MARUDAI

Annual Report 2022

For the Year Ended 31st March 2022

PROFILE

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

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

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

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FINANCIAL HIGHLIGHTS

For the Years Ended 31st March 2022 and 2021
(Consolidated basis)

The Marudai Food Group applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, 31st March 2020) and other related standards from the beginning of the fiscal year ended 31st March 2022. The Group has also changed its method for recording distribution expenses. The figures for the fiscal year ended 31st March 2021 have been retrospectively adjusted to reflect the change.

	Millions of yen, except per share amounts		Thousands of U.S. dollars, except per share amounts (Note)
	2022	2021	2022
Net sales	¥ 218,610	¥ 223,001	$ 1,785,884
Profit (loss) attributable to owners of parent	(376)	412	(3,072)
Per share (yen and dollars):			
Profit (loss) attributable to owners of parent (Note 2)	(14.88)	16.23	(0.12)
Profit attributable to owners of parent, diluted (Note 2)	–	–	–
Dividends (Note 13)	30.00	30.00	0.25
Total assets	¥ 128,904	¥ 131,343	$ 1,053,051

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥122.41 to U.S.$1.00.

TO OUR SHAREHOLDERS

With the issuance of our company's 74th annual report, we hope that our shareholders are enjoying health and prosperity. We would also like to take this opportunity to express our deep appreciation for your continued support.

The Marudai Food Group applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, 31st March 2020) and other related standards from the beginning of the fiscal year ended 31st March 2022. The Group has also changed its method for recording distribution expenses. Comparisons and analysis against the previous fiscal year have been undertaken using figures to which these changes in accounting policies have been retroactively applied.

During the fiscal year ended 31st March 2022, the Japanese economy continued to pick up, despite some weakness, due primarily to vaccination efforts and the effects of government policies in the ongoing severe situation caused by COVID-19. However, the outlook for the economy remains unpredictable, mainly due to supply constraints and downside risks caused by trends in raw material prices amid concerns about the spread of infection caused by a mutant strain(Omicron), which is feared to be highly infectious, and uncertainty due to the situation in Ukraine.

The industry in which the Marudai Food Group operates is facing an environment that remains severe as rising raw material, energy, and logistics costs weighed heavily on corporate earnings, state of emergency declarations and priority measures to combat COVID-19 continued to be issued, and consumers become more budget-conscious due to uncertainty about the economic outlook.

Regarding the meat market, the market prices of domestic beef recovered in the first half of the year after a decline in the previous year caused by decreased demand. However, the recovery in restaurant demand was slow, as restaurants were asked to shorten their operating hours, and the market is currently below the previous year's level. The market prices of domestic pork, which had been rising due to rising demand for home consumption, have settled, but the market prices of domestic pork are currently higher than they were in the previous year, mainly due to the soaring market prices of imported pork. In addition, throughout the year, imported meat prices, mainly those of meat from the U.S., remained significantly higher than in the previous year due to increased overseas demand and soaring feed prices.

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

As a result, consolidated net sales for the fiscal year ended 31st March 2022 decreased by 2.0% year on year to ¥218,610 million. Operating loss was ¥865 million, compared to operating loss of ¥333 million in the same period of the previous year, and loss attributable to owners of parent was ¥376 million, compared to profit attributable to owners of parent of ¥412 million in the same period of the previous year.

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

June 2022.

Yuji Sato

President and Representative Director

PRODUCTS

The Marudai Food Group applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, 31st March 2020) and other related standards from the beginning of the fiscal year ended 31st March 2022. The Group has also changed its method for recording distribution expenses. The figures for the fiscal year ended 31st March 2021 have been retrospectively adjusted to reflect the change.

The following table shows an analysis of the consolidated sales of MARUDAI FOOD CO., LTD. and its consolidated subsidiaries (together, the "Companies") by product categories for the years ended 31st March 2022 and 2021:

	Millions of yen (percent of total net sales)		Thousands of U.S. dollars (Note)
	2022	2021	2022
Processed Food Products	¥ 148,012	¥ 151,762	$ 1,209,150
	(67.7%)	(68.0%)	
Meat Products	70,455	71,088	575,566
	(32.2%)	(31.9%)	
Other	143	151	1,168
	(0.1%)	(0.1%)	
Total	¥ 218,610	¥ 223,001	$ 1,785,884

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥122.41 to U.S.$1.00.

Processed Food Products

The Ham & Sausage Products operations registered the 14th of every month as *"Marudai Kunseiya Juicy Day"* based on the combination of the syllables *"ju"* (Japanese pronunciation of "10") and *"shi"* (Japanese pronunciation of "4"). *"Marudai Kunseiya Juicy Day"* will be a commemorative day to promote the juiciness of mainstay products such as *"Kunseiya-Ripened Pork Sausage."* We also implemented various other campaigns to increase sales. In addition, we introduced new products, such as the *"Full Flavour Thanks to Dashi"* series, which consists of products with 25% less salt than regular products and boosted flavour from the addition of *dashi* stock to roast ham, bacon, etc. However, sales competition with competitors intensified and sales of midyear and year-end gifts were sluggish. As a result, sales in the Ham & Sausage Products operations decreased by 6.6% year on year.

In our Precooked & Processed Foods operations, sales of large-bag *"Chicken Nuggets"* and the *"Salad Chicken"* series, which meet the needs of health-conscious consumers, remained strong due to lifestyle changes, such as increased time spent at home during the COVID-19 pandemic. In addition, the Company strove to expand its market share through sales promotions utilizing social networking services, focusing on the *"Sundubu"* series, which is now in its 15th year on the market. While sales of beverages containing black tapioca declined significantly, there was a recovery in sales of rice products for convenience stores, and sales of *"Rakuraku Whip,"* a ready-whipped cream product that can be used right out of the refrigerator, and other products of Toraku Foods co., Ltd. which joined the Marudai Food Group on 1st of July, 2020, contributed to revenues. As a result, sales in the Precooked & Processed Foods operations increased by 1.1% year on year.

As a result, sales in the Processed Food Products segment amounted to ¥148,012 million, a decrease of 2.5% year on year. Segment loss of ¥1,077 million was recorded (compared to segment loss of ¥938 million in the same period of the previous fiscal year) owing mainly to reduced sales, lower sales prices resulting from intensified sales competition, and higher raw material and energy costs, despite of our efforts to reduce to reduce costs through rationalization.

Meat Products

With regard to beef, sales of Japanese beef to restaurants showed a recovery, but sales to mass retailers remained sluggish, resulting in a decline in sales. Sales of imported beef increased due to higher unit sales prices, and overall beef sales were above the previous year's level. Regarding pork, sales of both domestic and imported meat were lower than the previous year's level due to a review of our product range and sluggish growth of pre-pack products.

As a result, sales in the Meat Products segment decreased by 0.9% year on year to ¥70,455 million. Segment income decreased by 68.4% year on year to ¥173 million, due mainly to sluggish sales growth and failure of efforts to pass on price increases in response to the sharp rise in purchase prices of imported meat.

Other

Sales in the Other business decreased by 4.9% year on year to ¥143 million, and operating income decreased by 32.8% to ¥39 million.

