MARUDAI

Annual Report 2023

For the Year Ended 31st March 2023

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 2023 and 2022
(Consolidated basis)

	Millions of yen, except per share amounts		Thousands of U.S. dollars, except per share amounts (Note)
	2023	2022	2023
Net sales	¥ 221,979	¥ 218,610	$ 1,662,266
Loss attributable to owners of parent	(4,988)	(376)	(37,352)
Per share (yen and dollars):			
Loss attributable to owners of parent (Note 2)	(198.77)	(14.88)	(1.49)
Profit attributable to owners of parent, diluted (Note 2)	–	–	–
Dividends (Note 13)	20.00	30.00	0.15
Total assets	¥ 126,261	¥ 128,904	$ 945,492

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥133.54 to U.S.$1.00.

TO OUR SHAREHOLDERS

With the issuance of our company's 75th annual report, we hope that our shareholders are enjoying health and prosperity. We would also like to take this opportunity to express our deep appreciation for your continued support.

During the fiscal year ended 31st March 2023, the Japanese economy continued to show a gradual recovery, including a recovery in personal consumption due primarily to the effects of various policies, the absence of restrictions such as the priority measures to prevent the spread of COVID-19, with the aim of balancing infection prevention and economic activities, despite continued vigilance against COVID-19. However, the outlook for the economy remains unpredictable, due mainly to the risk of a downturn in overseas economies that could put downward pressure on the Japanese economy as well as rising prices, supply-side constraints and fluctuations in financial and capital markets amid continued global monetary tightening and other factors.

In the industry in which the Marudai Food Group operates, despite signs of recovery in restaurant demand, the environment remained severe as uncertainty over the situation in Ukraine and other factors coupled with the rapid depreciation of the yen have led to higher production costs for raw materials, energy, and other items. Moreover, a series of price increases for daily necessities, including food and other daily necessities, have had a significant impact on households as consumers became more budget-conscious.

Regarding the meat market, the market prices of domestic beef were below the previous year's level as demand decreased due to high prices and other factors. While local market prices for U.S. beef and pork have generally remained below the previous year's levels, import prices have remained high due to the impact of foreign exchange rates. In addition, the market prices of domestic pork were higher than they were in the previous year due to increased demand as a result of factors such as the rising prices of imported pork.

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 that satisfies the highest standards of safety and reliability.

Due in part to budget consciousness among consumers as a result of price revisions, sales in the Processed Food Products segment declined for the fiscal year ended 31st March 2023, and higher raw material and energy costs exceeded the price revisions, making it difficult to secure segment income, despite striving to improve profits through price revisions and reducing costs through rationalization. In this business environment, the Group will implement reforms to the profit structure with the aim of maximizing its value.

As a result, consolidated net sales for the fiscal year ended 31st March 2023 increased by 1.5% year on year to ¥221,979 million. Operating loss was ¥1,400 million, compared to operating loss of ¥865 million in the previous fiscal year. In addition to extraordinary losses of ¥2,622 million in restructuring expenses, ¥1,159 million in income taxes - deferred due to the reversal of deferred tax assets resulted in loss attributable to the owners of the parent of ¥4,988 million, compared to loss attributable to the owners of parent of ¥376 million in the previous fiscal year.

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

June 2023.

Yuji Sato
President and Representative Director

PRODUCTS

The following table is a breakdown 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 2023 and 2022:

	Millions of yen (percent of total net sales)		Thousands of U.S. dollars (Note)
	2023	2022	2023
Processed Food Products	¥ 147,093	¥ 148,012	$ 1,101,490
	(66.2%)	(67.7%)	
Meat Products	74,759	70,455	559,825
	(33.7%)	(32.2%)	
Other	127	143	951
	(0.1%)	(0.1%)	
Total	¥ 221,979	¥ 218,610	$ 1,662,266

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥133.54 to U.S.$1.00.

Processed Food Products

The Ham & Sausage Products operations conducted sales promotion activities, including menu proposals and campaigns, using social networking services with a focus on *"Kunseiya-Ripened Pork Sausage"* in an effort to expand sales. In order to meet the segmented needs of consumers, three types of sausages with different characteristics, including *"Sugar-cut Prime Pork Sausages,"* were newly introduced from the *"Prime Pork Sausage"* series as well as fish sausage and pork sausage featuring the globally popular character, "BT2 1." As for midyear and year-end gifts, *"Seaweed Salt MEISTER Zero Sugar"* using domestic pork was introduced in order to expand sales. Overall sales in the Ham & Sausage Products operations decreased by 3.1% year on year mainly due to a decline in sales volume as consumers became more budget-conscious due to price revisions.

In the Precooked & Processed Foods operations, in addition to campaigns and other sales promotion activities, social networking services were also used to increase awareness of the *"Sundubu"* tofu stew series. Sales of *"Bistro Club Rich Curry"* increased as a result of efforts to acquire sales space, and sales of the *"Salad Chicken"* series increased from the previous year due to the introduction of new products. New products such as *"Biryani Mix"* and *"Gapao Mix"* were also introduced from the *"Trip at Home"* series, and sales of rice products for convenience stores and whipped cream were also strong. As a result, sales in the Precooked & Processed Foods operations increased by 1.4% year on year.

Sales in the Processed Food Products segment amounted to ¥147,093 million, a decrease of 0.6% year on year. Segment loss of ¥1,654 million was recorded (compared to segment loss of ¥1,077 million in the previous fiscal year) owing mainly to a decrease in sales in the Ham & Sausage Products operations and an increase in raw material and energy costs that exceeded price revisions, despite striving to reduce costs through rationalization.

Meat Products

With regard to beef, sales to mass retailers remained sluggish as consumers became more budget-conscious. However, overall beef sales exceeded the previous year's level due to factors such as a recovery in sales to restaurants. Regarding pork, sales of both domestic and imported meat exceeded the previous year's level due to efforts to strengthen sales to restaurants and higher unit sales prices to mass retailers.

