Consolidated Financial Statements

Year ended 31 March 2022 and 2021

NIPPN CORPORATION

Independent Auditor's Report

The Board of Directors
NIPPN CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of NIPPN CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

Assessment of responses to a system failure caused by a cyber attack and the appropriateness of accounting data in the system restoration process	
Description of Key Audit Matter	Auditor's Response
On July 7, 2021, a system failure occurred in the NIPPN Group's information network, which is managed and operated by Nippn Business System Co., Ltd., a subsidiary of NIPPN CORPORATION (the "Company"). The failure was caused by a cyber attack that simultaneously encrypted all or part of the data in most of the severs. As a result, the Company lost access to an accounting systems and enterprise systems	We involved internal cyber security specialists and performed the following audit procedures in considering the Company's responses to a system failure caused by a cyber attack and the appropriateness of accounting data in the system restoration process, among others. ● For the details of the investigation

such as sales management system used by the Company and its domestic group companies operating within the group network, in addition to file servers storing data, and backup servers. The Company set up a Large-scale system failure task force and requested outside cyber security experts to investigate the cause of the cyber attack and other matters, and identify the intrusion route and scope of impact. Using advice given by the experts, the Company is working to restore the information system and business-related data. To restore the information system, the Company formulated a restoration plan that separates systems into temporarily established systems and newly established systems, during the restoration process. For the compilation of transaction records, there was a certain period after the occurrence of the system failure when transaction records were compiled manually without using the internal management system. In addition, in response to organizational and internal control issues identified through a root cause investigation, the Company reevaluated its entity-level controls (risk assessments and responses) related to cyber security, established an Information System Promotion Dept , and implemented remediation measures up to March 31, 2022. With respect to such circumstances surrounding the Company, the auditor is required to have a high degree of expertise in IT and information security in order to understand the scope and findings of the Company's investigation into the cause and extent of impact of the system failure, as well as to examine the methods and results of restoring business-related data and the Company's assessment of its entity-level controls (risk assessments and responses) related to cyber security. To determine whether internal controls related to financial reporting were designed and put into operation in accordance with the system's restoration progress, and whether the manual transaction recording and fiscal year closing were correctly carried out without using the internal management system, it is also necessary to understand and evaluate the internal controls	conducted by the Company's Large-scale system failure task force related to the cause and impact of the system failure resulting from a cyber attack, we held discussions with management and personnel in charge in the responsible Department in charge of Information System Planning, and considered the sufficiency of investigation procedures for the system failure performed by the Company. We inspected the minutes of the Large-scale system failure task force and gained an understanding of the progress of the Company's restoration process. ● We evaluated the effectiveness of IT general controls up until the occurrence of the system failure. We also evaluated the validity of backup data for business-related data and performed testing on restoration results. We evaluated the IT general controls related to the temporary systems and new systems adopted by the Company during the restoration process. ● For internal controls related to recording transactions and financial reporting at closing subsequent to the IT system failure, we gained an understanding of internal controls established by the Company corresponding to the period in which manual procedures were performed and the system's restoration progress, evaluated the design and operation of these internal controls, and performed substantive procedures that included transaction testing and balance confirmations. ● To assess the findings of the evaluation performed by the Company on entity-level controls (risk assessments and responses) related to cyber security, with regard to the implementation of remediation measures to address organizational and internal control issues identified through the root cause investigation, we made inquiries of the responsible director of the newly established Information System Promotion Dept and inspected relevant documents such as the Company's policies, including revised information security management

related to financial reporting in the Company's restoration process, and to assess transaction records and disclosures in response to risks of erroneous financial reporting. The assessment of responses to a system failure caused by a cyber attack and the appropriateness of accounting data in the corresponding system restoration process requires a high degree of expertise related to IT and cyber security, as well as the formulation of an audit strategy according to the progress of the Company's restoration process and, accordingly, we determined that this is a key audit matter.	policies, as well as internal reports related to the implementation results and status of operation of these remediation measures.

Assessment of non-current assets belonging to the Food segment	
Description of Key Audit Matter	Auditor's Response
The Company recorded property, plant and equipment of 115,611 million yen and intangible assets of 2,529 million yen under non-current assets on its consolidated balance sheet as of March 31, 2022. As described in (Significant accounting estimates) under Notes to consolidated financial statements, with regard to the asset groups, which include non-current assets of 8,413 million yen, that belong to the Food segment, the Company determined that there were indications of impairment due to decreased profitability accompanying changes in the operating environment, but did not recognize an impairment loss as undiscounted future cash flows generated from each of these asset groups exceeded their respective carrying amounts. Estimates of future cash flows generated from continuing use of the asset groups are based on the business plans approved by the boards of directors of consolidated subsidiaries to which the asset groups belong. As described in (Significant accounting estimates) under Notes to consolidated financial statements, the significant assumptions underlying estimates of future cash flows are (1) sales prices and market growth rates, among others for net sales, (2) changes in raw material costs, cost reduction effects resulting from management	We performed the following audit procedures with respect to the estimate of the total amount of undiscounted future cash flows used in determining whether to recognize an impairment loss on non-current assets in the Food segment, among others. ・We considered the consistency of future cash flows with budgets for the following fiscal year, and with the business plans approved by the boards of directors. ・We compared the prior year business plans with subsequent actual figures to evaluate the effectiveness of management's estimation process. ・We performed the following audit procedures for the significant assumptions that were the basis of the business plans. (1) For net sales, we considered the reasonableness and feasibility of estimates made by management for changes in future sales prices. We also compared market growth rates, which were the basis of changes in future net sales, to industry information obtained from external information sources. (2) For cost of sales, and selling, general and administrative expenses, we compared estimates made by management for changes in raw material costs to historical data and available external information. In addition,

remediation measures, among others for cost of sales, and selling, general and administrative expenses, and (3) net selling prices at future points in time. The significant assumptions above underlying estimates of future cash flows involve uncertainty and require management judgment, and, accordingly, we determined that the assessment of non-current assets belonging to the Food segment is a key audit matter.	to evaluate the feasibility of cost reduction effects resulting from management remediation measures, we evaluated whether these effects were consistent with the operating environment, which is the basis for estimates, by making inquiries of management on the specific details of the remediation measures, analyzing trends based on historical data, and inspecting related materials. (3) When considering the mark-to-market valuations of significant real estate among net selling prices at future points in time, we involved specialists from our network firm and considered the adequacy of real estate appraisals obtained from external specialists used by the Company.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing 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. 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 an 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to 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 the Corporate Auditor 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 30, 2022

Kiyonobu Takeuchi
Designated Engagement Partner
Certified Public Accountant

Takashi Yoshikawa
Designated Engagement Partner
Certified Public Accountant

1. Consolidated financial statements

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	34,063	37,486
Notes and accounts receivable - trade and contract assets *2	50,466	41,848
Merchandise and finished goods	18,484	16,662
Work in process	57	219
Raw materials and supplies	21,348	17,394
Other current assets	6,407	4,143
Allowance for doubtful accounts	(59)	(59)
Total current assets	130,768	117,693
Non-current assets		
Property, plant and equipment		
Buildings and structures	109,650	105,844
Accumulated depreciation	(61,067)	(59,911)
Buildings and structures, net *3, *4	48,582	45,932
Machinery, equipment and vehicles	125,592	124,205
Accumulated depreciation	(103,100)	(102,513)
Machinery, equipment and vehicles, net *3, *4	22,492	21,692
Land *4	41,453	40,269
Construction in progress	471	3,814
Other	13,850	13,278
Accumulated depreciation	(11,238)	(10,746)
Other, net *3, *4	2,611	2,531
Total property, plant and equipment	115,611	114,240
Intangible assets	2,529	2,858
Investments and other assets		
Investment securities *1, *4	69,001	65,809
Long-term loans receivable	35	39
Deferred tax assets	1,628	1,656
Net defined benefit asset	2,015	1,202
Other assets *4	4,628	4,727
Allowance for doubtful accounts	(385)	(464)
Total investments and other assets	76,922	72,970
Total non-current assets	195,063	190,069
Deferred assets	37	49
Total assets	325,869	307,813

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade *4	33,910	25,931
Short-term loans payable *4	19,530	22,388
Current portion of bonds	91	–
Income taxes payable	1,926	2,371
Accrued expenses	7,578	7,507
Refund liabilities	7,029	5,523
Provision for bonuses	705	690
Other current liabilities *5	4,070	5,130
Total current liabilities	74,842	69,544
Non-current liabilities		
Bonds payable	349	536
Convertible bond-type bonds with share acquisition rights	25,056	25,074
Long-term loans payable *4	23,684	22,181
Deferred tax liabilities	14,742	13,311
Net defined benefit liability	3,810	3,747
Accrued retirement benefits for directors	462	809
Other non-current liabilities	4,224	3,544
Total non-current liabilities	72,328	69,205
Total liabilities	147,171	138,749
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Capital surplus	11,307	11,308
Retained earnings	121,817	115,366
Treasury shares	(3,198)	(3,317)
Total shareholders' equity	142,166	135,598
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	30,409	27,770
Deferred gain (loss) on hedges	88	37
Foreign currency translation adjustment	981	493
Retirement benefits liability adjustments	475	308
Total accumulated other comprehensive income	31,954	28,610
Subscription rights to shares	195	234
Non-controlling interests	4,381	4,620
Total net assets	178,697	169,063
Total liabilities and net assets	325,869	307,813

(ii) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Net sales *1	321,317	288,324
Cost of sales	246,390	218,660
Gross profit	74,926	69,663
Selling, general and administrative expenses		
Freight, sales commission and other expenses	21,183	20,429
Salaries and wages	22,263	20,960
Retirement benefit expenses	687	942
Depreciation	1,462	1,327
Other	18,047	15,632
Total selling, general and administrative expenses *2	63,644	59,293
Operating income	11,282	10,370
Non-operating income (expenses)		
Interest income	76	107
Dividend income	1,569	1,517
Rent income on fixed assets	230	151
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	237	200
Foreign exchange gains	248	14
Interest expenses	(208)	(185)
Rent cost on fixed assets	13	(63)
Gain on sales of fixed assets *3	247	370
Gain on sales of investment securities	1,079	891
Gain on step acquisitions	–	485
Loss on sales and disposal of fixed assets *4	(137)	(101)
Impairment loss *5	(104)	(576)
Loss on valuation of investment securities	(26)	(73)
Demolition expenses	–	(20)
Company name change cost *6	–	(297)
System failure response costs *7	(1,602)	–
Other non-operating income (expenses), net	664	257
Total non-operating income (expenses), net	2,287	2,677
Profit before income taxes	13,568	13,049
Income taxes - current	4,186	3,994
Income taxes - deferred	209	284
Total income taxes	4,396	4,278
Profit	9,172	8,770
Profit (loss) attributable to non-controlling interests	(154)	134
Profit attributable to owners of parent	9,327	8,636

