a key assumption for the management plan. - We reviewed the consistency of the projected net sales with the following information: statistic information on the market trend for products such as hams and sausages released by the Ministry of Internal Affairs and Communications and the Japan Ham&Sausage Processors Cooperative Association; and statistic information on the market trend for precooked and processed foods released by the Japan Ready-made Meal Association. ● As for the projected unit prices of raw materials in the management plan, we conducted trend analyses of the unit prices of the raw materials purchased in the past and reviewed the consistency with statistic information released by the Agriculture & Livestock Industries Corporation. ● We assessed the reasonableness of the cost reduction effect of capital investment in the management plan by reviewing the past administrative data on the cost reduction effect of capital investment.

Other Contents

Other contents refer to information in Annual Securities Reports other than the consolidated/non-consolidated financial statements and the audit report thereof. The management is responsible for preparing and disclosing such other contents. Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors’ duties related to designing and operating the reporting process of other contents.

Other contents are not within the scope of our audit opinions on the consolidated financial statements, and we do not express opinions on other contents.

Our responsibility for the audit of the consolidated financial statements are as follows: While reading through other contents, examining whether there are material discrepancies between their contents and the consolidated financial statements or knowledge we obtained through our audits, and paying due attention to determine whether there is an indication of material errors in other contents, other than the aforementioned material discrepancies.

In the event that we judge that there are material errors in other contents based on our audit work, we are required to report such a fact.

There is nothing we should report with respect to the details of other contents.

Responsibilities of the Management, Statutory Auditors and the Board of Statutory Auditors for the Consolidated Financial Statements

The 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 designing and operating such internal control as the management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

Our responsibility is 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 express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

Auditors make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by the management and the method of their application, as well as the reasonableness of accounting estimates made by the management and the adequacy of related notes.
- Determine whether it is appropriate for the management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

From the matters communicated with the Statutory Auditors and the Board of Statutory Auditors, the auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current fiscal year and are therefore the key audit matters. The auditor describes these matters in its audit reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Internal Control Audit>

Audit Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, we also have audited the Internal Control Report of Marudai Food Co., Ltd. as of March 31, 2022.

In our opinion, the Internal Control Report referred to above, which represents that the internal control over financial reporting of Marudai Food Co., Ltd. as of March 31, 2022, is effectively maintained, presents fairly, in all material respects, the result of the assessment on internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility under the auditing standards for internal control over financial reporting is described in “Auditor’s Responsibility for the Internal Control Audit.” We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibility as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Management, Statutory Auditors and the Board of Statutory Auditors for the Internal Control Reports

The management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring and examining the design and operations of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor’s Responsibility for the Internal Control Audit

Our responsibility is to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement and to express an opinion on the Internal Control Report from an independent standpoint in an Internal Control Audit Report, based on our internal control audit.

Auditors make professional judgment in the audit process in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Perform procedures to obtain audit evidence about the result of the assessment of internal control over financial reporting in the Internal Control Report. The procedures of internal control audit are selected at the auditor’s judgment, based on the significance of effects on reliability of financial reporting.
- Examine presentations on the scope, procedures and results of the assessment of internal control over financial reporting made by the management, as well as evaluate the overall presentation of Internal Control Report on internal control.
- Obtain sufficient and appropriate audit evidence about the result of the assessment of internal control over financial reporting in Internal Control Report. The auditor is responsible for instructing, supervising, and implementing the audit of Internal Control Report on internal control, and is solely responsible for the audit opinion.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the scope and timing of implementation of the planned audit, audit findings including material weaknesses in internal control subject to disclosure, a follow-up on fixing the weaknesses, and other matters required under the auditing standards.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor’s independence and any safeguards that are in place to reduce or eliminate obstacles.

Conflicts of Interest

There are no special interests between the engagement partners/audit firm and the Company or its consolidated subsidiaries that should be disclosed under the provisions of the Certified Public Accountants Act.

End

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- (Notes)
1. The above is an electronic version of the original copy of the Independent Auditors’ Report on Consolidated Financial Statements and Internal Control, and the original report is maintained by the Company (a company that files annual securities reports).
 2. XBRL data are not subject to the audit.