CONSOLIDATED BALANCE SHEETS

31st March 2022 and 2021

ASSETS	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 1) 2022
Current assets:			
Cash and time deposits (Notes 3 and 18)	¥ 7,991	¥ 8,476	$ 65,281
Receivables:			
Trade notes and accounts (Note 3)	23,437	23,833	191,463
Other	1,076	1,382	8,790
Allowance for doubtful accounts	(11)	(13)	(90)
Inventories (Note 6)	16,874	15,868	137,848
Advances and other current assets	446	519	3,644
Total current assets	49,813	50,065	406,936
Investments and other assets:			
Investment securities (Notes 3 and 4)			
Affiliates	218	167	1,781
Other	11,719	13,314	95,736
Retirement benefit asset (Note 10)	2,131	1,580	17,409
Deferred tax assets (Note 11)	320	318	2,614
Other	2,480	2,885	20,259
Allowance for doubtful accounts	(130)	(113)	(1,062)
Total investments and other assets	16,738	18,151	136,737
Property, plant and equipment, at cost:			
Land (Note 8)	18,723	18,840	152,953
Buildings and structures (Note 8)	62,795	61,928	512,989
Machinery and equipment (Note 8)	78,262	75,035	639,343
Lease assets	9,205	8,345	75,198
Construction in progress	500	909	4,085
	169,485	165,057	1,384,568
Less accumulated depreciation	(109,399)	(104,710)	(893,710)
Net property, plant and equipment	60,086	60,347	490,858
Intangible assets	2,267	2,780	18,520
Total assets	¥ 128,904	¥ 131,343	$ 1,053,051

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 1) 2022
Current liabilities:			
Payables:			
Trade notes and accounts payable (Note 3)	¥ 20,914	¥ 20,237	$ 170,852
Other (Note 3)	6,216	6,842	50,780
Short-term borrowings (Notes 3 and 7)	8,100	7,890	66,171
Long-term debt due within one year (Notes 3, 7 and 8)	2,818	2,658	23,021
Short-term lease obligations (Notes 3 and 7)	1,084	905	8,855
Accrued income taxes	171	187	1,397
Allowance for bonuses	810	851	6,617
Other current liabilities	1,617	1,641	13,210
Total current liabilities	41,730	41,211	340,903
Long-term liabilities:			
Long-term debt due after one year (Notes 3, 7 and 8)	4,551	4,649	37,178
Long-term lease obligations (Notes 3 and 7)	4,119	4,296	33,649
Deferred tax liabilities (Note 11)	992	1,470	8,104
Liabilities for retirement benefits (Note 10)	1,379	1,309	11,265
Other long-term liabilities	644	658	5,262
Total long-term liabilities	11,685	12,382	95,458
Contingent liabilities (Note 12)			
NET ASSETS (Note 13)			
Shareholders' equity:			
Common stock			
Authorised — 40,000,000 shares in 2022 (40,000,000 shares in 2021)			
Issued — 26,505,581 shares in 2022 (26,505,581 shares in 2021)	6,716	6,716	54,865
Capital surplus	22,086	22,086	180,426
Retained earnings	44,133	45,271	360,535
Treasury stock, at cost	(3,066)	(2,697)	(25,047)
Total shareholders' equity	69,869	71,376	570,779
Accumulated other comprehensive income:			
Unrealised gains on securities	4,990	5,944	40,765
Deferred gains on hedges	71	35	580
Foreign currency translation adjustments	34	34	278
Adjustments for retirement benefits	(133)	(252)	(1,087)
Total accumulated other comprehensive income	4,962	5,761	40,536
Noncontrolling interests	658	613	5,375
Total net assets	75,489	77,750	616,690
Total liabilities and net assets	¥ 128,904	¥ 131,343	$ 1,053,051

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended 31st March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales	¥ 218,610	¥ 223,001	$ 1,785,884
Cost of sales	186,652	188,488	1,524,810
Gross profit	31,958	34,513	261,074
Selling, general and administrative expenses (Note 14)	32,823	34,846	268,140
Operating loss	(865)	(333)	(7,066)
Other income (expenses):			
Interest and dividend income	379	338	3,096
Real estate rent	163	173	1,332
Interest expense	(221)	(233)	(1,805)
Gain on sale of securities, net (Note 4)	430	1	3,513
Loss (gain) on disposal of property, plant and equipment, net	(220)	56	(1,797)
Gain on bargain purchase	–	998	–
Special retirement expenses	(20)	(204)	(163)
Loss on impairment of assets (Note 15)	(9)	(300)	(74)
Other, net	134	236	1,093
	636	1,065	5,195
Profit (loss) before income taxes	(229)	732	(1,871)
Income taxes (Note 11):			
Current	239	329	1,952
Deferred	(141)	(80)	(1,152)
	98	249	800
Profit (loss)	(327)	483	(2,671)
Profit attributable to noncontrolling interests	(49)	(71)	(401)
Profit (loss) attributable to owners of parent	¥ (376)	¥ 412	$ (3,072)
	Yen		U.S. dollars (Note 1)
Profit (loss) attributable to owners of parent per share (Note 2)	¥ (14.88)	¥ 16.23	$ (0.12)
Profit attributable to owners of parent, diluted per share (Note 2)	–	–	–
Dividends per share (Note 13)	¥ 30.00	¥ 30.00	$ 0.25

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended 31st March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Profit (loss)	¥ (327)	¥ 483	$ (2,671)
Other comprehensive income:			
Unrealised gains on securities	(954)	2,111	(7,793)
Deferred gains on hedges	36	38	294
Adjustments for retirement benefits	119	930	972
Share of other comprehensive income of associates accounted for using equity method	(0)	(6)	(0)
Total other comprehensive income (Note 19)	(799)	3,073	(6,527)
Comprehensive income	¥ (1,126)	¥ 3,556	$ (9,198)
Comprehensive income attributable to:			
Owners of the parent	¥ (1,175)	¥ 3,485	$ (9,599)
Noncontrolling interests	¥ 49	¥ 71	$ 401

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended 31st March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Common stock:			
Balance at beginning and end of the year	¥ 6,716	¥ 6,716	$ 54,865
Capital surplus:			
Balance at beginning and end of the year	¥ 22,086	¥ 22,086	$ 180,426
Retained earnings:			
Balance at beginning of the year	¥ 45,271	¥ 45,677	$ 369,832
Cumulative financial impact of the change in accounting policy	–	72	–
Balance at the beginning of the year reflecting the change in accounting policy	¥ 45,271	¥ 45,749	$ 369,832
Cash dividends paid	(762)	(890)	(6,225)
Profit (loss) attributable to owners of parent	(376)	412	(3,072)
Balance at end of the year	¥ 44,133	¥ 45,271	$ 360,535
Treasury stock, at cost:			
Balance at beginning of the year	¥ (2,697)	¥ (2,658)	$ (22,033)
Purchase of treasury stock	(369)	(39)	(3,014)
Balance at end of the year	¥ (3,066)	¥ (2,697)	$ (25,047)
Unrealised gains on securities:			
Balance at beginning of the year	¥ 5,944	¥ 3,833	$ 48,558
Increase (decrease) for the year	(954)	2,111	(7,793)
Balance at end of the year	¥ 4,990	¥ 5,944	$ 40,765
Deferred gains (losses) on hedges:			
Balance at beginning of the year	¥ 35	¥ (3)	$ 286
Increase for the year	36	38	294
Balance at end of the year	¥ 71	¥ 35	$ 580
Foreign currency translation adjustments:			
Balance at beginning of the year	¥ 34	¥ 41	$ 278
Decrease for the year	(0)	(7)	(0)
Balance at end of the year	¥ 34	¥ 34	$ 278
Adjustments for retirement benefits:			
Balance at beginning of the year	¥ (252)	¥ (1,182)	$ (2,059)
Increase for the year	119	930	972
Balance at end of the year	¥ (133)	¥ (252)	$ (1,087)
Noncontrolling interests:			
Balance at beginning of the year	¥ 613	¥ 546	$ 5,008
Increase for the year	45	67	367
Balance at end of the year	¥ 658	¥ 613	$ 5,375