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Profit	9,172	8,770
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	2,622	3,432
Deferred gain (loss) on hedges	51	37
Foreign currency translation adjustment	477	(469)
Retirement benefits liability adjustments	169	1,567
Share of other comprehensive income of entities accounted for using equity method	21	(15)
Total other comprehensive income (loss) *1	3,341	4,551
Comprehensive income	12,514	13,322
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	12,670	13,180
Comprehensive income attributable to non-controlling interests	(156)	141

(iii) Consolidated statements of changes in net assets
FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,240	11,308	115,366	(3,317)	135,598
Cumulative effects of changes in accounting policies					–
Restated balance	12,240	11,308	115,366	(3,317)	135,598
Changes during period					
Dividends of surplus			(2,844)		(2,844)
Profit attributable to owners of parent			9,327		9,327
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(9)	118	109
Change due to business combination			(22)		(22)
Change in ownership interest of parent due to transactions with non-controlling interests		(1)	(1)		(2)
Net changes of items other than shareholders' equity					
Total changes during period	–	(1)	6,450	118	6,567
Balance at end of current period	12,240	11,307	121,817	(3,198)	142,166

	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	27,770	37	493	308	28,610	234	4,620	169,063
Cumulative effects of changes in accounting policies								–
Restated balance	27,770	37	493	308	28,610	234	4,620	169,063
Changes during period								
Dividends of surplus								(2,844)
Profit attributable to owners of parent								9,327
Purchase of treasury shares								(0)
Disposal of treasury shares								109
Change due to business combination								(22)
Change in ownership interest of parent due to transactions with non-controlling interests								(2)
Net changes of items other than shareholders' equity	2,639	50	487	166	3,343	(38)	(238)	3,066
Total changes during period	2,639	50	487	166	3,343	(38)	(238)	9,634
Balance at end of current period	30,409	88	981	475	31,954	195	4,381	178,697

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,240	11,262	109,507	(3,422)	129,587
Cumulative effects of changes in accounting policies			(84)		(84)
Restated balance	12,240	11,262	109,422	(3,422)	129,503
Changes during period					
Dividends of surplus			(2,689)		(2,689)
Profit attributable to owners of parent			8,636		8,636
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(2)	105	103
Change due to business combination					–
Change in ownership interest of parent due to transactions with non-controlling interests		45			45
Net changes of items other than shareholders' equity					
Total changes during period	–	45	5,944	105	6,095
Balance at end of current period	12,240	11,308	115,366	(3,317)	135,598

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at beginning of current period	24,444	0	961	(1,267)	24,139	260	4,593	158,581
Cumulative effects of changes in accounting policies								(84)
Restated balance	24,444	0	961	(1,267)	24,139	260	4,593	158,496
Changes during period								
Dividends of surplus								(2,689)
Profit attributable to owners of parent								8,636
Purchase of treasury shares								(0)
Disposal of treasury shares								103
Change due to business combination								–
Change in ownership interest of parent due to transactions with non-controlling interests								45
Net changes of items other than shareholders' equity	3,325	37	(467)	1,576	4,471	(26)	26	4,471
Total changes during period	3,325	37	(467)	1,576	4,471	(26)	26	10,566
Balance at end of current period	27,770	37	493	308	28,610	234	4,620	169,063

(iv) Consolidated statements of cash flows

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Operating activities		
Profit before income taxes	13,568	13,049
Depreciation	10,232	8,981
Changes in net defined benefit asset and net defined benefit liability	(475)	(514)
Increase (decrease) in accrued retirement benefits for directors	(323)	(63)
Increase (decrease) in allowance for doubtful accounts	(74)	(247)
Impairment loss	104	576
Demolition expenses	–	20
Interest and dividend income	(1,645)	(1,626)
Interest expenses	208	185
Loss (gain) on sales of investment securities	(1,104)	(939)
Loss (gain) on valuation of investment securities	26	73
Loss (gain) on step acquisitions	–	(485)
Foreign exchange losses (gains)	(184)	(18)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(237)	(200)
Loss (gain) on sales of fixed assets	(244)	(370)
Loss on disposal of fixed assets	141	122
Company name change cost	–	297
System failure response costs	1,602	–
Loss (gain) on sale of shares of subsidiaries and associates	24	–
Decrease (increase) in notes and accounts receivable - trade	(8,609)	2,675
Decrease (increase) in inventories	(5,563)	(1,538)
Increase (decrease) in notes and accounts payable - trade	7,708	(1,899)
Increase (decrease) in accrued consumption taxes	(244)	(1,845)
Decrease (increase) in other receivables	(81)	1,688
Increase (decrease) in other payables	37	(857)
Other, net	327	490
Subtotal	15,194	17,554
Interest and dividend income received	1,640	1,618
Interest expenses paid	(196)	(206)
Income taxes paid	(4,661)	(4,162)
Net cash provided by (used in) operating activities	11,975	14,804

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Investing activities		
Decrease (increase) in time deposits	(677)	542
Purchase of fixed assets	(10,657)	(15,828)
Proceeds from sales of fixed assets	357	621
Purchase of investment securities	(1,154)	(137)
Proceeds from sales and redemption of investment securities	2,043	2,056
Purchase of shares of subsidiaries resulting in change in scope of consolidation *2	–	(62)
Payments of loans receivable	(7)	(5)
Collection of loans receivable	11	22
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(45)	–
Decrease (increase) in other investments	24	205
Net cash provided by (used in) investing activities	(10,103)	(12,585)
Financing activities		
Net increase (decrease) in short-term loans payable	(2,695)	1,134
Proceeds from long-term loans payable	4,078	12,036
Repayments of long-term loans payable	(2,307)	(2,584)
Redemption of bonds	(96)	(5,048)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(2,844)	(2,689)
Dividends paid to non-controlling interests	(32)	(22)
Repayments of finance lease obligations	(330)	(190)
Other, net	(50)	(81)
Net cash provided by (used in) financing activities	(4,278)	2,553
Effect of exchange rate changes on cash and cash equivalents	209	(145)
Net increase (decrease) in cash and cash equivalents	(2,196)	4,627
Cash and cash equivalents at beginning of period	35,320	31,012
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1,908)	(319)
Cash and cash equivalents at end of period *1	31,215	35,320

Notes to consolidated financial statements

(Basis of preparation of the consolidated financial statements)

1. Basis of preparation

The accompanying consolidated financial statements of NIPPN CORPORATION (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically within Japan so as to present them in a format which in more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2021 to conform to the classifications used for the year ended March 31, 2022.

Japanese yen figures less than one million yen are rounded down to the nearest million yen, except for per share data.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates.

2. Scope of consolidation

(1) Number and names of consolidated subsidiaries

45 (49 in 2021) companies

Names of major consolidated subsidiaries

NIPPN Donut Co., Ltd., Nippon Rich Co., Ltd., NIPPN ENGINEERING CO., Ltd., NPF Japan Co., Ltd., OHMY Co., Ltd., Matsuya Flour Mills Co., Ltd., NIPPN SHOJI Co., Ltd., Fast Foods Co., Ltd., OK Food Industry Co., Ltd., NAGANO TOMATO Co., Ltd., and Yamato Foods Co., Ltd.

In the current fiscal year, Tofuku Flour Mills Co., Ltd. was dissolved due to a merger with the Company, NIPPN Frozen Foods Co., Ltd. diminished its significance in monetary terms due to a business transfer to the Company, and Jackle Urashimaya Co., Ltd. was dissolved due to a merger with G&L mart Co., Ltd., another consolidated subsidiary. Accordingly, these companies have been excluded from the scope of consolidation. In addition, another consolidated subsidiary has been excluded from the scope of consolidation because the Company sold shares in the said company.

(2) Name of major unconsolidated subsidiaries

NIPPN Logistics Co., Ltd.

(Reasons for exclusion of unconsolidated subsidiaries from the scope of consolidation)

Each of the 16 unconsolidated subsidiaries is small in scale and their total assets, sales and net profit or loss (amount corresponding to the equity interest) and retained earnings (amount corresponding to the equity interest) and others do not have a material effect on the consolidated financial statements.

3. Application of equity method

(1) Number of unconsolidated subsidiaries and affiliates accounted for using equity method

14 (14 in 2021) companies (of which six (six in 2021) unconsolidated subsidiaries and eight (eight in 2021) affiliates)

Names of major equity method companies

NIPPN Logistics Co., Ltd.

(2) There are 10 (10 in 2021) unconsolidated subsidiaries and 16 (15 in 2021) affiliates not accounted for using the equity method. They are not accounted for using the equity method because they have only a minor effect on the consolidated financial statements and have no significance as a whole in terms of net profit or loss (amount corresponding to the equity interest), retained earnings (amount corresponding to the equity interest) and others.

4. Fiscal year end of consolidated subsidiaries

The consolidated subsidiaries whose balance sheet date is different from the consolidated balance sheet date are as follows:

Company name	Balance sheet date
Pasta Montana, L.L.C. and eight (eight in 2021) other companies	December 31*

* Financial statements as of the balance sheet date of each consolidated subsidiary have been used. However, necessary adjustments are made on consolidation for significant transactions that occurred between the balance sheet date of these subsidiaries and the consolidated financial statements date.

5. Significant accounting policies

(1) Valuation bases and methods for significant assets

(i) Securities

Other securities

Securities other than shares, etc. that do not have a market price

Stated at fair value (unrealized gain or loss is included as a separate component of net assets, and cost of securities sold is determined based on the moving-average method).

Shares, etc. that do not have a market price

Stated at cost using the moving-average method.

(ii) Derivatives

Derivatives financial instruments are stated at fair value.

(iii) Inventories

Merchandise and finished goods

The Company and domestic consolidated subsidiaries mainly adopt the cost method based on the (monthly) gross average method (carrying amounts on the balance sheet are subject to the lower of cost or market value method), and foreign consolidated subsidiaries mainly adopt the lower of cost or market value method, with cost determined by the first-in first-out method.

Raw materials and supplies

For raw materials on an immediate sale basis, the Company and domestic consolidated subsidiaries mainly adopt the first-in first-out cost method (carrying amounts on the balance sheet are subject to the lower of cost or market value method). For other raw materials and supplies, they mainly adopt the (monthly) gross average method (carrying amounts on the balance sheet are subject to the lower of cost or market value method). Foreign consolidated subsidiaries mainly adopt the lower of cost or market value method, with cost determined by the first-in first-out method.

(2) Depreciation and amortization methods for major depreciable and amortizable assets

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

The Company and domestic consolidated subsidiaries mainly adopt the declining-balance method and foreign consolidated subsidiaries mainly adopt the straight-line method. However, the Company and domestic consolidated subsidiaries adopt the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

The estimated useful lives of major items are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 12 years

(ii) Intangible assets (excluding leased assets)

The Company and domestic consolidated subsidiaries adopt the straight-line method.