As a result, sales in the Meat Products segment increased by 6.1% year on year to ¥74,759 million. Segment income increased by 17.7% year on year to ¥204 million.

Other

Sales in the Other business decreased by 11.1% year on year to ¥127 million, and Segment income increased by 29.3% year on year to ¥50 million.

CONSOLIDATED BALANCE SHEETS

31st March 2023 and 2022

ASSETS	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Current assets:			
Cash and time deposits (Notes 3 and 19)	¥ 6,916	¥ 7,991	$ 51,790
Receivables:			
Trade notes and accounts receivable (Note 3)	23,897	23,437	178,950
Other	1,091	1,076	8,170
Allowance for doubtful accounts	(14)	(11)	(105)
Inventories (Note 6)	19,232	16,874	144,017
Advances and other current assets	295	446	2,209
Total current assets	51,417	49,813	385,031
Investments and other assets:			
Investment securities (Notes 3 and 4)			
Affiliates	263	218	1,969
Other	11,439	11,719	85,660
Retirement benefit asset (Note 10)	1,861	2,131	13,936
Deferred tax assets (Note 11)	318	320	2,381
Other	2,191	2,480	16,407
Allowance for doubtful accounts	(121)	(130)	(906)
Total investments and other assets	15,951	16,738	119,447
Property, plant and equipment, at cost:			
Land (Notes 8 and 15)	18,346	18,723	137,382
Buildings and structures (Notes 8 and 15)	63,371	62,795	474,547
Machinery and equipment (Notes 8 and 15)	79,714	78,262	596,930
Lease assets	9,123	9,205	68,317
Construction in progress	486	500	3,639
	171,040	169,485	1,280,815
Less accumulated depreciation	(113,720)	(109,399)	(851,580)
Net property, plant and equipment	57,320	60,086	429,235
Intangible assets	1,573	2,267	11,779
Total assets	¥ 126,261	¥ 128,904	$ 945,492

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Current liabilities:			
Payables:			
Trade notes and accounts payable	¥ 20,754	¥ 20,914	$ 155,414
Other	6,715	6,216	50,285
Short-term borrowings (Note 7)	9,858	8,100	73,821
Long-term debt due within one year (Notes 7 and 8)	2,917	2,818	21,844
Short-term lease obligations (Note 7)	1,024	1,084	7,668
Accrued income taxes	215	171	1,610
Allowance for bonuses	781	810	5,848
Provision for restructuring (Note 16)	179	–	1,340
Other current liabilities	1,620	1,617	12,131
Total current liabilities	44,063	41,730	329,961
Long-term liabilities:			
Long-term debt due after one year (Notes 7 and 8)	5,256	4,551	39,359
Long-term lease obligations (Note 7)	3,735	4,119	27,969
Deferred tax liabilities (Note 11)	1,961	992	14,685
Liabilities for retirement benefits (Note 10)	1,467	1,379	10,985
Provision for restructuring (Note 16)	144	–	1,078
Other long-term liabilities	621	644	4,651
Total long-term liabilities	13,184	11,685	98,727
Contingent liabilities (Note 12)			
NET ASSETS (Note 13)			
Shareholders' equity:			
Common stock			
Authorised — 40,000,000 shares in 2023 (40,000,000 shares in 2022)			
Issued — 26,505,581 shares in 2023 (26,505,581 shares in 2022)	6,716	6,716	50,292
Capital surplus	22,086	22,086	165,389
Retained earnings	38,389	44,133	287,472
Treasury stock, at cost	(3,342)	(3,066)	(25,027)
Total shareholders' equity	63,849	69,869	478,126
Accumulated other comprehensive income:			
Unrealised gains on securities	4,953	4,990	37,090
Deferred gains on hedges	0	71	0
Foreign currency translation adjustments	57	34	427
Adjustments for retirement benefits	(527)	(133)	(3,946)
Total accumulated other comprehensive income	4,483	4,962	33,571
Noncontrolling interests	682	658	5,107
Total net assets	69,014	75,489	516,804
Total liabilities and net assets	¥ 126,261	¥ 128,904	$ 945,492

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended 31st March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net sales	¥ 221,979	¥ 218,610	$ 1,662,266
Cost of sales (Note 6)	191,495	186,652	1,433,990
Gross profit	30,484	31,958	228,276
Selling, general and administrative expenses (Note 14)	31,884	32,823	238,760
Operating loss	(1,400)	(865)	(10,484)
Other income (expenses):			
Interest and dividend income	354	379	2,651
Real estate rent	149	163	1,116
Interest expense	(223)	(221)	(1,670)
Gain on sale of securities, net (Note 4)	644	430	4,823
Loss on disposal of property, plant and equipment, net	(146)	(220)	(1,093)
Loss on impairment of fixed assets (Note 15)	(172)	(9)	(1,288)
Restructuring expenses (Note 16)	(2,622)	–	(19,635)
Loss on abandonment of inventories (Note 6)	(271)	–	(2,029)
Special retirement expenses (Note 10)	(34)	(20)	(255)
Other, net	222	134	1,662
	(2,099)	636	(15,718)
Loss before income taxes	(3,499)	(229)	(26,202)
Income taxes (Note 11):			
Current	301	239	2,254
Deferred	1,159	(141)	8,679
	1,460	98	10,933
Loss	(4,959)	(327)	(37,135)
Profit attributable to noncontrolling interests	(29)	(49)	(217)
Loss attributable to owners of parent	¥ (4,988)	¥ (376)	$ (37,352)
	Yen		U.S. dollars (Note 1)
Loss attributable to owners of parent per share (Note 2)	¥ (198.77)	¥ (14.88)	$ (1.49)
Profit attributable to owners of parent, diluted per share (Note 2)	–	–	–
Dividends per share (Note 13)	¥ 20.00	¥ 30.00	$ 0.15