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended 31st March 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (229)	¥ 732	$ (1,871)
Depreciation and amortisation	7,946	7,798	64,913
Loss on impairment of assets	9	300	74
Increase (decrease) in allowance for doubtful accounts	15	(7)	123
Decrease in liabilities for retirement benefits	(322)	(267)	(2,631)
Gain on bargain purchase	–	(998)	–
Special retirement expenses	20	204	163
Interest and dividend income	(379)	(338)	(3,096)
Interest expense	221	233	1,805
Gain on sale of securities, net	(430)	(1)	(3,513)
Loss on valuation of investment securities	30	–	245
Loss (gain) on disposal of property, plant and equipment, net	220	(56)	1,797
Decrease in receivables	406	2,220	3,317
Decrease (increase) in inventories	(1,013)	2,289	(8,275)
Increase (decrease) in trade notes and accounts payable	707	(3,567)	5,776
Increase (decrease) in consumption tax payable	44	(199)	359
Other, net	(299)	(84)	(2,442)
Subtotal	6,946	8,259	56,744
Interest and dividends received	358	336	2,925
Interest paid	(221)	(233)	(1,805)
Income taxes paid	(298)	(597)	(2,435)
Income taxes refund	450	–	3,676
Payments for special retirement expenses	(204)	(91)	(1,667)
Net cash provided by operating activities	7,031	7,674	57,438
Cash flows from investing activities:			
Purchase of short-term investments and investment securities	(35)	(34)	(286)
Proceeds from sale of short-term investments and investment securities	681	3	5,563
Purchase of property, plant and equipment	(6,778)	(5,418)	(55,371)
Proceeds from sale of property, plant and equipment	647	1,008	5,286
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,195)	–
Other, net	(204)	247	(1,667)
Net cash used in investing activities	(5,689)	(5,389)	(46,475)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	210	(190)	1,716
Proceeds from long-term debt	2,720	3,910	22,220
Repayment of long-term debt	(2,658)	(3,925)	(21,714)
Repayment of lease obligations	(964)	(914)	(7,875)
Cash dividends paid	(762)	(890)	(6,225)
Purchase of treasury shares	(369)	(40)	(3,014)
Other, net	(4)	(4)	(33)
Net cash used in financing activities	(1,827)	(2,053)	(14,925)
Net increase (decrease) in cash and cash equivalents	(485)	232	(3,962)
Cash and cash equivalents at beginning of year	8,476	8,244	69,243
Cash and cash equivalents at end of year (Note 18)	¥ 7,991	¥ 8,476	$ 65,281

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended 31st March 2022 and 2021

1. Basis of presenting consolidated financial statements

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

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

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at 31st March 2022, which was ¥122.41 to U.S. $1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation - The consolidated financial statements include the accounts of the Company and its 27 subsidiaries. Kyomigawa Co., Ltd. has been excluded from the scope of consolidation as it completed its liquidation in the fiscal year ended 31st March 2022. ALL of the Company’s subsidiaries have the same fiscal year end as the Company, 31st March.

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

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

Securities - Available-for-sale securities with available fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Securities other than stocks with no market price are calculated using the market value method. Valuation differences are recorded directly in net assets, and cost of products sold is calculated using the moving average method. Stocks with no market price are calculated using the moving average cost method.

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

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

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

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

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

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

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

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

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

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

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

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

Accounting policy for recognition of significant revenues and expenses

1. Principal performance obligations in the entity’s principal businesses

The Group’s principal business segments are the Processed Food Products segment (production and sale of ham and sausages, and precooked and processed foods) and the Meat Products segment (processing and sale of beef, pork, chicken, etc.). In these segments, the Group identifies the delivery of these goods and products to customers as performance obligations.

2. Company recognizes of the satisfaction of performance obligations

The Company applies the alternative treatment prescribed in Paragraph 98 of the “Guidance on Accounting Standard for Revenue Recognition” and, in principle, recognizes revenue at the point in time when control has transferred to the customer and the performance obligation is satisfied at the time of shipment of goods and products.

The transaction price is calculated based on the consideration promised in the contract with the customer, less certain distribution expenses and promotion expenses.

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

Amounts per share - The computations of profit attributable to owners of parent per share of common stock shown on the consolidated statements of income are based on the weighted average number of shares outstanding during each financial period. Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective years. Diluted profit attributable to owners of parent is not disclosed because the Company had no outstanding securities which might have diluted the per share amounts for the years ended 31st March 2022 and 2021.

Corporate taxes - Consolidation taxation system has been adopted.

Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system - The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system since the year ending 31st March, 2023. Having regard to paragraph 3 of "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, 31st March, 2020), however, the Company and its domestic consolidated subsidiaries do not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, 16th February, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system. "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, 12th August, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the year ending 31st March, 2023.

Accounting for nondeductible consumption taxes, etc. on assets - Nondeductible consumption taxes and local consumption taxes on assets are expensed in the fiscal year ended 31st March 2022.

Significant accounting estimates

1. Impairment of fixed assets

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

The book value of business assets (including common assets) of the Company for the fiscal year ended 31st March 2022 was ¥33,999 million ($277,747 thousand). (Property, plant and equipment was ¥31,940 million ($260,926 thousand), and intangible assets were reported in the amount of ¥2,059 million ($16,821 thousand))

The Company determined that there was an indication of impairment of the business assets of the Company due to the continuous recording of operating loss and reviewed the necessity of recording an impairment loss. 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 the Company, the Company did not record any impairment loss.

(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 are subject to a high degree of uncertainty.

- The net sales plan is an estimate of net sales made by downwardly adjusting numerical values based on numerical plans formulated for each department, the budget achievement in the past, and the decrease in net sales in the fiscal year ended 31st March 2022, and then adjusting the value to reflect the effect of increased sales due to the price revisions expected from the latest business negotiations, etc. In the second and subsequent years, we assume that, taking into consideration the market environment for mainstay ham and sausage products, net sales will remain constant as in the plan for the fiscal year ending 31st March 2023.
- The cost of sales plan reflects the impact of recent increases in raw material prices and energy costs, and the effect of decreasing manufacturing costs expected from capital investment in the production department.

With regard to the impact of COVID-19, we assume that demand for commercial food products from restaurants, etc. will begin to recover, albeit slowly, due to the lifting of priority measures to prevent the spread of the virus and progress in vaccination.

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

There may be a significant impact on the consolidated financial statements for the fiscal year ending 31st March 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 31st March 2022

Deferred tax assets before offsetting with deferred tax liabilities in the fiscal year ended 31st March 2022 was ¥2,212 million ($18,070 thousand).

(2) Significant accounting estimates for identified items

① Calculation method

Deferred tax assets are 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 the Company, the estimated amount of taxable income is calculated based on the figures linked to the profit plan referred to above in this Note in Subsection 1 (2) ②, “Key assumptions.”

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 31st March 2023

There may be a significant impact on the consolidated financial statements for the fiscal year ending 31st March 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.

Accounting changes

(Application of the Accounting Standard for Revenue Recognition and other related standards)

The Group applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31st March 2020) and other related standards from the beginning of the year ended 31st March 2022, instituting a policy of recognising revenue matching the amount expected to be received in exchange for promised goods or services when control of the goods or services has transferred to the customer. As a result, the Group has changed to a method of deducting a portion of the distribution expenses and promotion expenses, etc., which were previously recorded as selling, general and administrative expenses, from net sales. This change in accounting policy was in principle applied retroactively; the financial statements for the previous fiscal year are the consolidated financial statements following retroactive application of the standard. However, the Company has applied the following method prescribed in Paragraph 85 of the Accounting Standard for Revenue Recognition:

- A method whereby comparative information for contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the previous fiscal year is not retrospectively adjusted.

As a result, net sales and selling, general and administrative expenses in the previous fiscal year each decreased by ¥11,151 million ($91,095 thousand), compared to the amounts recorded prior to the retrospective application of the Accounting Standard for Revenue Recognition. In addition, accounts payable and accounts receivable in the previous fiscal year each decreased by ¥2,305 million ($18,830 thousand).

In accordance with the transitional treatment provided in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes pertaining to revenue recognition for the fiscal year ended 31st March 2021 are not presented.

(Application of the Accounting Standard for Fair Value Measurement and other related standards)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, 4th July 2019; hereinafter “the Fair Value Measurement Standard”) and other related standards from the beginning of the fiscal year ended 31st March 2022, and will prospectively apply the new accounting policy stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, 4th July 2019). There has been no impact on the consolidated financial statements.

In addition, the Company has include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, 4th July 2019), notes pertaining to the previous fiscal year are not presented.