Software for internal use is based on the estimated useful life as internally determined (five years).

(iii) Leased assets

The straight-line method is applied on the assumptions that the useful life equals the lease term and the residual value is zero.

For finance lease transactions in which ownership is not transferred commencing on or prior to March 31, 2008, the Company adopts an accounting method similar to that applied to operating lease transactions.

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts
For the Company and domestic consolidated subsidiaries, allowance for doubtful accounts is provided based on past experience for normal receivables and using a specific estimate of the collectability of individual receivables from companies in financial difficulty in order to prepare for losses from bad debt.

(ii) Accrued retirement benefits for directors
To provide for the payment of directors' retirement benefits, the Company and domestic consolidated subsidiaries reserve the amount required as of the end of the current fiscal year based on their internal regulations.

(iii) Provision for bonuses
To prepare for the payment of bonuses to employees, the amount is provided based on the expected amount to be paid.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods
In calculating retirement benefit obligations, the benefit formula basis is used as the method for attributing the expected retirement benefits to the periods.

(ii) Actuarial differences
Unrecognized actuarial gains and losses are amortized by the straight-line method over a fixed period (ten years) which is within the average remaining service period of employees, starting from the respective fiscal years following the fiscal year in which they arose.

(5) Accounting policy for significant revenue and expense
The Group's core businesses are Flour Milling business and Food business. The Group sells to customers finished goods and merchandise (wheat flour and premixes, etc.) manufactured by the Group. Revenue from sale of these finished goods and merchandise is recognized when they are delivered to customers.
In addition, revenue is measured at the amount of consideration promised in contracts with customers less sales incentives, etc.

(6) Significant hedge accounting method

(i) Hedge accounting method
Deferred hedge accounting is applied. Interest rate swaps that satisfy certain requirements are accounted for by the special treatment.

(ii) Hedging instruments and hedged items

· Hedging instruments	Interest rate swaps and forward exchange contracts
· Hedged items	Loans payable, receivables and payables denominated in foreign currencies or expected transactions denominated in foreign currencies

(iii) Hedging policy
For interest rate-related transactions, hedges are entered into solely for avoiding risks arising from possible interest rate changes in the future. For currency-related transactions, forward exchange contracts are used to hedge risks arising from possible fluctuations of foreign exchange rates on transactions denominated in foreign currencies.

(iv) Assessment of hedge effectiveness
The hedge effectiveness of interest rate swaps is assessed by comparing the accumulated cash flow changes of the hedged items and the accumulated cash flow changes of the hedging instruments. However, the assessment of hedge effectiveness has been omitted for interest rate swaps by which the risk of changes in interest rate would be entirely eliminated. For forward foreign exchange contracts, the evaluation of hedge effectiveness has been omitted as significant conditions are identical for the exchange contracts and the hedged items or scheduled transactions and it is assumed that market fluctuations or cash flow changes are offset at the time of commencement of hedging and thereafter.

(7) Method and period for amortization of goodwill
Goodwill is amortized by the straight-line method over a period of five to ten years.

(8) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(9) Method for processing deferred assets
Bond issuance cost is amortized by the straight-line method across the period from the date of issuance until the date of redemption.

(Significant accounting estimates)
FY2022 (From April 1, 2021 to March 31, 2022)

(Impairment of non-current assets)
1. Amounts recorded on the consolidated financial statements for the current fiscal year
The Group owns various non-current assets which are used for business purposes. When the Group assesses the possibility of impairment, these assets are categorized into business assets that are grouped by branches and factories and based on certain regions, etc. according to mutual complementarity in cash flows, an asset group for common use, leased assets, and idle assets.
Of the non-current asset groups identified as having indications of impairment, the significant ones were the non-current assets of ¥8,413 million included in the following asset group belonging to the Food segment. However, impairment loss has not been recognized as undiscounted future cash flows arising from the asset group exceed its book value.

Asset group	Location	Intended use	Type of assets	Book value
Manufacturing factory for deep-fried bean curd	Asakura city, Fukuoka	Business assets	Land, buildings, etc.	¥8,413 million

2. Other information that contributes to the understanding of the users of the financial statements
The asset group of the manufacturing factory for deep-fried bean curd in Asakura city, Fukuoka is deemed as indicating impairment, as a result of decrease in profitability due to changes in the business environment.
(1) Calculation method of undiscounted future cash flows
Undiscounted future cash flows have been calculated based on the business plan approved by the Board of Directors of a consolidated subsidiary to which the asset group belongs.
(2) Significant assumptions
The estimation of future cash flows has been calculated based on the business plan approved by the Board of Directors. Significant assumptions included sales unit price and market growth rate in the estimation of net sales, and trends in raw material prices and the effect of cost reduction through management improvement plans in the estimation of cost of sales and selling and administrative expenses.
In addition, net selling prices at a future point in time has been calculated based on appraisals obtained from real estate appraisers.
(3) Impact on the consolidated financial statements for the next fiscal year
Changes in those significant assumptions may result in a decrease in the total amount of undiscounted future cash flows arising from the asset group. If the undiscounted future cash flows fall below the book value, impairment loss may be recorded.

FY2021 (From April 1, 2020 to March 31, 2021)

(Impairment of non-current assets)
1. Amounts recorded on the consolidated financial statements for the current fiscal year
The Group owns various non-current assets which are used for business purposes. When the Group assesses the possibility of impairment, these assets are categorized into business assets that are grouped by branches and factories and based on certain regions, etc. according to mutual complementarity in cash flows, an asset group for common use, leased assets, and idle assets.
Of the non-current asset groups identified as having indications of impairment, the significant ones

were the non-current assets of ¥12,399 million included in the following asset groups belonging to the Food segment. However, impairment loss has not been recognized as undiscounted future cash flows arising from each of these asset groups exceed their respective book values.

Asset group	Location	Intended use	Type of assets	Book value
1. Manufacturing factory for delicatessen foods	Chita city, Aichi	Business assets	Land, buildings, etc.	¥6,119 million
2. Manufacturing factory for deep-fried bean curd	Asakura city, Fukuoka	Business assets	Land, buildings, etc.	¥6,280 million

2. Other information that contributes to the understanding of the users of the financial statements

(Asset group 1)

The Group is actively investing in the delicatessen foods business, a growth area in the Food segment. A manufacturing factory for delicatessen foods was newly established in Chita city, Aichi in February 2019, but the asset group relating to the factory is deemed as indicating impairment, due to decreased profitability accompanying changes in the operating environment, resulting in performance deviating from the business plan.

(1) Calculation method of undiscounted future cash flows

Undiscounted future cash flows have been calculated based on the business plan approved by the Board of Directors of a consolidated subsidiary to which the asset group belongs.

(2) Significant assumptions

Significant assumptions in the estimation of future cash flows are as follows.

(i) Increase in net sales due to expansion in sales volume

The delicatessen market to which the asset group belongs has been growing, and is expected to maintain a constant growth rate. It is therefore assumed that the sales volume of our existing products will increase into the future at a constant rate. As the Group has been developing new products with a focus on those tailored to the needs of the region, a certain increase in net sales is projected due to an expansion in sales volume from the introduction of these products.

(ii) Reduction of raw material cost and labor cost rates

With regard to the raw material cost rate, we have been working to improve the rate of loss, and have achieved a certain amount of reduction compared to the first year of operation. It is therefore assumed that we will be able to maintain the current level of reduction effects in the raw material cost rate into the future. In terms of the labor cost rate, we established a stable manufacturing system and secured personnel in a systematic manner, and this helped reduce unexpected labor costs. It is therefore assumed that we will be able to maintain the current level of reduction effects in the labor cost rate into the future.

(3) Impact on the consolidated financial statements for the next fiscal year

Expansion in sales volume, which is one of the significant assumptions, is highly uncertain in terms of the estimation of the delicatessen market growth rate and the introduction rates for new products. If sales volume expansion is not achieved, net sales is projected to decrease in and after the next fiscal year. In such case, undiscounted future cash flows may fall below the book value of the asset group, and impairment loss may be recorded.

(Asset group 2)

The asset group relating to a manufacturing factory for deep-fried bean curd in Asakura city, Fukuoka is deemed as indicating impairment, due to decreased profitability accompanying changes in the operating environment such as the spread of the novel coronavirus disease (COVID-19).

(1) Calculation method of undiscounted future cash flows

Undiscounted future cash flows have been calculated based on the business plan approved by the Board of Directors of a consolidated subsidiary to which the asset group belongs.

(2) Significant assumptions

Significant assumptions in the estimation of future cash flows are as follows.

(i) Impact of COVID-19

The asset group is facing the risk of lower net sales due to sluggish demand during the tourist season owing to the spread of COVID-19. Assuming that the impact of COVID-19 will last until the middle of FY2022, the Group expects that net sales in and after the next fiscal year will be down around 10% compared with the pre-COVID-19 level.

(ii) Construction of a new factory

A new factory is currently under construction in the asset group. Estimates were made based on the assumption that there will be changes in the timing of the start of operations of the new factory and manufacturing methods therein, which may have an impact on future cash flows.

(3) Impact on the consolidated financial statements for the next fiscal year

Changes in those significant assumptions may result in a decrease in the total amount of undiscounted future cash flows arising from the asset group. If the undiscounted future cash flows fall below the book value, impairment loss may be recognized.

(Changes in accounting policies)
(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Revenue Recognition Standard”), etc. from the beginning of the current fiscal year. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Major changes resulting from the application are as follows:

1. Agent transactions

For transactions of providing finished goods and merchandise to customers, in which the Group acts as an agent, revenue was previously recognized at the total consideration received from customers. Revenue is now recognized at the net amount of the amount received from customers less the amount to be paid to the supplier of finished goods and merchandise.

2. Sales incentives

Certain sales incentives to be paid to customers were previously accounted for as selling, general and administrative expenses, which are now deducted from net sales.

3. Timing of revenue recognition

Revenue from the Group’s certain transactions was previously recognized when finished goods and merchandise were shipped, which is now recognized when the delivery of these finished goods and merchandise is completed.

In principle, these changes in accounting policies are applied retrospectively, including the consolidated financial statements for the previous fiscal year, which have been adjusted retrospectively.

As a result of these changes, compared with the figures before the retrospective application, net sales decreased by ¥41,241 million, cost of sales decreased by ¥15,224 million, selling, general and administrative expenses decreased by ¥26,056 million, and operating income and profit before income taxes each increased by ¥39 million for the previous fiscal year. The cumulative impact of these changes has been reflected on net assets at the beginning of the previous fiscal year. As a result, the beginning balance of retained earnings decreased by ¥84 million for the previous fiscal year.

The impact of these changes on per share information is described in the relevant section.