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended 31st March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Loss	¥ (4,959)	¥ (327)	$ (37,135)
Other comprehensive income:			
Unrealised gains on securities	(37)	(954)	(277)
Deferred gains (losses) on hedges	(71)	36	(532)
Adjustments for retirement benefits	(394)	119	(2,950)
Share of other comprehensive income of associates accounted for using equity method	23	(0)	172
Total other comprehensive income (Note 20)	(479)	(799)	(3,587)
Comprehensive income	¥ (5,438)	¥ (1,126)	$ (40,722)
Comprehensive income attributable to:			
Owners of the parent	¥ (5,467)	¥ (1,175)	$ (40,939)
Noncontrolling interests	¥ 29	¥ 49	$ 217

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended 31st March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Common stock:			
Balance at beginning and end of the year	¥ 6,716	¥ 6,716	$ 50,292
Capital surplus:			
Balance at beginning and end of the year	¥ 22,086	¥ 22,086	$ 165,389
Retained earnings:			
Balance at beginning of the year	¥ 44,133	¥ 45,271	$ 330,485
Cash dividends paid	(756)	(762)	(5,661)
Loss attributable to owners of parent	(4,988)	(376)	(37,352)
Balance at end of the year	¥ 38,389	¥ 44,133	$ 287,472
Treasury stock, at cost:			
Balance at beginning of the year	¥ (3,066)	¥ (2,697)	$ (22,960)
Purchase of treasury stock	(276)	(369)	(2,067)
Balance at end of the year	¥ (3,342)	¥ (3,066)	$ (25,027)
Unrealised gains on securities:			
Balance at beginning of the year	¥ 4,990	¥ 5,944	$ 37,367
Decrease for the year	(37)	(954)	(277)
Balance at end of the year	¥ 4,953	¥ 4,990	$ 37,090
Deferred gains (losses) on hedges:			
Balance at beginning of the year	¥ 71	¥ 35	$ 532
Increase (decrease) for the year	(71)	36	(532)
Balance at end of the year	¥ 0	¥ 71	$ 0
Foreign currency translation adjustments:			
Balance at beginning of the year	¥ 34	¥ 34	$ 255
Increase (decrease) for the year	23	(0)	172
Balance at end of the year	¥ 57	¥ 34	$ 427
Adjustments for retirement benefits:			
Balance at beginning of the year	¥ (133)	¥ (252)	$ (996)
Increase (decrease) for the year	(394)	119	(2,950)
Balance at end of the year	¥ (527)	¥ (133)	$ (3,946)
Noncontrolling interests:			
Balance at beginning of the year	¥ 658	¥ 613	$ 4,927
Increase for the year	24	45	180
Balance at end of the year	¥ 682	¥ 658	$ 5,107

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended 31st March 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Loss before income taxes	¥ (3,499)	¥ (229)	$ (26,202)
Depreciation and amortisation	7,694	7,946	57,616
Loss on impairment of fixed assets	172	9	1,288
Restructuring expenses	2,622	–	19,635
Increase (decrease) in allowance for doubtful accounts	(6)	15	(45)
Decrease in liabilities for retirement benefits	(167)	(322)	(1,251)
Special retirement expenses	34	20	255
Interest and dividend income	(354)	(379)	(2,651)
Interest expense	223	221	1,670
Gain on sale of securities, net	(644)	(430)	(4,823)
Loss on valuation of investment securities	–	30	–
Loss on disposal of property, plant and equipment, net	146	220	1,093
Decrease (increase) in receivables	(456)	406	(3,415)
Increase in inventories	(2,349)	(1,013)	(17,590)
Increase (decrease) in trade notes and accounts payable	(146)	707	(1,093)
Increase (decrease) in consumption tax payable	(8)	44	(60)
Other, net	(316)	(299)	(2,366)
Subtotal	2,946	6,946	22,061
Interest and dividends received	379	358	2,838
Interest paid	(223)	(221)	(1,670)
Income taxes paid	(334)	(298)	(2,501)
Income taxes refunded	159	450	1,191
Payments for special retirement expenses	(20)	(204)	(150)
Net cash provided by operating activities	2,907	7,031	21,769
Cash flows from investing activities:			
Purchase of short-term investments and investment securities	(35)	(35)	(262)
Proceeds from sale of short-term investments and investment securities	895	681	6,702
Purchase of property, plant and equipment	(5,558)	(6,778)	(41,620)
Proceeds from sale of property, plant and equipment	465	647	3,482
Other, net	(283)	(204)	(2,120)
Net cash used in investing activities	(4,516)	(5,689)	(33,818)
Cash flows from financing activities:			
Net increase in short-term borrowings	1,758	210	13,165
Proceeds from long-term debt	3,622	2,720	27,123
Repayment of long-term debt	(2,818)	(2,658)	(21,102)
Repayment of lease obligations	(992)	(964)	(7,428)
Cash dividends paid	(756)	(762)	(5,661)
Purchase of treasury shares	(276)	(369)	(2,067)
Other, net	(4)	(4)	(31)
Net cash provided by (used in) financing activities	534	(1,827)	3,999
Net decrease in cash and cash equivalents	(1,075)	(485)	(8,050)
Cash and cash equivalents at beginning of year	7,991	8,476	59,840
Cash and cash equivalents at end of year (Note 19)	¥ 6,916	¥ 7,991	$ 51,790

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended 31st March 2023 and 2022

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 2023, which was ¥133.54 to U.S. $1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation - The consolidated financial statements include the accounts of the Company and its 26 subsidiaries. For the fiscal year ended 31st March 2023, Marudaifood Supply Co., Ltd. was newly established and included in the scope of consolidation. Okinawa Marudai Food Co., Ltd. and Kitanosachi Co., Ltd. were excluded from the scope of consolidation as the liquidation of these companies had been completed. All of the Company's subsidiaries have the same fiscal year end as the Company, 31st March.

All 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 domestic consolidated 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.

Provision for restructuring - To provide for future expenses to be incurred associated with restructuring, the estimated amount of the expenses was recorded.

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 2023 and 2022.