(Change in the method of recording distribution expenses)

The Group decided to record a portion of distribution expenses in manufacturing costs from the beginning of the fiscal year ended 31st March 2022. Previously, this amount had been recorded in selling, general and administrative expenses. This change was made to implement more realistic profit-and-loss management (departments, items, customers, etc.), including a review of the allocation method of recording distribution expenses, as the Company and its major consolidated subsidiaries unified their systems following the renewal of their core systems, amid the increasing importance of distribution expenses in the Group.

The Company has applied this change in accounting policy retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. As a result, compared to the amounts before the retrospective application, the consolidated balance sheet for the previous fiscal year shows increases of ¥101 million ($825 thousand) in merchandise and finished goods, ¥31 million ($253 thousand) in deferred tax liabilities, and ¥70 million ($572 thousand) in retained earnings, while the consolidated statement of income for the same fiscal year shows an increase of ¥3,800 million ($31,043 thousand) in cost of sales, a decrease of ¥3,797 million ($31,019 thousand) in selling, general and administrative expenses, an increase of ¥3 million ($25 thousand) in operating loss, a decreases of ¥3 million ($25 thousand) in income before income taxes, and decreases of ¥2 million ($16 thousand) each in profit, and profit attributable to owners of parent. Due to the cumulative effect reflected in net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets increased by ¥72 million ($588 thousand) after retrospective application.

Compared to the amount prior to retrospective application, net income per share in the fiscal year ended 31st March 2021 decreased by ¥0.08 ($0.001).

3. Financial instruments

(1) Current status of financial instruments

① Policy concerning financial instruments

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

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

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

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

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

The Group primarily uses loans to procure operating funds and lease receivables from finance leases to raise funds for capital expenditure. The amount of interest 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 31st March, 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 statements of cash flows based on other divisions' reports and regularly updates the statements. The consolidated subsidiaries also manage liquidity risk in accordance with the methods used by the Company.

③ Supplementary explanation on fair values of financial instruments

Since variable factors are incorporated in the measurement of the fair value of financial instruments, the fair value may change due to the adoption of different assumptions and other factors.

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

(2) Fair value of financial instruments

The following table shows consolidated balance sheet amounts, fair value and any difference between book value and fair value as of 31st March 2022.

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2022					
	Consolidated balance sheet amounts	Fair value	Difference	Consolidated balance sheet amounts	Fair value	Difference
① Trade notes	¥ 37	¥ 37	¥ –	$ 302	$ 302	$ –
② Accounts receivable	23,400	23,400	–	191,161	191,161	–
③ Investment securities Available-for-sale securities	11,671	11,671	–	95,344	95,344	–
Total assets	35,108	35,108	–	286,807	286,807	–
① Trade notes and accounts payable	20,914	20,914	–	170,852	170,852	–
② Payables - other	6,216	6,216	–	50,780	50,780	–
③ Short-term borrowings	8,100	8,100	–	66,171	66,171	–
④ Long-term debt	7,369	7,364	(5)	60,199	60,158	(41)
⑤ Lease obligations	5,203	5,229	26	42,504	42,717	213
Total liabilities	47,802	47,823	21	390,506	390,678	172
Derivatives (*3)	103	103	–	841	841	–

(*1) Cash and time deposits are omitted because they are cash and the fair value approximates the book value as deposits are settled in a short period of time.

(*2) Unlisted stocks and stocks of subsidiaries and affiliates are not included in the above table as no market prices for these securities are available. The consolidated balance sheet amounts of such financial instruments are as follows.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	
Category	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted stocks	¥ 48	$ 392
Affiliates	218	1,781

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

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

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2022					
	Within one year	Over one year but within five years	Over five years	Within one year	Over one year but within five years	Over five years
Cash and time deposits	¥ 7,991	–	–	$ 65,281	–	–
Trade notes	37	–	–	302	–	–
Accounts receivable	23,400	–	–	191,161	–	–
Investment securities Available-for-sale securities with maturity dates (bonds)	–	–	–	–	–	–
Total	¥ 31,428	–	–	$ 256,744	–	–

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

The following table shows consolidated balance sheet amounts, fair value and any difference between book value and fair value as of 31st March 2021. However, financial instruments whose fair values were deemed difficult to determine are not included in the table (refer below to (*2)).

	Millions of yen		
	2021		
	Consolidated balance sheet amounts	Fair value	Difference
① Trade notes and accounts receivable	¥ 23,833	¥ 23,833	¥ –
② Investment securities			
Available-for-sale securities	13,267	13,267	–
Total assets	37,100	37,100	–
① Trade notes and accounts payable	20,237	20,237	–
② Payables - other	6,842	6,842	–
③ Short-term borrowings	7,890	7,890	–
④ Long-term debt	7,307	7,303	(4)
⑤ Lease obligations	5,201	5,236	35
Total liabilities	47,477	47,508	31
Derivatives (b)	50	50	–

(a) Cash and time deposits are omitted because they are cash and the fair value approximates the book value as deposits are settled in a short period of time.
(b) Derivative assets and liabilities are presented on a net basis.

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

ASSETS

① Trade notes and accounts receivable

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

② Investment securities

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

LIABILITIES

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

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

④ Long-term debt and ⑤ Lease obligations

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

DERIVATIVES

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

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

Category	Millions of yen
	2021
	Consolidated balance sheet amounts
Unlisted stocks	¥ 47
Affiliates	167

Since no market prices were available for unlisted stocks, and their fair values were difficult to determine by an estimation of the future cash flows, these items were not included in "② Investment securities - Available-for-sale securities."

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

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

	Millions of yen		
	2021		
	Within one year	Over one year but within five years	Over five years
Cash and time deposits	¥ 8,476	–	–
Trade notes and accounts receivable	23,833	–	–
Investment securities Available-for-sale securities with maturity dates (bonds)	–	–	–
Total	¥ 32,309	–	–

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

(3) Breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and significance of the inputs used to measure the fair value.

Level 1: Fair value measured using (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs
Level 3: Fair value measured using significant unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value is categorized by the lowest level of priority in the fair value measurement among the levels each input belongs to.

① Financial instruments measured at fair value on the consolidated balance sheets

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥ 11,671	¥ –	–	¥ 11,671
Shares	11,671	–	–	11,671
Receivables	–	–	–	–
Other	–	–	–	–
Derivatives	–	103	–	103
Currency related	–	103	–	103
Interest rate related	–	–	–	–
Total assets	¥ 11,671	¥103	–	¥ 11,774

	Thousands of U.S. dollars (Note 1)			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	$ 95,344	$ –	–	$ 95,344
Shares	95,344	–	–	95,344
Receivables	–	–	–	–
Other	–	–	–	–
Derivatives	–	841	–	841
Currency related	–	841	–	841
Interest rate related	–	–	–	–
Total assets	$ 95,344	$841	–	$ 96,185

② Financial instruments other than those measured at fair value on the consolidated balance sheets

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Trade notes	–	¥ 37	–	¥ 37
Accounts receivable	–	23,400	–	23,400
Total assets	–	23,437	–	23,437
Trade notes and accounts payable	–	20,914	–	20,914
Payables-other	–	6,216	–	6,216
Short-term borrowings	–	8,100	–	8,100
Long-term debt	–	7,364	–	7,364
Lease obligations	–	5,229	–	5,229
Total liabilities	–	¥47,823	–	¥47,823

	Thousands of U.S. dollars (Note 1)			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Trade notes	–	$ 302	–	$ 302
Accounts receivable	–	191,161	–	191,161
Total assets	–	191,463	–	191,463
Trade notes and accounts payable	–	170,852	–	170,852
Payables-other	–	50,780	–	50,780
Short-term borrowings	–	66,171	–	66,171
Long-term debt	–	60,158	–	60,158
Lease obligations	–	42,717	–	42,717
Total liabilities	–	$390,678	–	$390,678

Note: Description of valuation techniques and inputs used in the measurement of fair value

Investment securities

Other securities

Other securities are valued using prices on the stock exchange and are classified as Level 1 fair value.