In line with the application of the Revenue Recognition Standard, etc., “Notes and accounts receivable - trade,” which were presented under “Current assets” on the consolidated balance sheet for the previous fiscal year, are now included in “Notes and accounts receivable - trade and contract assets” from the current fiscal year, and an amount expected to be refunded to customers, which was included in “Accrued expenses” under “Current liabilities,” is now presented as “Refund liabilities.” In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on “Revenue recognition” for the previous fiscal year are not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter, “Fair Value Measurement Standard”), etc. from the beginning of the current fiscal year, and will prospectively apply the new accounting policies 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, July 4, 2019). This does not affect the consolidated financial statements.

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

(Accounting standards issued but not yet effective, etc.)

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)

(1) Summary

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, Accounting Standards Board of Japan) was revised and published on June 17, 2021. As of its publication on July 4, 2019, "fair value calculation of investment trusts" was to be discussed with related parties over a certain period of time, and notes on fair value of "investments in partnerships for which the equity interest is recorded on a net basis on the balance sheet" were also to be examined over approximately one year after the publication of the "Accounting Standard for Fair Value Measurement."

(2) Scheduled date of application

It is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

(3) Effect of application of the aforementioned accounting standards, etc.

The effect of application of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" on the consolidated financial statements is currently under review.

(Consolidated balance sheets)

*1 Investment securities in unconsolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Investment securities	5,540	5,506

*2 Amounts of receivables from contracts with customers and contract assets included in notes and accounts receivable - trade and contract assets are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Notes receivable - trade	954	875
Accounts receivable - trade	49,511	40,972
Contract assets	—	—
Total	50,466	41,848

*3 Accumulated reduction entry amount deducted from the acquisition cost of property, plant and equipment due to acceptance of government subsidies and others are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
	655	576

*4 Assets pledged as collateral

(1) Assets pledged as collateral

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Buildings and structures	899	1,097
Machinery and equipment	119	502
Land	947	1,039
Property, plant and equipment (other)	0	0
Investment securities	183	179
Total	2,150	2,819

Of the above, assets pledged as collateral on mortgages of factory foundation are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Buildings and structures	—	406
Machinery and equipment	—	341
Land	—	91
Total	—	840

(2) Liabilities corresponding to assets pledged as collateral

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Short-term loans payable	1,200	1,600
Long-term loans payable (including current portion)	422	165
Notes and accounts payable - trade	642	635
Total	2,264	2,400

Of the above, liabilities corresponding to mortgages of factory foundation are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Short-term loans payable	—	400
Long-term loans payable (including current portion)	—	—
Total	—	400

*5 Amounts of contract liabilities included in other current liabilities are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Contract liabilities	299	376

*6 The Company has provided guarantees for borrowings of its employees and others as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Employees	5	6
Subsidiaries and associates	50	—
Total	55	6

(Consolidated statements of income)

*1 Amounts of revenue from contracts with customers and revenue from other sources are provided in notes on “Segment information” in the Consolidated financial statements.

*2 Research and development expenses included in general and administrative expenses are as follows:

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
	3,352	3,330

*3 Gain on sales of fixed assets represents gain on sales of land and others.

*4 Loss on sales and disposal of fixed assets represents loss on retirement and sales of machinery and equipment, and others.

*5 Impairment loss

Impairment loss has been recorded for the following assets.

FY2022 (From April 1, 2021 to March 31, 2022)

Location	Intended use	Type of assets
Honjo city, Saitama, etc.	Business assets	Buildings, etc.

In assessing the possibility of impairment, the Group categorizes its assets into business assets that are grouped by branches and factories and based on certain regions, etc. according to mutual complementarity in cash flows, an asset group for common use, leased assets, and idle assets. The book value of the abovementioned assets has been reduced to a recoverable amount. The amount recorded as impairment loss is ¥73 million.

Although the recoverable amount is measured by value in use, it is stated as zero, as no future cash flow is expected.

Location	Intended use	Type of assets
Hiratsuka city, Kanagawa	Idle assets	Land

The book value of the abovementioned assets has been reduced to a recoverable amount. The amount recorded as impairment loss is ¥31 million.

The recoverable amount is measured by net selling prices, which is calculated based on reasonable estimates taking into account market value.

FY2021 (From April 1, 2020 to March 31, 2021)

Location	Intended use	Type of assets
Narashino city, Chiba, etc.	Business assets	Buildings, etc.

In assessing the possibility of impairment, the Group categorizes its assets into business assets that are grouped by branches and factories and based on certain regions, etc. according to mutual complementarity in cash flows, an asset group for common use, leased assets, and idle assets. The book value of the abovementioned assets has been reduced to a recoverable amount. The amount recorded as impairment loss is ¥268 million.

Although the recoverable amount is measured by value in use, it is stated as zero, as no future cash flow is expected.

Location	Intended use	Type of assets
Saitama city, Saitama, etc.	Business assets	Buildings, etc.

The book value of the abovementioned assets has been reduced to a recoverable amount. The amount recorded as impairment loss is ¥307 million.

The recoverable amount is measured by net selling prices, which is calculated based on appraisal reports obtained from independent real estate appraisers and other information.

*6 Company name change cost

FY2021 (From April 1, 2020 to March 31, 2021)

These are expenses incurred for altering packaging and other related expenses as a result of changing the company name.

*7 System failure response costs

FY2022 (From April 1, 2021 to March 31, 2022)

These are expenses related to the system failure caused by a cyberattack occurred on July 7, 2021.

Major components were consultant fees for outside experts commissioned to investigate the incident and emergency delivery fees incurred for shipping to accommodate orders received immediately after the system shutdown.

(Consolidated statements of comprehensive income)

*1 Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Unrealized holding gain (loss) on securities:		
Amount arising during the year	4,869	5,581
Reclassification adjustments	(1,087)	(667)
Before tax effect adjustments	3,781	4,914
Tax effects	(1,158)	(1,482)
Unrealized holding gain (loss) on securities	2,622	3,432
Deferred gain (loss) on hedges:		
Amount arising during the year	202	35
Reclassification adjustments	(128)	18
Before tax effect adjustments	74	53
Tax effects	(22)	(16)
Deferred gain (loss) on hedges	51	37
Foreign currency translation adjustment:		
Amount arising during the year	477	(423)
Reclassification adjustments	–	(45)
Foreign currency translation adjustment	477	(469)
Retirement benefits liability adjustments:		
Amount arising during the year	230	1,963
Reclassification adjustments	5	266
Before tax effect adjustments	235	2,229
Tax effects	(65)	(661)
Retirement benefits liability adjustments	169	1,567
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	21	(15)
Total other comprehensive income (loss)	3,341	4,551

(Consolidated statements of changes in net assets)

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

FY2022 (From April 1, 2021 to March 31, 2022)

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

(Thousands of shares)

	Number of shares as of April 1, 2021	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares as of March 31, 2022
Issued shares				
Common stock	78,824	–	–	78,824
Treasury shares				
Common stock (Note 1, 2)	2,093	0	72	2,021

Notes:
1. The increase in the number of treasury shares of common stock was due to the purchase of 0 thousand shares less than one unit.
2. The decrease in the number of treasury shares of common stock was due to the disposal of 72 thousand shares through the exercise of stock options and the request for purchasing 0 thousand additional shares less than one unit.

2. Subscription rights to shares and treasury subscription rights to shares

Category	Breakdown of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Shares)				Balance as of March 31, 2022 (Millions of yen)
			As of April 1, 2021	Increase	Decrease	As of March 31, 2022	
Reporting company (Parent company)	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2025	Common stock	10,927,051	41,228	–	10,968,279	(Note) –
	Subscription rights to shares as stock options	–	–	–	–	–	195
Total		–	–	–	–	–	195

Note: The lump-sum method is used for the convertible bond-type bonds with share acquisition rights.

3. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 29, 2021	Common stock	1,460	19.0	March 31, 2021	June 30, 2021
Board of Directors meeting held on November 12, 2021	Common stock	1,383	18.0	September 30, 2021	December 6, 2021

(2) Dividends for which record date is in the fiscal year but whose effective date is in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 29, 2022	Common stock	1,539	Retained earnings	20.0	March 31, 2022	June 30, 2022

FY2021 (From April 1, 2020 to March 31, 2021)

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

(Thousands of shares)

	Number of shares as of April 1, 2020	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares as of March 31, 2021
Issued shares				
Common stock	78,824	–	–	78,824
Treasury shares				
Common stock (Note 1, 2)	2,157	0	64	2,093

Notes: 1. The increase in the number of treasury shares of common stock was due to the purchase of 0 thousand shares less than one unit.
2. The decrease in the number of treasury shares of common stock was due to the disposal of 64 thousand shares through the exercise of stock options.

2. Subscription rights to shares and treasury subscription rights to shares

Category	Breakdown of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Shares)				Balance as of March 31, 2021 (Millions of yen)
			As of April 1, 2020	Increase	Decrease	As of March 31, 2021	
Reporting company (Parent company)	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2025	Common stock	10,900,370	26,681	–	10,927,051	(Note) –
	Subscription rights to shares as stock options	–	–	–	–	–	234
Total		–	–	–	–	–	234

Note: The lump-sum method is used for the convertible bond-type bonds with share acquisition rights.

3. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 26, 2020	Common stock	1,382	18.0	March 31, 2020	June 29, 2020
Board of Directors meeting held on November 5, 2020	Common stock	1,306	17.0	September 30, 2020	November 30, 2020

(2) Dividends for which record date is in the fiscal year but whose effective date is in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 29, 2021	Common stock	1,460	Retained earnings	19.0	March 31, 2021	June 30, 2021

(Consolidated statements of cash flows)

*1 Cash and cash equivalents as of the year end are reconciled to the accounts reported in the consolidated balance sheets as follows:

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Cash and deposits	34,063	37,486
Time deposits with maturity over three months	(2,848)	(2,165)
Cash and cash equivalents	31,215	35,320

*2 Major components of assets and liabilities owned by a company that newly became a consolidated subsidiary as a result of share acquisition during the previous fiscal year:

Components of assets and liabilities of Jackle Urashimaya Co., Ltd. And G&L mart Co., Ltd. At the time of their consolidation resulting from the share acquisition, as well as the relationship between the acquisition price of shares and expenditures (net) for their acquisition are as follows:

(Millions of yen)

Current assets	2,553
Non-current assets	1,680
Goodwill	1,264
Current liabilities	(2,161)
Non-current liabilities	(1,439)
Minority shareholders' interest	(40)
Acquisition price prior to acquisition of controlling interest	(73)
Gain on step acquisitions	(485)
Acquisition price of shares	1,297
Accounts payable	(297)
Cash and cash equivalents	(937)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	62

(Lease transactions)

(Lessee)

1. Finance leases transactions

Finance lease transactions in which ownership is not transferred

(1) Details of leased assets

Property, plant and equipment

Principally production facilities (machinery, equipment and vehicles) and others in the Food segment.

(2) Depreciation method of leased assets

Depreciation method of leased assets is described in “5. Significant accounting policies (2) Depreciation and amortization methods for major depreciable and amortizable assets” above.