Accounting for nondeductible consumption taxes, etc., on assets - Nondeductible consumption taxes and local consumption taxes on assets were expensed in the fiscal year ended 31st March 2023.

Significant accounting estimates

1. Impairment of fixed assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended 31st March 2023

The book value of business assets of the Processed Food Products segument (including common assets) of the Company for the fiscal year ended 31st March 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Property, plant and equipment	¥ 30,166	¥ 31,940	$ 225,895
Intangible assets	1,371	2,059	10,266
Total	¥ 31,537	¥ 33,999	$ 236,161

The Company determined that there was an indication of impairment of the business assets of the Processed Food Products segment of Marudai Food Co., Ltd. due to the continuous recording of operating loss and reviewed the necessity of recording loss on impairment of fixed assets. 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 Processed Food Products segment, the Company did not record any loss on impairment of these assets.

However, due to the decision to implement restructuring, including the reorganization of production locations, a loss on impairment of fixed assets in the Processed Food Products segment of ¥1,331 million ($9,967 thousand) for movable assets, such as machinery and equipment, and real estate, such as land, not expected to be used in the future, was recorded as restructuring expenses in extraordinary losses.

(2) Significant accounting estimates for identified items

① Calculation method

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

The Company groups its cash generating units, which are the units used to determine whether recognizing impairment is required, into business assets in the Processed Food Products segment and the Meat Products segment, 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.

- With regard to the net sales plan, based on numerical plans developed by individual departments, the Company lowered projections taking into account the degree of achievement of budgets in past fiscal years as well as the rate of decrease in net sales in the current fiscal year. The resulting figures were then further adjusted to come up with a net sales forecast by reflecting the revenue-increasing effect of price revisions expected from the most recent business talks, etc. and new transactions. In addition, we took into account the market environment for our mainstay ham and sausage products for the next fiscal year and beyond.
- The cost of sales plan reflects factors such as the impact of recent increases in raw material prices and energy costs, as well as the effects of cost reduction from restructuring, including the reorganization of production locations, etc.
- With regard to the impact of COVID-19, the Company assumes that there will be a limited impact on the aforementioned plan as restrictions are being eased and the situation surrounding the Company is gradually returning to normal.

③ Effect on the consolidated financial statements for the fiscal year ending 31st March 2024

There may be a significant impact on the consolidated financial statements for the fiscal year ending 31st March 2024 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 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Deferred tax assets (before offsetting with deferred tax liabilities).........	¥ 1,101	¥ 2,212	$ 8,244

(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 2024

There may be a significant impact on the consolidated financial statements for the fiscal year ending 31st March 2024 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.

(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.

(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.

Reclassification

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

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, 2023. 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 the consolidated balance sheet amounts of financial asset, their fair values and any difference between the book values and fair values as of 31st March 2023. "Cash and time deposits," "Trade notes and accounts receivable," "Trade notes and accounts payable," "Payable - other" and "Short-term borrowings" are omitted as they are cash or are settled in a short period of time and thus their fair values approximate their book values.

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2023					
	Consolidated balance sheet amounts	Fair value	Difference	Consolidated balance sheet amounts	Fair value	Difference
① Investment securities (*1)						
Available-for-sale securities	¥ 11,391	¥ 11,391	¥ –	$ 85,301	$ 85,301	$ –
Total assets	11,391	11,391	–	85,301	85,301	–
① Long-term debt	8,173	8,123	(50)	61,203	60,828	(375)
② Lease obligations	4,759	4,759	0	35,637	35,637	0
Total liabilities	12,932	12,882	(50)	96,840	96,465	(375)
Derivatives (*2)	1	1	–	7	7	–

(*1) Shares without market price, etc., are not included in "① Investment securities Investment securities Available-for-sale securities." Book values on the consolidated balance sheet for these financial instruments were as follows.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2023	
Category	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted stocks	¥ 48	$ 359
Affiliates	263	1,969

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

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

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2023					
	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	¥ 6,916	–	–	$ 51,790	–	–
Trade notes and accounts receivable	23,897	–	–	178,950	–	–
Total	¥ 30,813	–	–	$ 230,740	–	–

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

The following table shows the consolidated balance sheet amounts of financial asset, their fair values and any difference between the book values and fair values as of 31st March 2022. "Cash and time deposits," "Trade notes and accounts receivable," "Trade notes and accounts payable," "Payable - other" and "Short-term borrowings" are omitted as they are cash or are settled in a short period of time and thus their fair values approximate their book values.

	Millions of yen		
	2022		
	Consolidated balance sheet amounts	Fair value	Difference
① Investment securities (*1) Available-for-sale securities	¥ 11,671	¥ 11,671	¥ –
Total assets	11,671	11,671	–
① Long-term debt	7,369	7,364	(5)
② Lease obligations	5,203	5,229	26
Total liabilities	12,572	12,593	21
Derivatives (*2)	103	103	–

(*1) Shares without market price, etc., are not included in "① Investment securities Available-for-sale securities." Book values on the consolidated balance sheet for these financial instruments were as follows.

	Millions of yen
	2022
Category	Consolidated balance sheet amounts
Unlisted stocks	¥ 48
Affiliates	218

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

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

	Millions of yen		
	2022		
	Within one year	Over one year but within five years	Over five years
Cash and time deposits	¥ 7,991	–	–
Trade notes and accounts receivable	23,437	–	–
Total	¥ 31,428	–	–

(*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 as of 31st March 2023

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥ 11,391	¥ –	–	¥ 11,391
Shares	11,391	–	–	11,391
Derivatives	–	1	–	1
Currency related	–	1	–	1
Total assets	¥ 11,391	¥ 1	–	¥ 11,392

	Thousands of U.S. dollars (Note 1)			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	$ 85,301	$ –	–	$ 85,301
Shares	85,301	–	–	85,301
Derivatives	–	7	–	7
Currency related	–	7	–	7
Total assets	$ 85,301	$ 7	–	$ 85,308