Derivative transactions

Derivative transactions are all forward exchange contracts and are valued using prices, etc., provided by financial institutions with which the Company has transactions, and are classified as Level 2 fair value.

Trade notes and accounts receivable

Trade notes and accounts receivable are valued using the book value because the fair value approximates the book value as they are settled in a short period of time, and are classified as Level 2 fair value.

Trade notes and accounts payable, payables - other, and short-term borrowings

Trade notes and accounts payable, payables - other, and short-term borrowings are valued using their book value because their fair value approximates their book value as they are settled in a short period of time, and are classified as Level 2 fair value.

Long-term debt and lease obligations

The fair value of Long-term debt and lease obligations is measured using the present value of the total principal and interest discounted at the interest rate that would be applicable to a similar new loan or lease transaction, and is classified as Level 2 fair value.

4. Securities

The following tables summarize historical costs and book values (fair values) of available-for-sale securities with available fair market values as of 31st March 2022 and 2021.

Securities with book values exceeding historical cost:	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2022			2021			2022		
Type	Historical cost	Book value	Gain	Historical cost	Book value	Gain	Historical cost	Book value	Gain
Equity securities	¥ 4,277	¥ 11,434	¥ 7,157	¥ 4,551	¥ 13,060	¥ 8,509	$ 34,940	$ 93,408	$ 58,468
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 4,277	¥ 11,434	¥ 7,157	¥ 4,551	¥ 13,060	¥ 8,509	$ 34,940	$ 93,408	$ 58,468

Securities with book values not exceeding historical cost:	2022			2021			2022		
Type	Historical cost	Book value	Loss	Historical cost	Book value	Loss	Historical cost	Book value	Loss
Equity securities	¥ 293	¥ 237	¥ (56)	¥ 265	¥ 207	¥ (58)	$ 2,394	$ 1,936	$ (458)
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 293	¥ 237	¥ (56)	¥ 265	¥ 207	¥ (58)	$ 2,394	$ 1,936	$ (458)

Unlisted stocks (carrying amount of ¥48 million ($392 thousand)) as of 31st March 2022 were not included in the above table as no market prices for these securities were available.

Unlisted stocks (carrying amount of ¥47 million) as of 31st March 2021 were not included in the above table as no market prices for these securities were available and their fair values were deemed extremely difficult to determine by an estimation of the future cash flows.

Available-for-sale securities sold during the year:	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2022			2021			2022		
Type	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales
Equity securities	¥ 681	¥ 430	–	¥ 3	¥ 1	–	$ 5,563	$ 3,513	–
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 681	¥ 430	–	¥ 3	¥ 1	–	$ 5,563	$ 3,513	–

The Group recognized impairment loss on investment securities categorised as other securities with market value in the amount of ¥30 million ($245 thousand) for the year ended 31st March 2022.

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

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

5. Derivative financial instruments and hedging transactions

Derivative financial instruments and hedging transactions at 31st March 2022 were as follows:

(1) Currency related

Hedge accounting method	Transaction types	Major hedged items	Millions of yen			Thousands of U.S. dollars (Note 1)		
			2022					
			Contract amounts	Due over one year	Fair value	Contract amounts	Due over one year	Fair value
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥ 2,955	–	¥ 103	$ 24,140	–	$ 841
	Total		¥ 2,955	–	¥ 103	$ 24,140	–	$ 841

(2) Interest related

Not applicable for the year ended 31st March 2022.

Derivative financial instruments and hedging transactions at 31st March 2021 were as follows:

(1) Currency related

Hedge accounting method	Transaction types	Major hedged items	Millions of yen		
			2021		
			Contract amounts	Due over one year	Fair value
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥ 1,651	–	¥ 50
	Total		¥ 1,651	–	¥ 50

(2) Interest related

Not applicable for the year ended 31st March 2021.

6. Inventories

Inventories at 31st March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Merchandise and finished goods	¥ 11,228	¥ 9,693	$ 91,724
Work in progress	464	377	3,791
Raw materials and supplies	5,182	5,798	42,333
	¥ 16,874	¥ 15,868	$ 137,848

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Loss on valuation of inventories	¥ 47	¥ (25)	$ 384

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

Short-term borrowing at 31st March 2022 and 2021 consisted of short-term notes, which generally mature within one year, with average interest rates of 0.42% and 0.42%, respectively.

Long-term debt at 31st March 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Loans from banks, insurance companies and other financial institution at 0.16% to 1.00% maturing through 2028			
Secured	¥ 99	¥ 138	$ 809
Unsecured	7,270	7,169	59,390
	7,369	7,307	60,199
Less current portion	(2,818)	(2,658)	(23,021)
	¥ 4,551	¥ 4,649	$ 37,178

The aggregate annual maturities of long-term debt as of 31st March 2022 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2022	2022
2023	¥ 2,818	$ 23,021
2024	2,078	16,976
2025	1,482	12,107
2026	588	4,803
2027	388	3,170
2028 and thereafter	15	122
	¥ 7,369	$ 60,199

The aggregate annual maturities of lease obligations as of 31st March 2022 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2022	2022
2023	¥ 1,084	$ 8,855
2024	961	7,851
2025	929	7,589
2026	712	5,816
2027	535	4,371
2028 and thereafter	982	8,022
	¥ 5,203	$ 42,504

8. Pledged assets

Assets were pledged as collateral for the current portion of long-term debt of ¥38 million ($310 thousand) and long-term debt of ¥61 million ($498 thousand) as of 31st March 2022 and for the current portion of long-term debt of ¥38 million and long-term debt of ¥99 million as of 31st March 2021. The assets pledged are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Land	¥ 4	¥ 4	$ 33
Buildings and structures	36	40	294
Machinery and equipment	43	63	351
	¥ 83	¥ 107	$ 678

9. Overdraft agreements

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Total amounts in the overdraft agreements	¥ 32,770	¥ 32,760	$ 267,707
Borrowing balance	8,000	7,790	65,354
Difference	¥ 24,770	¥ 24,970	$ 202,353

10. Retirement benefits

(1) Outline of retirement benefit plans adopted

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

(2) Defined Benefit Obligation

① The changes in retirement benefit obligation for the fiscal years ended 31st March 2022 and 2021 (excluding those for which the simplified method was applied) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Beginning balance of retirement benefit obligation	¥ 12,833	¥ 13,211	$ 104,836
Service cost - benefits earned during the year	296	311	2,418
Interest cost on projected benefit obligation	103	106	842
Actuarial gains and losses	(172)	20	(1,405)
Retirement benefits paid	(786)	(815)	(6,421)
Ending balance of retirement benefit obligation	¥ 12,274	¥ 12,833	$ 100,270

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Beginning balance of plan assets	¥ 14,941	¥ 13,780	$ 122,057
Expected return on plan assets	374	413	3,055
Actuarial gains and losses	(149)	981	(1,217)
Contribution from the employer	384	394	3,137
Retirement benefits paid	(602)	(627)	(4,918)
Ending balance of plan assets	¥ 14,948	¥ 14,941	$ 122,114

③ The changes in liabilities for retirement benefits of the plans for which the simplified method was applied for the fiscal years ended 31st March 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Beginning balance of liabilities for retirement benefits	¥ 1,836	¥ 1,351	$ 14,999
Retirement benefit expenses	174	172	1,421
Retirement benefits paid	(89)	(98)	(727)
Amount of increase due to new consolidation	–	456	–
Amount of decrease due to transfer to defined contribution pension plans	–	(45)	–
Ending balance of liabilities for retirement benefits	¥ 1,921	¥ 1,836	$ 15,693

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Funded retirement benefit obligation	¥ 12,817	¥ 13,361	$ 104,705
Plan assets	(14,948)	(14,941)	(122,114)
	(2,131)	(1,580)	(17,409)
Unfunded retirement benefit obligation	1,379	1,309	11,265
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	(752)	(271)	(6,144)
Retirement benefit asset	(2,131)	(1,580)	(17,409)
Liabilities for retirement benefits	1,379	1,309	11,265
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	¥ (752)	¥ (271)	$ (6,144)

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

⑤ The components of retirement benefit expenses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Service cost - benefits earned during the year	¥ 297	¥ 310	$ 2,426
Interest cost on projected benefit obligation	103	106	842
Expected return on plan assets	(374)	(413)	(3,055)
Amortisation of actuarial differences	135	282	1,103
Retirement benefit expenses calculated using the simplified method	174	172	1,421
Retirement benefit expenses on defined benefit plans	335	457	2,737
Special retirement expenses (*)	20	204	163

(*)Recorded under other expenses. Special retirement expenses in the fiscal year ended 31st March 2021 are extra retirement payments for early retirees, whereas special retirement expenses for the fiscal year ended 31st March 2022 are extra retirement payments to employees transferred to consolidated subsidiaries.