Finance lease transactions in which ownership is not transferred commencing on or prior to March 31, 2008 are accounted using an accounting method similar to that applied to operating lease transactions. However, the description of this information has been omitted as the amount is immaterial.

2. Operating lease transactions

Future lease payments for non-cancelable operating lease transactions

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Due within one year	35	39
Due after one year	46	55
Total	82	95

(Lessor)

1. Operating lease transactions

Future lease payments for non-cancelable operating lease transactions

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Due within one year	819	822
Due after one year	2,375	3,128
Total	3,195	3,951

(Financial instruments)

1. Conditions of financial instruments

(1) Policy for financial instruments

The Group limits its fund management activities to short-term deposits and others, and procures funds through bank loans and issuances of corporate bonds. It conducts derivative transactions only for the purpose of hedging risks as described below within the scope of actual demand, and no speculative or high risk transactions are allowed in principle.

(2) Details and risks of financial instruments and risk management system

Notes and accounts receivable - trade and contract assets, which are operating receivables, are exposed to customer credit risk. The Group reduces the risk by performing credit research into primary trading partners and controlling maturity dates of receivables of each customer and preparing reports on the balance for each customer.

Investment securities are primarily shares in companies with which the Group has business relationships, of which listed shares are exposed to market price fluctuation risk. Consequently, the market values of the listed shares are monitored on a quarterly basis.

Most of notes and accounts payable - trade, which are operating debts, are due within one year.

Among loans payable, short-term loans are mainly operating funds, and long-term loans are mainly for procuring funds relating to capital investments. Though some long-term loans are exposed to interest rate fluctuation risk, the Group hedges that risk by entering into derivative transactions (interest rate swap transactions).

Bonds payable are issued for the purpose of procuring funds for repayment of loans and operating funds.

Convertible bond-type bonds with share acquisition rights are issued for the purpose of procuring funds for business investments and the acquisition of treasury shares.

Derivative transactions are comprised of forward exchange contracts with the purpose to hedge exchange rate fluctuation risk in respect of foreign currency denominated operating receivables and operating payables, as well as interest rate swaps transactions with the purpose to hedge fluctuation risk in interest rates on loans payable. As to hedging instruments, hedged items, hedging policy, assessment of hedge effectiveness and others relating to hedge accounting, please refer to “5. Significant accounting policies (6) Significant hedge accounting method” above.

Derivative transactions are executed and controlled by internal rules for transaction authorization. In order to reduce credit risk, the counterparties to these derivative transactions are limited to major financial institutions with high credit ratings.

Operating payables and loans payable are exposed to liquidity risk. The Group manages the risk by each member company’s preparing a monthly plan for raising funds and other methods.

(3) Supplementary explanation on the fair values of financial instruments

The notional amounts of derivatives in “2. Fair values of financial instruments,” in themselves, do not reflect the market risk relating to the derivative transactions.

2. Fair values of financial instruments

Carrying amounts, fair values and their differences are shown in the following table. The amounts shown in the following tables do not include shares, etc. that do not have a market price (see Note 2 below).

FY2022 (As of March 31, 2022)

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
(1) Investment securities	59,259	59,259	–
(2) Bonds payable (including current portion of bonds payable)	(440)	(440)	(0)
(3) Convertible bond-type bonds with share acquisition rights	(25,056)	(25,362)	(306)
(4) Long-term loans payable (including current portion of long-term loans payable)	(25,982)	(25,878)	103
(5) Derivatives	120	120	–

(*) Liabilities are presented in parentheses.

FY2021 (As of March 31, 2021)

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
(1) Investment securities	56,094	56,094	–
(2) Bonds payable (including current portion of bonds payable)	(536)	(532)	3
(3) Convertible bond-type bonds with share acquisition rights	(25,074)	(25,400)	(326)
(4) Long-term loans payable (including current portion of long-term loans payable)	(24,643)	(24,334)	308
(5) Derivatives	53	53	–

(*) Liabilities are presented in parentheses.

Note 1: The description of “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts receivable - trade and contract assets,” “Notes and accounts payable - trade,” and “Short-term loans payable (excluding current portion of long-term loans payable)” has been omitted because they are settled in a short time and their carrying amounts approximate their fair values.

Note 2: Unlisted stocks

FY2022 (As of March 31, 2022)

They are not included in “(1) Investment securities” because they are deemed as shares, etc. that do not have a market price.

FY2021 (As of March 31, 2021)

They are not included in “(1) Investment securities” because they have no market price and their fair values are deemed to be extremely difficult to determine as future cash flow cannot be estimated.

Carrying amounts of those financial instruments are as follows:

(Millions of yen)

Category	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Unlisted stocks and others	9,741	9,715

Note 3: Redemption schedule for monetary receivables and securities with maturities after the consolidated balance sheet date

FY2022 (As of March 31, 2022)

(Millions of yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Deposits	33,841	–	–	–
Notes and accounts receivable - trade and contract assets	50,466	–	–	–
Securities and investment securities				
Other securities with maturities				
(1) Bonds (Corporate bonds)	113	229	269	60
(2) Other	1,000	252	120	–
Total	85,421	481	389	60

FY2021 (As of March 31, 2021)

(Millions of yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Deposits	37,277	–	–	–
Notes and accounts receivable - trade	42,353	–	–	–
Securities and investment securities				
Other securities with maturities				
(1) Bonds (Corporate bonds)	29	331	227	113
(2) Other	–	290	131	–
Total	79,660	621	358	113

Note 4: Repayment schedule for short-term loans payable, bonds payable, convertible bond-type bonds with share acquisition rights and long-term loans payable after the consolidated balance sheet date

FY2022 (As of March 31, 2022)

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	17,231	–	–	–	–	–
Bonds payable	91	221	28	100	–	–
Convertible bond-type bonds with share acquisition rights	–	–	–	25,000	–	–
Long-term loans payable	2,298	2,117	3,257	2,994	2,261	13,052
Total	19,621	2,338	3,285	28,094	2,261	13,052

FY2021 (As of March 31, 2021)

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	19,927	–	–	–	–	–
Bonds payable	–	187	221	28	100	–
Convertible bond-type bonds with share acquisition rights	–	–	–	–	25,000	–
Long-term loans payable	2,461	1,681	2,746	2,622	2,018	13,112
Total	22,388	1,868	2,967	2,650	27,118	13,112

3. Fair value information by level within the fair value hierarchy
The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value:	Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.
Level 2 fair value:	Fair value measured using observable inputs other than Level 1 inputs.
Level 3 fair value:	Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value
FY2022 (As of March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	58,049	–	–	58,049
Bonds	–	596	–	596
Other	–	612	–	612
Total assets	58,049	1,209	–	59,259
Derivatives				
Currency-related transactions	–	120	–	120
Total liabilities	–	120	–	120

(2) Financial instruments other than those measured at fair value
FY2022 (As of March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable (including current portion of bonds payable)	–	440	–	440
Convertible bond-type bonds with share acquisition rights	25,362	–	–	25,362
Long-term loans payable (including current portion of long-term loans payable)	–	25,878	–	25,878
Total liabilities	25,362	26,318	–	51,681

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities
As the fair value of stocks is calculated on the basis of prices on stock exchanges, their fair value is classified as Level 1.
As the fair value of investment securities other than stocks is calculated on the basis of prices obtained from financial institutions, their fair value is classified as Level 2.

Derivatives
As the fair value of derivatives is calculated on the basis of prices obtained from financial institutions, their fair value is classified as Level 2.

Bonds payable
As the fair value of bonds payable is calculated by discounting the total amount of principal and interest at a rate that reflects the remaining periods of the bonds and the credit risk, their fair value is classified as Level 2.

Convertible bond-type bonds with share acquisition rights
As the fair value of convertible bond-type bonds with share acquisition rights is valued at market prices, their fair value is classified as Level 1.

Long-term loans payable
The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest using an interest rate that would apply if the full amount of the principal were newly borrowed at the year-end date. In addition, most of long-term loans payable with variable interest rates qualify for special treatment for interest rate swaps and the fair value is calculated by discounting the total amount of principal and interest with the interest rate swaps, using an interest rate that would apply if it were newly borrowed at the year-end date. Therefore, their fair value is classified as Level 2.

(Securities)

1. Other securities

FY2022 (As of March 31, 2022)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Stocks	57,347	13,135	44,212
	(2) Bonds			
	(i) Government bonds and local government bonds	–	–	–
	(ii) Corporate bonds	146	129	17
	(iii) Other	–	–	–
	(3) Other	219	183	36
	Subtotal	57,714	13,447	44,266
Securities whose carrying amount does not exceed their acquisition cost	(1) Stocks	702	1,035	(332)
	(2) Bonds			
	(i) Government bonds and local government bonds	–	–	–
	(ii) Corporate bonds	562	580	(18)
	(iii) Other	–	–	–
	(3) Other	1,393	1,412	(19)
	Subtotal	2,658	3,028	(370)
Total		60,372	16,476	43,896

Note: Unlisted stocks (carrying amount: ¥4,201 million) are not included in “Other securities” in the above table because they are shares, etc. that do not have a market price.

FY2021 (As of March 31, 2021)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Stocks	53,734	13,581	40,153
	(2) Bonds			
	(i) Government bonds and local government bonds	–	–	–
	(ii) Corporate bonds	99	92	6
	(iii) Other	–	–	–
	(3) Other	578	504	74
	Subtotal	54,412	14,177	40,234
Securities whose carrying amount does not exceed their acquisition cost	(1) Stocks	946	1,094	(147)
	(2) Bonds			
	(i) Government bonds and local government bonds	–	–	–
	(ii) Corporate bonds	638	706	(68)
	(iii) Other	–	–	–
	(3) Other	126	131	(5)
	Subtotal	1,711	1,932	(221)
Total		56,124	16,110	40,013

Note: Unlisted stocks (carrying amount: ¥4,208 million) are not included in "Other securities" in the above table because they have no market prices and their fair values are deemed to be extremely difficult to determine.

2. Other securities sold

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
(1) Stocks	1,533	1,079	(1)
(2) Bonds			
(i) Government bonds and local government bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	60	–	(11)
(3) Other	160	27	–
Total	1,754	1,107	(12)

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
(1) Stocks	1,701	891	(10)
(2) Bonds			
(i) Government bonds and local government bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	213	27	–
Total	1,915	918	(10)

3. Securities subject to impairment

In the previous fiscal year, the Company recognized ¥73 million as impairment loss for securities. In the current fiscal year, the Company recognized ¥26 million as impairment loss for securities. When the fair value of securities as of the end of the fiscal year declines by greater than or equal to 50% compared to their cost, the Company recognizes impairment losses, and when such decline is between 30% and 50%, the Company recognizes impairment losses for the amount deemed necessary taking into consideration the possibility of a recovery in value. For shares, etc. that do not have a market price, the Company recognizes impairment losses of securities for which actual value at the consolidated balance sheet date declines by greater than or equal to 50 % compared to the cost, in principle, except in cases where there is a possibility of recovery in value.