Independent Auditors' Report

June 24, 2022

To the Board of Directors of Marudai Food Co., Ltd.

KPMG AZSA LLC

Osaka Office

Takahide Nakahata
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Satoru Komatsuno
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, we have audited the non-consolidated financial statements of Marudai Food Co., Ltd. included in "Financial Information" for the 74th fiscal year from April 1, 2021 to March 31, 2022, which comprise the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in equity, significant accounting policies, other related notes and the annexed detailed schedules.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marudai Food Co., Ltd. as of March 31, 2022 and the results of operations for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the non-consolidated financial statements for the current fiscal year. Key audit matters are the matters addressed in the process of conducting the audit of and forming the audit opinions on the non-consolidated financial statements as a whole, and we do not express separate opinions on such matters.

Appropriateness of the judgment of Marudai Food Co., Ltd. as to whether an impairment loss should be recognized on non-current assets

The key audit matter "appropriateness of the judgment of Marudai Food Co., Ltd. as to whether an impairment loss should be recognized on non-current assets," which should be disclosed in the Independent Auditors' Report for the non-consolidated financial statements, is substantially the same as the key audit matter "appropriateness of the judgment of Marudai Food Co., Ltd. as to whether an impairment loss should be recognized on non-current assets" disclosed in the Independent Auditors' Report for the consolidated financial statements. For this reason, the description for this key audit matter is omitted in the Independent Auditors' Report for the non-consolidated financial statements.
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Other Contents

Other contents refer to information in Annual Securities Reports other than the consolidated/non-consolidated financial statements and the audit report thereof. The management is responsible for preparing and disclosing such other contents. Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process of other contents.

Other contents are not within the scope of our audit opinions on the non-consolidated financial statements, and we do not express opinions on other contents.

Our responsibility for the audit of the non-consolidated financial statements are as follows: While reading through other contents, examining whether there are material discrepancies between their contents and the non-consolidated financial statements or knowledge we obtained through our audits, and paying due attention to determine whether there is an indication of material errors in other contents, other than the aforementioned material discrepancies.

In the event that we judge that there are material errors in other contents based on our audit work, we are required to report such a fact.

There is nothing we should report with respect to the details of other contents.

Responsibilities of the Management, Statutory Auditors and the Board of Statutory Auditors for the Non-consolidated Financial Statements

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

In preparing the non-consolidated financial statements, the management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements.

Auditors make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by the management and the method of their application, as well as the reasonableness of accounting estimates made by the management and the adequacy of related notes.
- Determine whether it is appropriate for the management to prepare the non-consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements in the audit report, or if the notes to the non-consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements including related notes, and whether the non-consolidated financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

From the matters communicated with the Statutory Auditors and the Board of Statutory Auditors, the auditor determines those matters that were of most significance in the audit of the non-consolidated financial statements of the current fiscal year and are therefore the key audit matters. The auditor describes these matters in its audit reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Conflicts of Interest

There are no special interests between the engagement partners/audit firm and the Company that should be disclosed under the provisions of the Certified Public Accountants Act.

End

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- (Notes)
1. The above is an electronic version of the original copy of the Independent Auditors' Report, and the original report is maintained by the Company (a company that files annual securities reports).
 2. XBRL data are not subject to the audit.

[Cover Page]

[Document Title]	Confirmation Letter
[Clause of Stipulation]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	June 27, 2022
[Company Name]	Marudai Shokuhin Kabushiki Kaisha
[Company Name in English]	Marudai Food Co., Ltd.
[Title and Name of Representative]	Yuji Sato, President and Representative Director
[Title and Name of Chief Financial Officer]	Not applicable
[Address of Registered Head Office]	21-3 Midoricho, Takatsuki-shi, Osaka
[Place for Public Inspection]	Tokyo Branch of Marudai Food Co., Ltd. (4-7-5 Tsukiji, Chuo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Appropriateness of the Content of Statements in this Annual Securities Report

Yuji Sato, President and Representative Director of Marudai Food Co., Ltd. (the Company) has confirmed that the Annual Securities Report for the 74th fiscal year (from April 1, 2021 to March 31, 2022) of the Company is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related regulations.

2. Special Notes

There are no noteworthy matters that are pertinent to this Annual Securities Report.