② Financial instruments other than those measured at fair value on the consolidated balance sheets as of 31st March 2023

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt	–	¥ 8,123	–	¥ 8,123
Lease obligations	–	4,759	–	4,759
Total liabilities	–	¥ 12,882	–	¥ 12,882

	Thousands of U.S. dollars (Note 1)			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt	–	$ 60,828	–	$ 60,828
Lease obligations	–	35,637	–	35,637
Total liabilities	–	$ 96,465	–	$ 96,465

① Financial instruments measured at fair value on the consolidated balance sheets as of 31st March 2022

	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
Derivatives	–	103	–	103
Currency related	–	103	–	103
Total assets	¥ 11,671	¥ 103	–	¥ 11,774

② Financial instruments other than those measured at fair value on the consolidated balance sheets as of 31st March 2022

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt	–	¥ 7,364	–	¥ 7,364
Lease obligations	–	5,229	–	5,229
Total liabilities	–	¥ 12,593	–	¥ 12,593

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

These items are all forward exchange contracts and the fair value of forward exchange contracts is measured using the discounted present value method with observable inputs such as exchange rates, and 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 2023 and 2022.

Securities with book values exceeding historical cost:	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2023			2022			2023		
Type	Historical cost	Book value	Gain	Historical cost	Book value	Gain	Historical cost	Book value	Gain
Equity securities	¥ 4,115	¥ 11,183	¥ 7,068	¥ 4,277	¥ 11,434	¥ 7,157	$ 30,815	$ 83,743	$ 52,928
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 4,115	¥ 11,183	¥ 7,068	¥ 4,277	¥ 11,434	¥ 7,157	$ 30,815	$ 83,743	$ 52,928

Securities with book values not exceeding historical cost:	2023			2022			2023		
Type	Historical cost	Book value	Loss	Historical cost	Book value	Loss	Historical cost	Book value	Loss
Equity securities	¥ 239	¥ 208	¥ (31)	¥ 293	¥ 237	¥ (56)	$ 1,790	$ 1,557	$ (233)
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 239	¥ 208	¥ (31)	¥ 293	¥ 237	¥ (56)	$ 1,790	$ 1,557	$ (233)

Unlisted stocks (carrying amount of ¥48 million ($359 thousand)) as of 31st March 2023 and unlisted stocks (carrying amount of ¥48 million) as of 31st March 2022 were not included in the above table as no market prices for these securities.

Available-for-sale securities sold during the year:	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2023			2022			2023		
Type	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales	Proceeds	Gains on sales	Losses on sales
Equity securities	¥ 895	¥ 644	–	¥ 681	¥ 430	–	$ 6,702	$ 4,823	–
Bonds	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
Total	¥ 895	¥ 644	–	¥ 681	¥ 430	–	$ 6,702	$ 4,823	–

There was no impairment of investment securities during the fiscal year ended 31st March, 2023.

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

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 informations 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 2023 were as follows:

(1) Currency related

			Millions of yen			Thousands of U.S. dollars (Note 1)		
			2023					
Hedge accounting method	Transaction types	Major hedged items	Contract amounts	Due over one year	Fair value	Contract amounts	Due over one year	Fair value
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥ 2,068	–	¥ 0	$ 15,486	–	$ 0
	Euro		37	–	1	277	–	7
Total			¥ 2,105	–	¥ 1	$ 15,763	–	$ 7

(2) Interest related

Not applicable for the year ended 31st March 2023.

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

(1) Currency related

			Millions of yen		
			2022		
Hedge accounting method	Transaction types	Major hedged items	Contract amounts	Due over one year	Fair value
Alternative method	Foreign exchange trading On purchased U.S. dollar	Accounts payable	¥ 2,955	–	¥ 103
Total			¥ 2,955	–	¥ 103

(2) Interest related

Not applicable for the year ended 31st March 2022.

6. Inventories

Inventories at 31st March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Merchandise and finished goods	¥ 12,371	¥ 11,228	$ 92,639
Work in progress	510	464	3,819
Raw materials and supplies	6,351	5,182	47,559
	¥ 19,232	¥ 16,874	$ 144,017

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)
	2023	2022	2023
Loss on valuation of inventories	¥ 291	¥ 47	$ 2,179

Loss on abandonment of inventories

The Company recorded losses resulted from accidents at the depository

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

Short-term borrowing at 31st March 2023 and 2022 consisted of short-term notes, which generally mature within one year, with average interest rates of 0.55% and 0.42%, respectively.

Long-term debt at 31st March 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Loans from banks, insurance companies and other financial institution at 0.16% to 1.00% maturing through 2029			
Secured	¥ 61	¥ 99	$ 457
Unsecured	8,112	7,270	60,746
	8,173	7,369	61,203
Less current portion	(2,917)	(2,818)	(21,844)
	¥ 5,256	¥ 4,551	$ 39,359

The aggregate annual maturities of long-term debt as of 31st March 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2023	2023
2024	¥ 2,917	$ 21,844
2025	2,323	17,396
2026	1,418	10,619
2027	944	7,069
2028	566	4,238
2029 and thereafter	5	37
	¥ 8,173	$ 61,203

The aggregate annual maturities of lease obligations as of 31st March 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Years ending 31st March,	2023	2023
2024	¥ 1,024	$ 7,668
2025	993	7,436
2026	778	5,826
2027	603	4,515
2028	507	3,797
2029 and thereafter	854	6,395
	¥ 4,759	$ 35,637

8. Pledged assets

Assets were pledged as collateral for the current portion of long-term debt of ¥15 million ($112 thousand) and long-term debt of ¥46 million ($344 thousand) as of 31st March 2023 and for the current portion of long-term debt of ¥38 million and long-term debt of ¥61 million as of 31st March 2022. The assets pledged are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Land	¥ 4	¥ 4	$ 30
Buildings and structures	32	36	240
Machinery and equipment	25	43	187
	¥ 61	¥ 83	$ 457