(Derivatives)

1. Derivatives for which hedge accounting is not applied
   FY2022 (From April 1, 2021 to March 31, 2022)
   Not applicable

   FY2021 (From April 1, 2020 to March 31, 2021)
   Not applicable

2. Derivatives for which hedge accounting is applied
   (1) Currency-related transactions

FY2022 (As of March 31, 2022)

Hedge accounting	Type of transaction	Major hedged items	Contract amount, etc. (Millions of yen)	Contract amount, etc. over one year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge accounting	Forward exchange contracts				
	Buy				
	USD	Accounts payable - trade	2,228	–	112
	EUR		178	–	11
	Sell				
	USD	Accounts receivable - trade	112	–	(3)
Total			2,518	–	120

Note: Calculation methods of fair value This information is described in the relevant section.

FY2021 (As of March 31, 2021)

Hedge accounting	Type of transaction	Major hedged items	Contract amount, etc. (Millions of yen)	Contract amount, etc. over one year (Millions of yen)	Fair value (Millions of yen)
Deferred hedge accounting	Forward exchange contracts				
	Buy				
	USD	Accounts payable - trade	1,219	–	54
	EUR		81	–	0
	Sell				
	USD	Accounts receivable - trade	108	–	(1)
Total			1,410	–	53

Note: Calculation methods of fair value Valued at prices obtained from counterparty financial institutions and others.

(2) Interest rate-related transactions
FY2022 (As of March 31, 2022)
Not applicable

FY2021 (As of March 31, 2021)
Not applicable

(Retirement benefits)

1. Overview of retirement benefit plan adopted by the Company

   The Company and certain domestic consolidated subsidiaries have a defined benefit pension plan which includes a defined benefit corporate pension plan and a defined contribution plan, and the Company has established a retirement benefit trust. Certain other domestic consolidated subsidiaries have a retirement lump-sum plan as a defined benefit plan.

   In the retirement lump-sum plan partially adopted by the domestic consolidated subsidiaries, liabilities for retirement benefits and retirement benefit cost are calculated using the simplified method.

   Certain domestic consolidated subsidiaries are members of multi-employer corporate pension plans. For such multi-employer plans whereby the amount of plan assets corresponding to the member companies' contributions cannot be calculated reasonably, the same accounting treatment as that for the defined contribution plan is applied.

2. Defined benefit plan

(1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding plans to which the simplified method is applied)

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Balance of retirement benefit obligations at beginning of period	16,749	16,807
Service cost	890	891
Interest cost	118	118
Actuarial gain or loss	(56)	(88)
Retirement benefit paid	(896)	(978)
Other	264	0
Balance of retirement benefit obligations at end of period	17,069	16,749

(2) Reconciliation of beginning and ending balances of plan assets (excluding plans to which simplified method is applied)

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Balance of plan assets at beginning of period	16,026	13,472
Expected return	307	246
Actuarial gain or loss	173	1,874
Employer's contribution	1,230	1,211
Retirement benefit payments	(803)	(778)
Other	258	－
Balance of plan assets at end of period	17,193	16,026

(3) Reconciliation of beginning and ending balances of net defined benefit liability and net defined benefit asset relating to retirement benefit plans to which the simplified method is applied

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Net defined benefit liability and net defined benefit asset at beginning of period	1,821	1,679
Retirement benefit expenses	264	261
Retirement benefit paid	(133)	(111)
Contributions to plans	(54)	(62)
Other	20	55
Net defined benefit liability and net defined benefit asset at end of period	1,918	1,821

(4) Reconciliation of ending balances of retirement benefit obligations and plan assets and retirement benefit liabilities and assets in the consolidated balance sheets

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Retirement benefit obligation for funded plans	17,634	17,572
Plan assets	(17,760)	(16,891)
	(126)	680
Retirement benefit obligation for non-funded plans	1,921	1,864
Net liabilities and assets recorded on the consolidated balance sheets	1,795	2,545
Net defined benefit liability	3,810	3,747
Net defined benefit asset	(2,015)	(1,202)
Net liabilities and assets recorded on the consolidated balance sheets	1,795	2,545

Note: Figures include those for plans to which the simplified method is applied.

(5) Retirement benefit expenses and the breakdown

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Service cost	890	891
Interest cost	118	118
Expected return	(307)	(246)
Amortization of actuarial gain or loss	5	266
Retirement benefit expenses based on simplified method	264	261
Other	86	(0)
Retirement benefit expenses relating to defined benefit plan	1,057	1,290

(6) Retirement benefits liability adjustments

Components of retirement benefits liability adjustments (before tax effect) are as follows:

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Actuarial gain or loss	235	2,229

(7) Accumulated retirement benefits liability adjustments

Components of accumulated retirement benefits liability adjustments (before tax effect) are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Unrecognized actuarial gains and losses	(731)	(496)

(8) Matters relating to plan assets

(i) Major breakdown of plan assets

The ratio of major classes in the plan assets are as follows:

	FY2022 (As of March 31, 2022) (%)	FY2021 (As of March 31, 2021) (%)
Bonds	37	36
Stocks	39	39
General account	2	1
Other	21	24
Total	100	100

Note: The total plan assets include a retirement benefit trust established for the corporate pension plan, accounting for 19% of the total plan assets as of the end of the current fiscal year (21% as of the end of the previous fiscal year).

(ii) Method for determining long-term expected rate of return on plan assets

To determine a long-term expected rate of return on plan assets, the Company considers the allocations of current and expected plan assets and the current and expected long-term rates of return from various assets that constitute the plan assets.

(9) Matters relating to calculation basis for actuarial assumptions

Calculation basis for major actuarial assumptions

	FY2022 (As of March 31, 2022) (%)	FY2021 (As of March 31, 2021) (%)
Discount rate	Mainly 0.8	Mainly 0.8
Long-term expected rate of return on plan assets	0.0 - 2.5	0.0 - 2.5
Expected rate of salary increase	0.0 - 3.8	0.0 - 4.1

3. Defined contribution plan

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Required contributions to defined contribution plan for consolidated subsidiaries	31	31

4. Multi-employer plans
FY2022 (From April 1, 2021 to March 31, 2022)
Not applicable

FY2021 (From April 1, 2020 to March 31, 2021)
Not applicable

(Stock options)

1. Corresponding account and amount of stock options charged as expenses

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Selling, general and administrative expenses	70	77

2. Details, size and changes in stock options

(1) Details of stock options

	2021 Stock Options	2020 Stock Options
Category and number of grantees	Directors of the Company; 9	Directors of the Company; 9
Number of stock options by type of shares (Note)	48,900 shares of common stock	48,500 shares of common stock
Grant date	July 28, 2021	July 28, 2020
Vesting conditions	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.
Vesting period	From July 1, 2021 to June 30, 2022	From July 1, 2020 to June 30, 2021
Exercise period	From July 29, 2021 to July 28, 2051	From July 29, 2020 to July 28, 2050

	2019 Stock Options	2018 Stock Options
Category and number of grantees	Directors of the Company; 12	Directors of the Company; 13
Number of stock options by type of shares (Note)	45,700 shares of common stock	46,900 shares of common stock
Grant date	July 29, 2019	July 25, 2018
Vesting conditions	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.
Vesting period	From July 1, 2019 to June 30, 2020	From July 1, 2018 to June 30, 2019
Exercise period	From July 30, 2019 to July 29, 2049	From July 26, 2018 to July 25, 2048

	2017 Stock Options	2016 Stock Options
Category and number of grantees	Directors of the Company; 13	Directors of the Company; 12
Number of stock options by type of shares (Note)	47,950 shares of common stock	51,700 shares of common stock
Grant date	July 26, 2017	July 27, 2016
Vesting conditions	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.
Vesting period	From July 1, 2017 to June 30, 2018	From July 1, 2016 to June 30, 2017
Exercise period	From July 27, 2017 to July 26, 2047	From July 28, 2016 to July 27, 2046

	2015 Stock Options	2014 Stock Options
Category and number of grantees	Directors of the Company; 11	Directors of the Company; 9
Number of stock options by type of shares (Note)	51,100 shares of common stock	61,700 shares of common stock
Grant date	July 23, 2015	July 24, 2014
Vesting conditions	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.	In principle, the eligible person may exercise his/her share subscription rights on a lump sum basis between the subsequent day of the expiration of position as Director of the Company and the 10th day from such day.
Vesting period	From July 1, 2015 to June 30, 2016	From July 1, 2014 to June 30, 2015
Exercise period	From July 24, 2015 to July 23, 2045	From July 25, 2014 to July 24, 2044

Note: The number of stock options represents the number of shares. As the Company conducted a 1-for-2 share consolidation on October 1, 2016, the number of shares reflects the amount after the share consolidation.

(2) Size and changes in stock options

The following describes the number of stock options that existed during FY2022 (fiscal year ended March 31, 2022). The number of stock options represents the number of shares.

(i) Number of stock options

	2021 Stock Options	2020 Stock Options	2019 Stock Options	2018 Stock Options	2017 Stock Options	2016 Stock Options	2015 Stock Options
Before vesting (Shares)							
As of March 31, 2021	–	48,500	28,650	18,600	19,350	16,800	15,200
Granted	48,900	–	–	–	–	–	–
Forfeited	5,150	–	–	–	–	–	–
Vested	3,750	12,550	10,350	7,200	7,450	8,700	9,400
Unvested	40,000	35,950	18,300	11,400	11,900	8,100	5,800
After vesting (Shares)							
As of March 31, 2021	–	–	–	–	–	–	–
Vested	8,900	12,550	10,350	7,200	7,450	8,700	9,400
Exercised	3,750	12,550	10,350	7,200	7,450	8,700	9,400
Forfeited	5,150	–	–	–	–	–	–
Exercisable	–	–	–	–	–	–	–

	2014 Stock Options
Before vesting (Shares)	
As of March 31, 2021	12,700
Granted	–
Forfeited	–
Vested	12,700
Unvested	–
After vesting (Shares)	
As of March 31, 2021	–
Vested	12,700
Exercised	12,700
Forfeited	–
Exercisable	–

Note: As the Company conducted a 1-for-2 share consolidation on October 1, 2016, the number of shares reflects the amount after the share consolidation.

(ii) Unit price information

	2021 Stock Options	2020 Stock Options	2019 Stock Options	2018 Stock Options	2017 Stock Options	2016 Stock Options	2015 Stock Options
Exercise price (Yen)	1	1	1	1	1	1	1
Average price per share upon exercise (Yen)	1,604	1,591	1,594	1,604	1,604	1,604	1,604
Fair value per share at grant date (Yen)	1,516	1,612	1,658	1,798	1,667	1,512	1,590

	2014 Stock Options
Exercise price (Yen)	1
Average price per share upon exercise (Yen)	1,604
Fair value per share at grant date (Yen)	1,008

Note: As the Company conducted a 1-for-2 share consolidation on October 1, 2016, per share price reflects the amount after the share consolidation.