[Cover Page]

[Document Title]	Internal Control Report
[Clause of Stipulation]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	June 27, 2022
[Company Name]	Marudai Shokuhin Kabushiki Kaisha
[Company Name in English]	Marudai Food Co., Ltd.
[Title and Name of Representative]	Yuji Sato, President and Representative Director
[Title and Name of Chief Financial Officer]	Not applicable
[Address of Registered Head Office]	21-3 Midoricho, Takatsuki-shi, Osaka
[Place for Public Inspection]	Tokyo Branch of Marudai Food Co., Ltd. (4-7-5 Tsukiji, Chuo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Basic Framework of the Internal Control over Financial Reporting

Yuji Sato, President and Representative Director, having the responsibility to design and operate internal control over financial reporting of Marudai Food Co., Ltd. (the Company), designs and operates such internal control of the Company in accordance with the basic framework set forth in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Note that internal control aims at achieving its objectives to a reasonable extent, given that all basic components of internal control are organically linked and function as a whole. Thus, internal control over financial reporting may not be able to completely prevent or detect misstatement in financial reporting.

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was performed as of March 31, 2022 (i.e., the last day of the current fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, the management first assessed company-level controls that would have a material impact on the reliability of overall financial reporting on a consolidated basis, and based on the results, then selected individual business processes to be assessed. In the selected individual process assessment, the management assessed the effectiveness of internal control by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

The management determined the scope for the internal control over financial reporting assessment by selecting the Company itself, consolidated subsidiaries, and companies accounted for by the equity method based on their materiality on the reliability of financial reporting. The materiality on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects. The management thus reasonably determined the process-level control assessment scope based on the results of the company-level control assessment, which covered the Company and 23 consolidated subsidiaries. Note that the impact of 4 consolidated subsidiaries and 1 equity method affiliate were determined to be both quantitatively and qualitatively insignificant and were therefore not included in the scope of assessment of company-level controls.

To specifically determine the process-level control assessment scope, 2 business locations were selected as “Significant Business Locations.” The 2 business locations were the top two in net sales (after eliminating intercompany transactions) for the previous fiscal year and accounted for approximately two-thirds of the Company’s consolidated net sales in the aggregate for the previous fiscal year. In such Significant Business Locations, all business processes related to the accounts that are closely associated with the Company’s business objectives, such as net sales, accounts receivable - trade, and inventories, were included in the scope of assessment. Additionally, business processes in which risks of significant misstatements are high and significant accounts involving estimates and financial forecasts were added into the scope of assessment as material business processes, considering the impact on financial reporting. Such business processes include processes from businesses in any applicable business location, whether or not they are Significant Business Locations.

3. Assessment Result

Based on the assessment results, the management concluded that the internal control over financial reporting at the end of the current fiscal year was effective.

4. Supplementary Information

Not applicable.

5. Special Notes

Not applicable.

Certification

regarding the registration as a third-country audit firm according to § 134 Section 1
in conjunction with § 38 number 5 WPO (German Public Accounting Act)

KPMG AZSA LLC, Tokyo/Japan

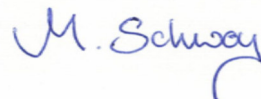
is registered as a **third-country audit firm** in the public professional register of the
Wirtschaftsprüferkammer **effective April 12, 2022, registration number 205001600** after
compliance with the requirements for registration according to § 134 Section 2 WPO.

With regard to the activity according to § 134 Section 1 WPO, the aforementioned firm is
subject to the provisions of quality control (§§ 57a – 57g WPO), professional oversight
(§§ 61a – 71 WPO), as well as professional jurisdiction (§§ 71a – 127 WPO). A quality
assurance review may be waived if the registered third-country audit firm has already been
subject to a quality assurance review in another member state of the European Union within
the past three years. The same applies if within the past three years a quality assurance review
of the third-country audit firm has been performed in a third country, provided that the quality
assurance review of that country was recognized as being equivalent based on an evaluation
according to § 134 Section 4 WPO.

Berlin, April 12, 2022



Dr. Peter Uhlmann
Head of Division Member Affairs



Manuela Schwoy
Head of Department Member Affairs