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)
	2023	2022	2023
Total amounts in the overdraft agreements	¥ 32,750	¥ 32,770	$ 245,245
Borrowing balance	9,758	8,000	73,072
Difference	¥ 22,992	¥ 24,770	$ 172,173

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 2023 and 2022 (excluding those for which the simplified method was applied) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Beginning balance of retirement benefit obligation	¥ 12,274	¥ 12,833	$ 91,913
Service cost - benefits earned during the year	268	296	2,007
Interest cost on projected benefit obligation	98	103	734
Actuarial gains and losses	110	(172)	823
Retirement benefits paid	(840)	(786)	(6,290)
Ending balance of retirement benefit obligation	¥ 11,910	¥ 12,274	$ 89,187

② The changes in plan assets for the fiscal years ended 31st March 2023 and 2022 (excluding those for which the simplified method was applied) were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Beginning balance of plan assets	¥ 14,948	¥ 14,941	$ 111,936
Expected return on plan assets	373	374	2,793
Actuarial gains and losses	(510)	(149)	(3,819)
Contribution from the employer	170	384	1,273
Retirement benefits paid	(626)	(602)	(4,687)
Ending balance of plan assets	¥ 14,355	¥ 14,948	$ 107,496

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 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Beginning balance of liabilities for retirement benefits	¥ 1,921	¥ 1,836	$ 14,385
Retirement benefit expenser	197	174	1,475
Retirement benefits paid	(66)	(89)	(494)
Ending balance of liabilities for retirement benefits	¥ 2,052	¥ 1,921	$ 15,366

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)
	2023	2022	2023
Funded retirement benefit obligation	¥ 12,494	¥ 12,817	$ 93,560
Plan assets	(14,355)	(14,948)	(107,496)
	(1,861)	(2,131)	(13,936)
Unfunded retirement benefit obligation	1,467	1,379	10,985
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	(394)	(752)	(2,951)
Retirement benefit asset	(1,861)	(2,131)	(13,936)
Liabilities for retirement benefits	1,467	1,379	10,985
Net liability (asset) for retirement benefits recorded in the consolidated balance sheet	¥ (394)	¥ (752)	$ (2,951)

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)
	2023	2022	2023
Service cost - benefits earned during the year	¥ 268	¥ 297	$ 2,007
Interest cost on projected benefit obligation	98	103	734
Expected return on plan assets	(373)	(374)	(2,793)
Amortisation of actuarial differences	94	135	704
Retirement benefit expenses calculated using the simplified method	196	174	1,467
Retirement benefit expenses on defined benefit plans	283	335	2,119
Special retirement expenses (*)	34	20	255

(*)Special retirement expenses are recorded. Special retirement expenses for the fiscal year ended 31st March 2022 and the fiscal year ended 31st March 2023 were extra retirement payments for 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)
	2023	2022	2023
Actuarial gains and losses	¥ (525)	¥ 159	$ (3,931)
Total	¥ (525)	¥ 159	$ (3,931)

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)
	2023	2022	2023
Unrecognised actuarial gains and losses	¥ 701	¥ 176	$ 5,249
Total	¥ 701	¥ 176	$ 5,249

⑧ Plan assets

The components of plan assets were as follows:

	2023	2022
Debt securities	43.8%	43.5%
Alternatives	24.3	23.7
Equity securities	21.6	22.7
General account	8.3	7.8
Short-term assets	2.0	2.3
Total	100.0%	100.0%

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

Method of determining long-term expected rate of return

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

⑨ Assumptions used for actuarial calculations for the fiscal years ended 31st March 2023 and 2022 were as follows:

	2023	2022
Discount rate	0.8%	0.8%
Long-term expected rate of return	2.5	2.5
Expected rate of salary increase:		
Lump-sum payment plans	4.7	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 ¥223 million ($1,670 thousand) for the year ended 31st March 2023 and ¥244 million for the year ended 31st March 2022.

11. Income taxes

Due to the posting of a loss before income taxes for the years ended March 31, 2023 and 2022, description regarding reconciliation of the statutory tax rate to the effective income tax rate was omitted.

Significant components of the Companies' deferred tax assets and liabilities as of 31st March 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Deferred tax assets:	2023	2022	2023
Loss carryforwards (*2)	¥ 1,487	¥ 1,106	$ 11,135
Loss on impairment of fixed assets	1,464	794	10,963
Denied sales discounts and others	649	684	4,860
Liabilities for retirement benefits	470	470	3,520
Allowance for bonuses	254	262	1,902
Long-term trade receivables	215	215	1,610
Provision for restructuring	99	–	741
Allowance for doubtful accounts	45	47	337
Other	681	522	5,099
Total deferred tax assets	5,364	4,100	40,167
Valuation allowance for loss carryforwards (*2)	(1,381)	(497)	(10,341)
Valuation allowance for deductible temporary differences	(2,882)	(1,391)	(21,582)
Total valuation allowance (*1)	(4,263)	(1,888)	(31,923)
Net deferred tax assets	1,101	2,212	8,244
Deferred tax liabilities:			
Unrealised gains on securities	(2,087)	(2,114)	(15,628)
Retirement benefit asset	(570)	(652)	(4,268)
Reserve for property, plant and equipment	(29)	(29)	(217)
Other	(58)	(89)	(435)
Total deferred tax liabilities	(2,744)	(2,884)	(20,548)
Net deferred tax assets	¥ (1,643)	¥ (672)	$ (12,304)

(*1) Valuation allowance increased by ¥2,375 million ($17,785 thousand) from the fiscal year ended 31st March 2022 after a review of the classification of companies under the group tax sharing system due to a decrease in recoverability.