3. Method for estimating the fair value of stock options
   The method for estimating the fair value of the 2021 stock options granted in the current fiscal year is as follows:
   (i) Valuation method: Black-Scholes Model
   (ii) Main assumptions and estimation method:

	2021 Stock Options
Volatility of share price (Note 1)	16.8%
Estimated remaining outstanding period (Note 2)	Two years and eight months
Estimated dividend (Note 3)	¥36 per share
Risk-free interest rate (Note 4)	(0.13)%

Notes: 1. Calculated based on the stock market performance for the two years and nine months (from November 2018 to July 2021).
2. Estimated based on the average remaining service period for Directors at the allotment date of the stock options, which is based on the average service period of past Directors and the current service periods of incumbent Directors between their inauguration dates and the allotment date of stock options.
3. Dividend was estimated based on the actual dividends for the fiscal year ended March 31, 2021.
4. The yield on government bonds for the period corresponding to the estimated remaining outstanding period.

4. Method for estimating the number of stock options vested
   Because it is difficult to reasonably estimate the number of stock options that will expire in the future, the number here reflects only stock options that have actually been forfeited.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2021 (As of March 31, 2021)
Deferred tax assets		
Tax loss carried forward (Note 1)	2,427	2,003
Non-deductible accrued enterprise tax	218	205
Accrued bonuses	573	548
Net defined benefit liability	2,225	2,418
Loss on valuation of securities	93	92
Unrealized gain on sales of fixed assets	940	945
Loss on valuation of non-current assets	328	458
Other	1,802	1,904
Subtotal deferred tax assets	8,609	8,575
Valuation allowance for tax loss carried forward (Note 1)	(2,304)	(1,881)
Valuation allowance for total future deductible temporary differences, etc.	(1,234)	(1,381)
Subtotal valuation allowance	(3,539)	(3,263)
Total deferred tax assets	5,069	5,312
Amount offset by deferred tax liabilities	3,441	3,656
Net deferred tax assets	1,628	1,656
Deferred tax liabilities		
Reserve for reduction entry	2,899	2,877
Unrealized holding gain (loss) on securities	13,408	12,246
Gain on contribution of securities to retirement benefit trust	408	435
Other	1,466	1,409
Subtotal deferred tax liabilities	18,183	16,967
Amount offset by deferred tax assets	3,441	3,656
Net deferred tax liabilities	14,742	13,311

Notes: 1. Tax loss carried forward and amount of said deferred tax assets by deferred deadline

FY2022 (As of March 31, 2022)

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (*1)	78	202	44	93	210	1,796	2,427
Valuation allowance	(78)	(202)	(44)	(93)	(210)	(1,673)	(2,304)
Deferred tax assets	–	–	–	–	–	122	122

(*1) Tax loss carried forward is the amount derived from multiplying by the effective statutory tax rate.

FY2021 (As of March 31, 2021)

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (*1)	100	45	199	87	105	1,465	2,004
Valuation allowance	(100)	(45)	(199)	(87)	(83)	(1,365)	(1,881)
Deferred tax assets	–	–	–	–	22	100	122

(*1) Tax loss carried forward is the amount derived from multiplying by the effective statutory tax rate.

2. Significant components in the reconciliation of difference between the effective statutory tax rate and effective tax rate reflected in the consolidated financial statements

	FY2022 (As of March 31, 2022) (%)	FY2021 (As of March 31, 2021) (%)
Effective statutory tax rate	30.6	30.6
(Adjustments)		
Entertainment expenses and other non-deductible permanent differences	0.5	0.5
Non-taxable permanent differences such as dividend income	(0.9)	(0.7)
Per capita inhabitant taxes	0.7	0.7
Special deductions from income tax	(1.3)	(1.3)
Differences of tax rates at foreign subsidiaries	(0.3)	(0.4)
Other	3.1	3.4
Actual effective tax rate after tax effect accounting	32.4	32.8

(Business combination)

Common control transaction, etc.

(Absorption-type merger of a consolidated subsidiary)

The Company resolved at a meeting of the Board of Directors held on February 18, 2021 to absorb Tofuku Flour Mills Co., Ltd., a wholly owned subsidiary of the Company. Following the execution of a merger agreement on the same date, the Company has absorbed the subsidiary on April 1, 2021.

1. Overview of the transaction

(1) Name and business contents of the company involved in the business combination

Name of the company involved in the business combination:	Tofuku Flour Mills Co., Ltd.
Business contents:	Manufacture and sale of products made from wheat or other agricultural products, such as wheat flour and mixed flour; purchase and sale of noodles, grains, and other commodities

(2) Date of business combination

April 1, 2021

(3) Legal form of the business combination

Absorption-type merger with the Company becoming the surviving company and Tofuku Flour Mills Co., Ltd. becoming the dissolving company

(4) Corporate name after the business combination

NIPPN CORPORATION

(5) Other matters relating to the overview of the transaction

The merger is intended to develop business strategies through swift decision-making and build an efficient management system.

2. Overview of the accounting treatment

The merger was accounted for as a common control transaction pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

(Business transfer from a consolidated subsidiary)

The Company resolved at a meeting of the Board of Directors held on February 25, 2021 to take over the frozen foods business operated by NIPPN Frozen Foods Co., Ltd., a wholly owned subsidiary of the Company. Following the execution of a business transfer agreement on the same date, the Company has taken over the business on April 1, 2021.

1. Overview of the transaction

(1) Name and business contents of the company involved in the business combination

Name of the company involved in the business combination: NIPPN Frozen Foods Co., Ltd.

Business contents: Frozen foods business

(2) Date of business combination

April 1, 2021

(3) Legal form of the business combination

Business transfer with NIPPN Frozen Foods Co., Ltd. as the business transferor company and the Company as the business transferee company

(4) Corporate name after the business combination

There is no change in the corporate name after the business combination.

(5) Other matters relating to the overview of the transaction

The objective of the business transfer is to enable speedier decision-making and implementation of measures and to establish a business organization in which production, sales and management operations are executed in an integrated style, which will improve the quality and cost competitiveness of products.

2. Overview of the accounting treatment

The business transfer was accounted for as a common control transaction pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

(Asset retirement obligations)

As of March 31, 2022

The Group recognizes liabilities relating to the restoration of real estate to its original state upon withdrawal from real estate based on real estate lease contracts for factories and others as asset retirement obligations. However, the description of this information has been omitted as the total amount of the obligations is immaterial.

As of March 31, 2021

The Group recognizes liabilities relating to the restoration of real estate to its original state upon withdrawal from real estate based on real estate lease contracts for factories and others as asset retirement obligations. However, the description of this information has been omitted as the total amount of the obligations is immaterial.

(Rental property and other real estate)

FY2022 (From April 1, 2021 to March 31, 2022)

The Group owns office buildings and other properties for rent (including land) in Tokyo and other areas. Income from the rental properties in the current fiscal year was ¥654 million (primary rental revenue is booked as net sales and primary rental expenses as cost of sales), and gain on sales of rental properties was ¥246 million (booked as non-operating income).

The carrying amount of the rental properties and its changes and fair value are as follows:

(Millions of yen)

Carrying amount on the consolidated balance sheets			Fair value at end of current period
Balance at beginning of current period	Changes during current period	Balance at end of current period	
7,727	535	8,263	25,273

Notes: 1. The carrying amount on the consolidated balance sheets represents the acquisition cost less accumulated depreciation and accumulated impairment loss.

2. The increase in the carrying amount during the current fiscal year mainly consists of an increase of ¥211 million due to a change in use of properties from business use to rental use, and an increase for other reasons of ¥616 million, and the decrease mainly consists of ¥228 million of depreciation.

3. The fair value of key properties at the end of the fiscal year is determined based on appraisal reports obtained from independent real estate appraisers and other information. For other less important properties, the fair value is determined based on certain appraisal values or relevant indexes that are deemed to properly reflect the market prices.

FY2021 (From April 1, 2020 to March 31, 2021)

The Group owns office buildings and other properties for rent (including land) in Tokyo and other areas. Income from the rental properties in the current fiscal year was ¥652 million (primary rental revenue is booked as net sales and primary rental expenses as cost of sales).

The carrying amount of the rental properties and its changes and fair value are as follows:

(Millions of yen)

Carrying amount on the consolidated balance sheets			Fair value at end of current period
Balance at beginning of current period	Changes during current period	Balance at end of current period	
7,873	(145)	7,727	24,877

Notes: 1. The carrying amount on the consolidated balance sheets represents the acquisition cost less accumulated depreciation and accumulated impairment loss.

2. The increase in the carrying amount during the current fiscal year mainly consists of an increase of ¥75 million due to new acquisitions, and the decrease mainly consists of ¥220 million of depreciation.

3. The fair value of key properties at the end of the fiscal year is determined based on appraisal reports obtained

from independent real estate appraisers and other information. For other less important properties, the fair value is determined based on certain appraisal values or relevant indexes that are deemed to properly reflect the market prices.

(Public facility management)
Not applicable

(Revenue recognition)
1. Disaggregation of revenue from contracts with customers
This information is described in notes on "Segment information."

2. Useful information in understanding revenue from contracts with customers
The Company recognizes revenue from contracts with customers based on the following five steps.
Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to each performance obligation.
Step 5: Recognize revenue when (as) a performance obligation is satisfied.
The Group's core businesses are Flour Milling business and Food business. The Group sells to customers finished goods and merchandise (such as wheat flour and premixes) manufactured by the Group. For these finished goods and merchandise, sales prices are measured at the amount based on the consideration promised in contracts with customers less sales incentives, etc. An amount expected to be refunded to customers, such as sales incentives, is calculated using the probability-weighted amount estimated for each of finished goods and merchandise. As a result, the Group recognizes refund liabilities.
In both of Flour Milling and Food businesses, sales contracts identify the delivery of the Group's finished goods and merchandise to customers as the performance obligations. These performance obligations are satisfied when the Company's finished goods and merchandise are delivered to customers and control of these finished goods and merchandise is transferred to customers. Therefore, revenue from sale of these finished goods and merchandise is recognized when they are delivered to customers.
For transactions of providing finished goods and merchandise to customers, in which the Company acts as an agent, revenue is recognized at the net amount of the amount received from customers less the amount to be paid to the supplier of finished goods and merchandise.

3. Balance of contract assets and contract liabilities and the transaction price allocated to the remaining performance obligations
(1) Balance of contract assets and contract liabilities

(Millions of yen)

Receivables from contracts with customers (beginning balance)	41,848
Receivables from contracts with customers (ending balance)	50,466
Contract assets (beginning balance)	—
Contract assets (ending balance)	—
Contract liabilities (beginning balance)	376
Contract liabilities (ending balance)	299

Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the current fiscal year was ¥259 million.