⑥ Adjustments for retirement benefits

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Actuarial gains and losses	¥ 159	¥ 1,243	$ 1,299
Total	¥ 159	¥ 1,243	$ 1,299

⑦ Accumulated adjustments for retirement benefits

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Unrecognised actuarial gains and losses	¥ 176	¥ 334	$ 1,438
Total	¥ 176	¥ 334	$ 1,438

⑧ Plan assets

The components of plan assets were as follows:

	2022	2021
Debt securities	43.5%	43.0%
Alternatives	23.7	24.7
Equity securities	22.7	22.4
General account	7.8	7.8
Short-term assets	2.3	2.1
Total	100.0%	100.0%

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

Method of determining long-term expected rate of return

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

⑨ Assumptions used for actuarial calculations for the fiscal years ended 31st March 2022 and 2021 were as follows:

	2022	2021
Discount rate	0.8%	0.8%
Long-term expected rate of return	2.5	3.0
Expected rate of salary increase:		
Lump-sum payment plans	4.6	4.6

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

(3) Define Contribution Plans

The amount of required contribution to the defined contribution plans of the Companies was ¥244 million ($1,993 thousand) for the year ended 31st March 2022 and ¥253 million for the year ended 31st March 2021.

11. Income taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporate taxes, inhabitants taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of 30.6% for the year ended 31st March 2021.

The following table summarises the significant differences between the statutory income tax rate and the Companies' effective tax rate for financial statement purposes for the years ended 31st March 2022 and 2021.

	2022	2021
Statutory tax rate	–	30.6%
Nondeductible expenses, including entertainment expenses	–	3.7
Nontaxable income, including dividend received	–	(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	–	33.9%

(*1) Notes are omitted because the Company posted a loss before income taxes for the fiscal year ended 31st March 2022.

(*2) The Company made changes in accounting policies in the fiscal year ended 31st March 2022, and the ratio of income tax after the application of tax effect accounting for the fiscal year ended 31st March 2021 and the breakdown by major item that caused the difference are the ratios after retrospective application.

Significant components of the Companies' deferred tax assets and liabilities as of 31st March 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Deferred tax assets:			
Loss carryforwards (*3)	¥ 1,106	¥ 729	$ 9,035
Loss on impairment of assets	794	920	6,486
Denied sales discounts and others	684	665	5,588
Liabilities for retirement benefits	470	439	3,840
Allowance for bonuses	262	275	2,140
Long-term trade receivables	215	215	1,756
Allowance for doubtful accounts	47	42	384
Other	522	718	4,265
Total deferred tax assets	4,100	4,003	33,494
Valuation allowance for loss carryforwards (*3)	(497)	(405)	(4,060)
Valuation allowance for deductible temporary differences	(1,391)	(1,410)	(11,364)
Total valuation allowance (*1)	(1,888)	(1,815)	(15,424)
Net deferred tax assets	2,212	2,188	18,070
Deferred tax liabilities:			
Unrealised gains on securities	(2,114)	(2,509)	(17,270)
Retirement benefit asset	(652)	(484)	(5,326)
Reserve for property, plant and equipment	(29)	(30)	(237)
Other	(89)	(317)	(727)
Total deferred tax liabilities	(2,884)	(3,340)	(23,560)
Net deferred tax assets	¥ (672)	¥ (1,152)	$ (5,490)

(*1) Valuation allowance increased by ¥73 million ($596 thousand) from the fiscal year ended 31st March 2021. The increase was due mainly to a ¥92 million ($752 thousand) increase in the valuation allowance for loss carryforwards.

(*2) The Company changed its accounting policy in the fiscal year ended 31st March 2022, and the figures for the fiscal year ended 31st March 2021 have been retrospectively adjusted to reflect the change.

(*3) Loss carryforwards and deferred tax assets by expiration periods for the years ended 31st March 2022 and 2021

Loss carryforwards and deferred tax assets by expiration periods as of and for the fiscal year ended 31st March 2022 were as follows:

	Millions of yen						
	2022						
	2023	2024	2025	2026	2027	2028 and thereafter	Total
Loss carryforwards (a)	¥ 10	¥ 11	¥ 14	¥ 9	¥ 47	¥ 1,015	¥ 1,106
Valuation allowance	(10)	(11)	(14)	(9)	(32)	(421)	(497)
Deferred tax assets	–	–	0	0	15	594	(b) 609

	Thousands of U.S. dollars (Note 1)						
	2022						
	2023	2024	2025	2026	2027	2028 and thereafter	Total
Loss carryforwards (a)	$ 82	$ 90	$ 114	$ 74	$ 384	$ 8,291	$ 9,035
Valuation allowance	(82)	(90)	(114)	(74)	(261)	(3,439)	(4,060)
Deferred tax assets	–	–	0	0	123	4,852	(b) 4,975

(a) Loss carryforwards shown in the above table are after multiplying the statutory tax rate.

(b) With respect to ¥1,106 million ($9,035 thousand) in tax loss carryforwards (after application of the statutory tax rate), ¥609 million ($4,975 thousand) in deferred tax assets has been recognised. This ¥609 million ($4,975 thousand) in deferred tax assets was recognised as loss carryforwards recoverable based on projected future taxable income out of the ¥1,106 million ($9,035 thousand) balance in tax loss carryforwards (after application of the statutory tax rate) at the Company and twelve consolidated subsidiaries.

Loss carryforwards and its deferred tax assets by expiration periods as of and for the fiscal year ended 31st March 2021 were as follows:

	Millions of yen						
	2021						
	2022	2023	2024	2025	2026	2027 and thereafter	Total
Loss carryforwards (a)	¥ 14	¥ 10	¥ 11	¥ 14	¥ 9	¥ 671	¥ 729
Valuation allowance	(14)	(10)	(11)	(14)	(9)	(347)	(405)
Deferred tax assets	–	–	–	0	0	324	(b) 324

(a) Loss carryforwards shown in the above table are after multiplying the statutory tax rate.

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

(Changes in presentation method)

Since “Denied sales discounts” and “Accounts payable on distribution expenses” were both deducted from net sales in the fiscal year ended 31st March 2021, they were consolidated into “Denied sales discounts and others” in the fiscal year ended 31st March 2022 to increase the clarity of disclosure. To reflect this change in presentation, the notes for the fiscal year ended 31st March 2021 have been reclassified. As a result, “Accounts payable on distribution expenses” of ¥362 million and “Denied sales discounts” of ¥303 million in the fiscal year ended 31st March 2021 were reclassified to “Denied sales discounts and others” of ¥665 million.

12. Contingent liabilities

There are no matters to be reported.

13. Net assets

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

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

At the general shareholders' meeting held on 24th June 2022, appropriations of retained earnings for year-end dividends applicable to the year ended 31st March 2022 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Cash dividends: ¥30.00 ($0.25) per share	¥ 756	$ 6,176

	Millions of yen
	2021
Cash dividends: ¥30.00 per share	¥ 762

14. Selling, general and administrative expenses

Main items and amounts were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Distribution expenses	¥ 12,482	¥ 13,018	$ 101,969
Salaries and allowances	6,252	6,499	51,074
Allowance for bonuses	373	401	3,047
Retirement benefit expenses	316	400	2,581
Provision of allowance for doubtful accounts	3	3	25

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March 2022 and 2021 were ¥674 million ($5,506 thousand) and ¥ 673 million, respectively.