(*2) Loss carryforwards and deferred tax assets by expiration periods for the years ended 31st March 2023 and 2022

Loss carryforwards and deferred tax assets by expiration periods as of and for the fiscal year ended 31st March 2023 were as follows:

	Millions of yen						
	2023						
	2024	2025	2026	2027	2028	2029 and thereafter	Total
Loss carryforwards (a)	¥ 11	¥ 14	¥ 9	¥ 33	–	¥ 1,420	¥ 1,487
Valuation allowance	(11)	(14)	(9)	(33)	–	(1,314)	(1,381)
Deferred tax assets	–	–	0	–	–	106	(b) 106

	Thousands of U.S. dollars (Note 1)						
	2023						
	2024	2025	2026	2027	2028	2029 and thereafter	Total
Loss carryforwards (a)	$ 82	$ 105	$ 67	$ 247	–	$ 10,634	$ 11,135
Valuation allowance	(82)	(105)	(67)	(247)	–	(9,840)	(10,341)
Deferred tax assets	–	–	0	–	–	794	(b) 794

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

(b) With respect to ¥1,487 million ($11,135 thousand) in tax loss carryforwards (after application of the statutory tax rate), ¥106 million ($794 thousand) in deferred tax assets has been recognised. This ¥106 million ($794 thousand) in deferred tax assets was recognised as loss carryforwards recoverable based on projected future taxable income out of the ¥1,487 million ($11,135 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 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

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

(b) With respect to ¥1,106 million in tax loss carryforwards (after application of the statutory tax rate), ¥609 million in deferred tax assets has been recognised. This ¥609 million in deferred tax assets was recognised as loss carryforwards recoverable based on projected future taxable income out of the ¥1,106 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.

Accounting for corporate and local corporate taxes and related tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended 31st March 2023. Accordingly, the Group accounts for corporate and local corporate taxes and conducts tax effect accounting and makes disclosures in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

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 28th June 2023, appropriations of retained earnings for year-end dividends applicable to the year ended 31st March 2023 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
	2023	2023
Cash dividends: ¥20.00 ($0.15) per share	¥ 500	$ 3,744

	Millions of yen
	2022
Cash dividends: ¥30.00 per share	¥ 756

14. Selling, general and administrative expenses

Main items and amounts were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Distribution expenses	¥ 12,041	¥ 12,482	$ 90,168
Salaries and allowances	6,181	6,252	46,286
Allowance for bonuses	434	373	3,250
Retirement benefit expenses	273	316	2,044
Provision of allowance for doubtful accounts	12	3	90

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March 2023 and 2022 were ¥601 million ($4,501 thousand) and ¥674 million, respectively.

15. Loss on impairment of fixed assets

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2023. The Company classified fixed assets into five categories: business assets in the Processed Food Products segment and the Meat Products segment, 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. Due to the decision to implement restructuring, including the reorganization of production locations, the book value of production facilities and real estate of Marudai Food Co., Ltd. and its consolidated subsidiaries that are not expected to be used in the future was reduced to the recoverable amount, and the amount of the reduction was recorded as restructuring expense (extraordinary loss) in the amount of ¥2,299 million ($17,216 thousand). In addition, in cases in which the recoverable value of idle assets or rental assets has fallen below book value due to declines in market prices or profitability or when market prices for artwork declined significantly, the book value of these assets was reduced to their recoverable value. The total impairment loss for the year ended 31st March 2023 consisted of ¥64 million ($479 thousand) for investment and rental properties (Investments and other assets “Other”) and ¥108 million ($809 thousand) for tools, furniture and fixtures.

The recoverable value of rental assets was measured by the net realisable value or the value in use. The recoverable value of idle assets was measured by the net realisable value. The net realisable value was assessed based on the appraisal value, etc., and value in used was calculated by discounting future cash flows by 3.2%. The recoverable amounts for artwork were calculated based on independent appraisals obtained from third-party art experts and others.

The Company recorded impairment loss on certain asset groups for the year ended 31st March 2022. The Company classified fixed assets into five categories: business assets in the Processed Food Products segment and the Meat Products segment, 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, when the recoverable value of idle assets or rental assets had fallen below book value due to declines in market prices or profitability, the book value of these assets was reduced to their recoverable value. The total impairment loss for the year ended 31st March 2022 consisted of ¥9 million for investment and rental properties (Investments and other assets “Other”).

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

16. Restructuring expenses

A loss was incurred due to the decision to implement restructuring, including the reorganization of production locations, and consisted of ¥2,299 million ($17,216 thousand) in loss on impairment of fixed assets on production facilities and real estate of Marudai Food Co., Ltd. and some of its consolidated subsidiaries and ¥323 million ($2,419 thousand) in other related expenses.

17. Revenue recognition

(1) Disaggregation of revenue from contracts with customers

Information on disaggregation of revenue from contracts with customers is presented below in Note 18, “Segment information.”

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

Information regarding revenue from contrasts with customers can be found in Note a “Significant accounting policies - *According policy for recognition of significant revenue and expenses*.”

18. Segment information

(1) Overview of the reportable segments

① Method for determining reportable segments

The Group’s reportable segments are determined based on the availability of separate financial information for such segments that is examined periodically by the Board of Directors to make decisions regarding the allocation of the 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) Measurement for sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies adopted by for the reportable segments are identical to those described in Note 2, “Significant Accounting Policies.” Intersegment sales and transfers are based on current market prices.

(3) Segment information for the years ended 31st March 2023 and 2022

Segment information as of and for the fiscal year ended 31st March 2023 was as follows:

	Millions of yen						
	2023						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Ham & Sausage	¥ 64,392	¥ –	¥ 64,392	¥ –	¥ 64,392	¥ –	¥ 64,392
Precooked & Processed Foods	82,701	–	82,701	–	82,701	–	82,701
Meat Products	–	74,759	74,759	–	74,759	–	74,759
Other	–	–	–	127	127	–	127
Revenue from contracts with customers	147,093	74,759	221,852	127	221,979	–	221,979
Sales to third parties	¥ 147,093	¥ 74,759	¥ 221,852	¥ 127	¥ 221,979	¥ –	¥ 221,979
Intersegment sales and transfers	–	–	–	854	854	(854)	–
Net sales	147,093	74,759	221,852	981	222,833	(854)	221,979
Segment income (loss)	(1,654)	204	(1,450)	50	(1,400)	–	(1,400)
Segment assets	83,616	20,633	104,249	225	104,474	21,787	126,261
Other items:							
Depreciation and amortisation (*4)	7,279	408	7,687	7	7,694	–	7,694
Increase in property, plant and equipment and intangible assets (*4)	6,441	407	6,848	3	6,851	10	6,861