15. Loss on impairment of assets

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2022. The Company classified fixed assets into four categories: business assets, rental assets, idle assets and artwork. The Company groups its business assets by cash generating units and rental assets, idle assets and artwork by individual asset as these represent the smallest identifiable assets generating cash inflows. As a result, where the recoverable value of idle assets or rental assets has fallen below book value, due to declines in market prices or profitability, the book value of these assets has been reduced to their recoverable value. The total impairment loss for the year ended 31st March 2022 consisted of ¥9 million ($74 thousand) for investment and rental properties (Investments and other assets "Other").

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

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2021. The Company classified fixed assets into four categories: business assets, rental assets, idle assets and artwork. The Company groups its business assets by cash generating units and rental assets, idle assets and artwork by individual asset as these represent the smallest identifiable assets generating cash inflows. As a result, where the recoverable value of idle assets 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. The total impairment loss for the year ended 31st March 2021 consisted of ¥300 million for investment and rental properties (Investments and other assets "Other").

The recoverable value of idle assets were measured based on value in exchange, which was determined using independent appraisals.

16. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

Information on disaggregation of revenue from contracts with customers is presented in the "Notes (Segment Information)" section.

(2) Information that provides the basis for understanding revenue from contracts with customers

The basis for understanding revenue is described in "2. Significant accounting Policy Basis for Recognizing Significant Revenues and Expenses."

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the fiscal year ended 31st March 2022 and are expected to be recognized in or after the fiscal year ending 31st March 2023.

The balances of receivables from contracts with customers are as follows. There are no beginning or ending balances of contract assets or contract liabilities.

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables from contracts with customers (beginning balance)	¥23,833	$194,698
Receivables from contracts with customers (ending balance)	23,437	191,463

17. Segment information

(1) Overview of the reportable segments

①Method for determining reportable segments

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

②Description of the businesses that constitute each reportable segment

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

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

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

(Application of the Accounting Standard for Revenue Recognition and other related standards)

As described in "Notes 2," the Company applied the Accounting Standard for Revenue Recognition and other related standards for the consolidated financial statements for the fiscal year ended 31st March 2022, and has been changed the accounting method for revenue recognition. Accordingly, changed the method for calculating profit and loss by business segment in the same manner.

Segment information for the previous fiscal year has been prepared using the method for calculating segment income or loss after the change.

(Change in the method of recording distribution expenses)

Because the Group changed its method for recording distribution expenses in the consolidated financial statements for the fiscal year ended 31st March 2022, the method for calculating segment income or loss has been changed in the same way.

Segment information for the previous fiscal year has been prepared using the method for calculating segment income or loss after the change.

(3) Segment information for the years ended 31st March 2022 and 2021

Segment information as of and for the fiscal year ended 31st March 2022 was as follows:

Millions of yen

	2022						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Ham & Sausage	¥ 66,485	¥ –	¥ 66,485	¥ –	¥ 66,485	¥ –	¥ 66,485
Precooked & Processed Foods	81,527	–	81,527	–	81,527	–	81,527
Meat Products	–	70,455	70,455	–	70,455	–	70,455
Other	–	–	–	143	143	–	143
Revenue from contracts with customers	148,012	70,455	218,467	143	218,610	–	218,610
Sales to third parties	¥ 148,012	¥ 70,455	¥ 218,467	¥ 143	¥ 218,610	¥ –	¥ 218,610
Intersegment sales and transfers	–	–	–	722	722	(722)	–
Net sales	148,012	70,455	218,467	865	219,332	(722)	218,610
Segment income (loss)	(1,077)	173	(904)	39	(865)	–	(865)
Segment assets	85,353	19,818	105,171	201	105,372	23,532	128,904
Other items:							
Depreciation and amortisation (*4)	7,519	418	7,937	9	7,946	–	7,946
Increase in property, plant and equipment and intangible assets (*4)	6,994	382	7,376	–	7,376	1	7,377

Thousands of U.S. dollars (Note 1)

	2022						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Ham & Sausage	$ 543,134	$ –	$ 543,134	$ –	$ 543,134	$ –	$ 543,134
Precooked & Processed Foods	666,016	–	666,016	–	666,016	–	666,016
Meat Products	–	575,566	575,566	–	575,566	–	575,566
Other	–	–	–	1,168	1,168	–	1,168
Revenue from contracts with customers	1,209,150	575,566	1,784,716	1,168	1,785,884	–	1,785,884
Sales to third parties	$ 1,209,150	$ 575,566	$ 1,784,716	$ 1,168	$ 1,785,884	$ –	$ 1,785,884
Intersegment sales and transfers	–	–	–	5,898	5,898	(5,898)	–
Net sales	1,209,150	575,566	1,784,716	7,066	1,791,782	(5,898)	1,785,884
Segment income (loss)	(8,798)	1,413	(7,385)	319	(7,066)	–	(7,066)
Segment assets	697,271	161,899	859,170	1,642	860,812	192,239	1,053,051
Other items:							
Depreciation and amortisation (*4)	61,425	3,415	64,840	73	64,913	–	64,913
Increase in property, plant and equipment and intangible assets (*4)	57,136	3,121	60,257	–	60,257	8	60,265

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

(*2) Adjustments for total assets of ¥23,532 million ($192,239 thousand) indicate assets not attributed to any other segments and comprise mainly cash and time deposits, investments in securities and investment and rental properties.

(*3) Segment income (loss) is equal to the operating loss in the consolidated statements of income.

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

Segment information as of and for the fiscal year ended 31st March 2021 was as follows:

	Millions of yen						
	2021						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Sales to third parties	¥ 151,762	¥ 71,088	¥ 222,850	¥ 151	¥ 223,001	¥ –	¥ 223,001
Intersegment sales and transfers	–	–	–	746	746	(746)	–
Net sales	151,762	71,088	222,850	897	223,747	(746)	223,001
Segment income (loss)	(938)	548	(390)	57	(333)	–	(333)
Segment assets	87,406	17,822	105,228	214	105,442	25,901	131,343
Other items:							
Depreciation and amortisation (*4)	7,414	374	7,788	10	7,798	–	7,798
Increase in property, plant and equipment and intangible assets (*4)	5,448	679	6,127	13	6,140	7	6,147

(*1) The "Other" segment is business other than that of the reportable segments and includes the insurance agency business.
(*2) Adjustments for total assets of ¥25,901 million indicate assets not attributed to any other segments and comprise mainly cash and time deposits, investments in securities and investment and rental properties.
(*3) Segment income (loss) is equal to the operating loss in the consolidated statements of income.
(*4) Depreciation and amortisation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses.

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

Information about loss on impairment of assets by reportable segments as of and for the fiscal year ended 31st March 2022 was as follows:

	Millions of yen						
	2022						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	¥ 9	¥ 9

	Thousands of U.S. dollars (Note 1)						
	2022						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	$ 74	$ 74

Information about loss on impairment of assets by reportable segment as of and for the fiscal year ended 31st March 2021 was as follows:

	Millions of yen						
	2021						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of assets	–	–	–	–	–	¥ 300	¥ 300

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

Regarding information about amortisation and balance of goodwill by reportable segment as of and for the fiscal year ended 31st March 2022 there are no matters to be reported.

Regarding information about amortisation and balance of goodwill by reportable segment as of and for the fiscal year ended 31st March 2021, there are no matters to be reported.

(6) Information on gain on bargain purchase by reportable segment

Information on gain on negative goodwill by reportable segment for the fiscal year ended 31st March 2022 is not applicable.

In the Processed Food Products segment, the Company recorded gain on bargain purchase of ¥998 million in the fiscal year ended 31st March 2021 due to the acquisition of shares of Toraku Foods Co., Ltd. in the second quarter ended 30th September 2020.