	Thousands of U.S. dollars (Note 1)						
	2023						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other (*1)	Total	Adjustments (*2)	Consolidated (*3)
Sales:							
Ham & Sausage	$ 482,192	$ –	$ 482,192	$ –	$ 482,192	$ –	$ 482,192
Precooked & Processed Foods	619,298	–	619,298	–	619,298	–	619,298
Meat Products	–	559,825	559,825	–	559,825	–	559,825
Other	–	–	–	951	951	–	951
Revenue from contracts with customers	1,101,490	559,825	1,661,315	951	1,662,266	–	1,662,266
Sales to third parties	$ 1,101,490	$ 559,825	$ 1,661,315	$ 951	$ 1,662,266	$ –	$ 1,662,266
Intersegment sales and transfers	–	–	–	6,395	6,395	(6,395)	–
Net sales	1,101,490	559,825	1,661,315	7,346	1,668,661	(6,395)	1,662,266
Segment income (loss)	(12,386)	1,528	(10,858)	374	(10,484)	–	(10,484)
Segment assets	626,149	154,508	780,657	1,685	782,342	163,150	945,492
Other items:							
Depreciation and amortisation (*4)	54,508	3,055	57,563	53	57,616	–	57,616
Increase in property, plant and equipment and intangible assets (*4)	48,233	3,048	51,281	22	51,303	75	51,378

(*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 ¥21,787 million ($163,150 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 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

(*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 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 fixed assets by reportable segment

Information about loss on impairment of fixed assets by reportable segments as of and for the fiscal year ended 31st March 2023 was as follows:

	Millions of yen						
	2023						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of fixed assets	¥ 2,072	¥ 227	¥ 2,299	–	¥ 2,299	¥ 172	¥ 2,471

	Thousands of U.S. dollars (Note 1)						
	2023						
	Reportable segments						
	Processed Food Products	Meat Products	Total	Other	Total	Adjustments	Consolidated
Loss on impairment of fixed assets	$ 15,516	$ 1,700	$ 17,216	–	$ 17,216	$ 1,288	$ 18,504

Information about loss on impairment of fixed assets by reportable segment 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 fixed assets ...	–	–	–	–	–	¥ 9	¥ 9

(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 2023 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 2022, 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 2023 is not applicable.

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

19. 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 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash and time deposits in the consolidated balance sheets	¥ 6,916	¥ 7,991	$ 51,790
Cash and cash equivalents in the consolidated statements of cash flows	¥ 6,916	¥ 7,991	$ 51,790

Significant non-cash transactions as of 31st March 2023 and 2022 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)
	2023	2022	2023
Lease assets and obligations	¥ 680	¥ 967	$ 5,092

20. 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)
	2023	2022	2023
Unrealised gains on securities:			
Increase (decrease) during the year	¥ 580	¥ (949)	$ 4,343
Reclassification adjustments	(644)	(400)	(4,822)
Amount before tax effect	(64)	(1,349)	(479)
Tax effect	27	395	202
Subtotal	(37)	(954)	(277)
Deferred gains (losses) on hedges :			
Increase (decrease) during the year	(102)	52	(764)
Amount before tax effect	(102)	52	(764)
Tax effect	31	(16)	232
Subtotal	(71)	36	(532)
Adjustments for retirement benefits:			
Increase (decrease) during the year	(619)	23	(4,635)
Reclassification adjustments	94	136	704
Amount before tax effect	(525)	159	(3,931)
Tax effect	131	(40)	981
Subtotal	(394)	119	(2,950)
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	23	(0)	172
Total other comprehensive income	¥ (479)	¥ (799)	$ (3,587)

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, 2023 and 2022, 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, 2023 and 2022, 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 the fixed assets of the Processed Food Products operations

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment of ¥57,319 million and intangible assets of ¥1,573 million were recognized in the consolidated balance sheet of Marudai Food Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2023. Of these amounts, property, plant and equipment and intangible	The primary procedures we performed to assess the appropriateness of the Company's judgment with respect to the recognition of an impairment loss on the fixed assets of the Processed Food Products operations included the following: **(1) Internal control testing**

assets in the business assets of the Processed Food Products operations, including corporate assets, amounted to ¥30,166 million and ¥1,370 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 25.0% 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 six consecutive fiscal periods mainly due to continued severe environments such as increases in raw material costs exceeding increases in selling prices and higher energy costs. Accordingly, the Company assessed whether an impairment loss should be recognized on the business assets of the Processed Food Products operations, 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, as well as prospects of unit prices of raw materials based on market trends, 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 the fixed assets of the Processed Food Products operations was of most significance in our audit of the	We tested the design and operating effectiveness of 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 management and 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 data on forecasts of market trends in ham and sausages and processed foods published by external organizations. ● We performed trend analysis using actual unit prices of raw materials purchased in the past to assess the estimated unit prices in the business plan, and assessed whether the estimated unit prices were consistent with market data published by external organizations.

consolidated financial statements for the current fiscal year, and accordingly, a key audit 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, 2023 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, 2023

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

DIRECTORS AND STATUTORY AUDITORS

(As of 29th June 2023)

President and Representative Director:	Yuji Sato
Director and Chairman:	Tokuo Kudara
Managing Director:	Shigeki Fukushima
Director:	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 2023)

Established:	10th June 1958
Stated Capital:	¥6,716 million
Number of Employees:	1,967
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 9 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.
Marudaifood Supply Co., Ltd.
Marudai Meat Co., Ltd.
Meat Supply Co., Ltd.
Marbest Trading Co., Ltd.
Marudai Service Co., Ltd.
6 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