18. Cash flow information

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of 31st March 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash and time deposits in the consolidated balance sheets	¥ 7,991	¥ 8,476	$ 65,281
Cash and cash equivalents in the consolidated statements of cash flows	¥ 7,991	¥ 8,476	$ 65,281

Significant non-cash transactions as of 31st March 2022 and 2021 were as follows:
Newly recorded assets and liablities related to finance lease transactions were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Lease assets and obligations	¥ 967	¥ 549	$ 7,900

Breakdown of the major assets and liabilities of a company that became a newly consolidated subsidiary through acquisition of shares were as follows as of 31st March 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:

	Millions of yen
	2021
Current assets	¥ 1,836
Noncurrent assets	3,553
Current liabilities	(1,198)
Long-term liabilities	(1,993)
Gain on bargain purchase	(998)
Acquisition price of shares	1,200
Cash and cash equivalents	(5)
Net: Expenditures for the acquisition	¥ 1,195

19. Comprehensive income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Unrealised gains on securities:			
Increase (decrease) during the year	¥ (949)	¥ 2,995	$ (7,752)
Reclassification adjustments	(400)	(1)	(3,268)
Amount before tax effect	(1,349)	2,994	(11,020)
Tax effect	395	(883)	3,227
Subtotal	(954)	2,111	(7,793)
Deferred gains on hedges:			
Increase during the year	52	54	425
Amount before tax effect	52	54	425
Tax effect	(16)	(16)	(131)
Subtotal	36	38	294
Adjustments for retirement benefits:			
Increase during the year	23	960	188
Reclassification adjustments	136	283	1,111
Amount before tax effect	159	1,243	1,299
Tax effect	(40)	(313)	(327)
Subtotal	119	930	972
Share of other comprehensive income of associates accounted for using equity method:			
Decrease during the year	(0)	(6)	(0)
Total other comprehensive income	¥ (799)	¥ 3,073	$ (6,527)

20. Business combinations

Business combination by acquisition

(1) Overview of business combination

① Name and business line of acquiree

Name of acquiree: Toraku Foods Co., Ltd.

Business line: Manufacturing and sales of dairy processed food

② Main reason for the business combination

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

③ Date of business combination

1st July 2020

④ Legal form of business combination

Acquisition of shares with cash as consideration

⑤ Company name after business combination

No change

⑥ Voting rights acquired

100%

⑦ Main grounds for determining the acquirer

The Company acquired 100% of the voting rights through the acquisition of shares in exchange for cash.

(2) Period during which the business performance of acquiree is included in the consolidated financial statements

1st July 2020, to 31st March 2021

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

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

(4) Details and amount of major acquisition related expenses

Advisory expenses, etc. ¥41 million

(5) Amount and cause of gain on bargain purchase

① Amount of gain on bargain purchase

¥998 million

② Cause

As the market prices of net assets at the time of the business combination exceeded the acquisition cost, the difference was recognized as a gain on bargain purchase.

(6) Breakdown and amount of major assets and liabilities assumed on the date of business combination

	Millions of yen
Current assets	¥ 1,836
Noncurrent assets	3,553
Total assets	5,389
Current liabilities	1,198
Long-term liabilities	1,993
Total liabilities	¥ 3,191

(7) Estimated amounts and calculation method used to determine the impact of the business combination on the consolidated statement of income for the fiscal year ended 31st March 2021 on the assumption that the business combination was completed as of the beginning of the fiscal year

	Millions of yen
Net sales	¥ 1,377
Operating loss	(109)
Loss attributable to owners of parent	(239)

Method used to calculate the estimated amounts

The estimated amount of impact is the difference between the net sales and profit and loss information calculated on the assumption that the business combination was completed as of the beginning of the fiscal year and the net sales and profit and loss information in the consolidated statement of income of the acquirer.

This note has not been audited by the Company.

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of MARUDAI FOOD Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on fixed assets

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment of ¥60,086 million and intangible assets of ¥2,267 million were recognized in the consolidated balance sheet of Marudai Food Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2022. Of this, property, plant and equipment and intangible assets in business	The primary procedures we performed to assess the appropriateness of the Company's judgment with respect to the recognition of an impairment loss included the following: **(1) Internal control testing** We tested the design and operating effectiveness of

assets, including corporate assets, amounted to ¥31,940 million and ¥2,059 million, respectively, as described in Note 2. Significant accounting policies, “Significant accounting estimates, 1. Impairment of fixed assets” to the consolidated financial statements. These total amounts represent 26.3% of the total consolidated assets for the current fiscal year.

While these 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 undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

The Company has incurred operating losses for the fifth consecutive fiscal period mainly due to continued severe environments such as lower sales prices resulting from intensified sales competition and higher raw material, energy, and distribution costs. Accordingly, the Company assessed whether an impairment loss should be recognized on its business assets, including corporate assets, in the current fiscal year. The estimated undiscounted future cash flows used in the assessment were based on the Company’s business plan prepared by management. In particular, net sales estimated by taking into account the status of achievement of the budget for the current fiscal year and changes in market environments, prospects of unit prices of raw materials based on market trends, and cost-reduction effects of capital investment in the production division involved a high degree of uncertainty, and the Company’s determination thereon had a significant effect on the estimated future cash flows.

We, therefore, determined that our assessment on the appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on fixed assets was of the most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit

certain of the Company’s internal controls relevant to determining impairment losses to be recognized.

(2) Assessment of the reasonableness of the estimated undiscounted future cash flows

In order to assess the appropriateness of the major assumptions adopted in developing the Company’s business plan, which served as the basis for estimating undiscounted future cash flows, we inquired of the personnel responsible for each division about the basis of these assumptions. In addition, we performed the following procedures:

- To assess the estimated net sales in the business plan, we:
  - performed trend analysis using past business plans and actual results and monitoring of the achievement of the recent sales price revision, and assessed the feasibility of the sales price revision, which was a key assumption of the current business plan; and
  - assessed whether the estimated net sales were consistent with statistical information on market trends of ham and sausage published by the Ministry of Internal Affairs and Communications (MIC) and Japan Ham&Sausage Processors Cooperative Association, and also assessed its consistency with statistical information on market trends of processed foods published by the Japan Ready-made Meal Association.
- trend analysis using actual unit prices of raw materials purchased in the past to assess the estimated unit prices in the business plan, and assessment on whether the estimated unit prices were consistent with statistical information on market trends published by the Agriculture & Livestock Industries Corporation; and
- assessment of the reasonableness of estimated cost-reduction effects by capital investment in the business plan by inspecting administrative data of the cost-reduction effects by capital investment performed in the past.

matter.	

Other Information

The other information comprises the information included in the Annual Report but does not include the consolidated financial statements, the financial statements, and our auditor’s reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Takahide Nakahata

Designated Engagement Partner

Certified Public Accountant

Satoru Komatsuno

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 27, 2022

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

DIRECTORS AND STATUTORY AUDITORS

(As of 27th June 2022)

President and Representative Director:	Yuji Sato
Director and Chairman:	Tokuo Kudara
Directors:	Nobuyoshi Katoh
	Toshio Tanaka
Outside Directors:	Masahiro Fuchizaki
	Keiko Kaneko
Statutory Auditor:	Toru Miyachi
Outside Statutory Auditors:	Takashi Matsuzawa
	Motoaki Nishimura

OUTLINE OF THE COMPANY

(As of 31st March 2022)

Established:	10th June 1958
Stated Capital:	¥6,716 million
Number of Employees:	2,066
Head Office:	21-3 Midori-cho, Takatsuki-shi, Osaka, Japan
Branch Office:	4-7-5 Tsukiji, Chuou-ku, Tokyo, Japan
Sales Offices:	The sales headquarters at the Company's head office in Osaka controls 10 distribution centers and 6 regional sales departments which service 23 local outlets.
Plants:	Hokkaido, Iwate, Niigata, Kanto, Ibaraki, Yokosuka, Shonan, Shizuoka, Matsusaka, Takatsuki, Okayama, Hiroshima, Karatsu

Major Subsidiaries:

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

Associated Company:

- Betagro MF Deli Co., Ltd.

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