(2) Transaction price allocated to the remaining performance obligations

The Company and its consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and do not disclose contracts with an original expected duration of one year or less. The total transaction price allocated to the remaining performance obligations and the time frame the Company and its consolidated subsidiaries expect to recognize the amount as revenue are as follows.

(Millions of yen)

Within one year	10
Over one year within two years	10
Over two years within three years	10
Over three years	84
Total	114

(Segment information)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are group components which are regularly reviewed by the Board of Directors using the discrete financial information available to determine the allocation of management resources and evaluate business results.

The Group consists of three main business units classified by product types—Flour Milling, Food and Other. Each business unit formulates business strategies and promotes business activities.

The Group has classified its operations into two reportable segments: Flour Milling and Food.

The Flour Milling segment covers wheat flour, wheat bran, and buckwheat flour, while the Food segment covers wheat flour for home use, premixes, pasta, frozen foods, delicatessen foods, and rice flour.

2. Calculation methods of sales, income (loss), assets, liabilities and other items by reportable segment

The accounting methods used for reportable segments are the same as those described under "Basis of preparation of the consolidated financial statements."

Profit figures of reportable segments are based on operating income. Inter-segment sales and transfers are based on prevailing market prices.

The Company applied the "Accounting Standard for Revenue Recognition," etc. from the beginning of the current fiscal year, and changed the accounting policy for revenue recognition. Accordingly, the Company also changed the method for calculating sales and income (loss) by reportable segment.

3. Information on sales, income (loss), assets, liabilities and other items, and information on disaggregation of revenue, by reportable segment

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments			Other	Total	Adjustments	Amounts recorded on consolidated financial statements
	Flour Milling	Food	Total				
Net sales							
Revenue from contracts with customers	96,934	185,865	282,800	37,516	320,316	–	320,316
Revenue from other sources	–	46	46	954	1,000	–	1,000
Net sales to external customers	96,934	185,911	282,846	38,471	321,317	–	321,317
Internal sales or transfers between segments	2,060	606	2,667	2,391	5,058	(5,058)	–
Total	98,995	186,518	285,513	40,862	326,376	(5,058)	321,317
Segment income	6,211	4,068	10,280	996	11,277	4	11,282
Segment assets	109,620	125,667	235,287	23,713	259,001	66,867	325,869
Other items							
Depreciation	3,193	5,449	8,643	1,199	9,842	390	10,232
Increase in property, plant and equipment and intangible assets	2,109	8,095	10,205	1,193	11,398	210	11,608

Notes:
1. The "Other" column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.
2. Segment income adjustment of ¥4 million includes elimination of inter-segment transactions and corporate expenses.
3. Corporate assets included in adjustments of segment assets amounted to ¥66,402 million and mainly comprise the

Company's surplus funds (cash and deposits, and securities) and property, plant and equipment concerning administrative departments.

4. Adjustments amounting to ¥210 million for the increase in property, plant and equipment and intangible assets mainly relate to capital investment by the administrative departments and elimination of inter-segment transactions.
5. Segment income is adjusted to reconcile total segment income to operating income on the consolidated financial statements.
6. Depreciation expenses and an increase in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses and amortization thereof.
7. Different criteria are applied for allocation of non-current assets to each segment and for allocation of relevant depreciation expenses to each segment, respectively.

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments			Other	Total	Adjustments	Amounts recorded on consolidated financial statements
	Flour Milling	Food	Total				
Net sales							
Net sales to external customers	92,595	160,751	253,346	34,977	288,324	–	288,324
Internal sales or transfers between segments	1,814	515	2,330	6,644	8,974	(8,974)	–
Total	94,410	161,266	255,676	41,622	297,299	(8,974)	288,324
Segment income	5,133	4,272	9,405	1,034	10,440	(69)	10,370
Segment assets	103,539	118,037	221,577	23,191	244,768	63,045	307,813
Other items							
Depreciation	3,093	4,251	7,344	1,277	8,622	358	8,981
Increase in property, plant and equipment and intangible assets	3,563	13,205	16,768	1,248	18,016	(1,321)	16,695

Notes:
1. The "Other" column indicates businesses not included in the reportable segments, including pet food, health food, engineering and real estate leasing.
2. Segment income adjustment of ¥(69) million includes elimination of inter-segment transactions and corporate expenses.
3. Corporate assets included in adjustments of segment assets amounted to ¥63,572 million and mainly comprise the Company's surplus funds (cash and deposits, and securities) and property, plant and equipment concerning administrative departments.
4. Adjustments amounting to ¥(1,321) million for the increase in property, plant and equipment and intangible assets mainly relate to capital investment by the administrative departments and elimination of inter-segment transactions.
5. Segment income is adjusted to reconcile total segment income to operating income on the consolidated financial statements.
6. Depreciation expenses and an increase in property, plant and equipment and intangible assets include an increase in long-term prepaid expenses and amortization thereof.
7. Different criteria are applied for allocation of non-current assets to each segment and for allocation of relevant depreciation expenses to each segment, respectively.

[Related information]

FY2022 (From April 1, 2021 to March 31, 2022)

1. Information by product and service
   This information has been omitted as the same information is disclosed in Segment information.

2. Information by geographical area
   (1) Net sales
   This information has been omitted as net sales to external customers in Japan account for more than 90% of net sales recorded on the consolidated statement of income.

   (2) Property, plant and equipment
   This information has been omitted because the amount of property, plant and equipment located in Japan excesses 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

Name of customer	Net sales (Millions of yen)	Name of related segment
FamilyMart Co., Ltd.	46,465	Food
ITOCHU Corporation	45,972	Flour Milling and Food

FY2021 (From April 1, 2020 to March 31, 2021)

1. Information by product and service
   This information has been omitted as the same information is disclosed in Segment information.

2. Information by geographical area
   (1) Net sales
   This information has been omitted as net sales to external customers in Japan account for more than 90% of net sales recorded on the consolidated statement of income.

   (2) Property, plant and equipment
   This information has been omitted because the amount of property, plant and equipment located in Japan excesses 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

Name of customer	Net sales (Millions of yen)	Name of related segment
FamilyMart Co., Ltd.	44,689	Food
ITOCHU Corporation	42,964	Flour Milling and Food

[Information on impairment loss on non-current assets by reportable segment]
FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Flour Milling	Food	Other (Note)	Adjustments and elimination	Total
Impairment loss	–	–	104	–	104

Note: The amounts in "Other" are those relating to the restaurant business and others.

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Flour Milling	Food	Other (Note)	Adjustments and elimination	Total
Impairment loss	–	151	424	–	576

Note: The amounts in "Other" are those relating to the restaurant business and others.

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

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Flour Milling	Food	Other (Note)	Adjustments and elimination	Total
Amortization during current period	–	176	62	–	239
Balance at end of current period	–	1,153	251	–	1,405

Note: The amounts in "Other" are those relating to the restaurant business and others.

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Flour Milling	Food	Other (Note)	Adjustments and elimination	Total
Amortization during current period	–	71	62	–	133
Balance at end of current period	–	1,329	315	–	1,644

Note: The amounts in "Other" are those relating to the restaurant business and others.

[Information on gain on bargain purchase by reportable segment]

FY2022 (From April 1, 2021 to March 31, 2022)
Not applicable

FY2021 (From April 1, 2020 to March 31, 2021)
Not applicable

[Related parties]

FY2022 (From April 1, 2021 to March 31, 2022)
Not applicable

FY2021 (From April 1, 2020 to March 31, 2021)
Not applicable

(Per share information)

(Yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Net assets per share	2,268.30	2,141.16
Basic profit per share	121.59	112.62
Fully diluted profit per share	106.02	98.25

Note: Basis for the calculation of basic profit per share and fully diluted profit per share is as follows:

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2020 to March 31, 2021)
Basic profit per share		
Profit attributable to owners of parent (Millions of yen)	9,327	8,636
Amount not attributable to common shareholders (Millions of yen)	–	–
Amount pertaining to common stock (Millions of yen)	9,327	8,636
Average number of shares of common stock in the fiscal year (Thousands of shares)	76,712	76,680
Fully diluted profit per share		
Adjustments on profit attributable to owners of parent (Millions of yen)	(12)	(12)
<of which interest income (after deducting the amount equivalent to tax) (Millions of yen)>	[(12)]	[(12)]
Increase in common stock (Thousands of shares)	11,149	11,091
Summary of residual securities not included in calculation of fully diluted profit per share due to non dilutive effect	–	–

Note: As described in “Changes in accounting policies,” the changes in accounting policies in FY2022 are applied retrospectively, and basic profit per share for FY2021 was adjusted retrospectively. As a result of this change, compared with the figures before the retrospective application, basic profit per share and fully diluted profit per share for FY2021 increased by ¥0.35 and ¥0.31, respectively.

(Significant subsequent events)

Common control transaction, etc.

(Making a subsidiary into a wholly owned subsidiary by way of simplified share exchange)

The Company and OK Food Industry Co., Ltd. (hereinafter, “OK Food Industry”) resolved at their respective meetings of the Board of Directors held on March 28, 2022 to conduct a share exchange with the Company becoming a wholly owning parent company resulting from a share exchange and with OK Food Industry becoming a wholly owned subsidiary company resulting from a share exchange (hereinafter, the “Share Exchange”), and a share exchange agreement (hereinafter, the “Share Exchange Agreement”) was executed on the same date. As the Share Exchange Agreement was approved by resolution of the Annual Shareholders Meeting of OK Food Industry held on June 23, 2022, the Share Exchange was conducted pursuant to the Share Exchange Agreement.

Pursuant to the procedure for a simplified share exchange as provided for by Article 796 (2) of the Companies Act (Act No. 86 of 2005, including later revisions; hereinafter the same), the Company conducted the Share Exchange without obtaining approval for the Share Exchange Agreement by its Shareholders Meeting.

The common stock of OK Food Industry was delisted by Tokyo Stock Exchange, Inc. on July 21, 2022 with July 20, 2022 as the final trading date.

1. Overview of the Share Exchange

(1) Name and business contents of the wholly owned subsidiary company resulting from share exchange

Name of the wholly owned subsidiary company resulting from a share exchange:	OK Food Industry Co., Ltd.
Business contents:	Manufacture and sale of fried tofu and fried tofu processed products

(2) Purpose of the Share Exchange

Once the Share Exchange is conducted, the Company and OK Food Industry will share information and human resources more than ever before, consolidate respective business resources, and utilize them in an expeditious and efficient manner. Specifically, OK Food Industry will take advantage of or receive referral to the Company’s business partners on the sales front, reduce purchasing costs through joint purchasing on the procuring front, and on the manufacturing front, increase productivity through shared skills and know-how in plant management and operations, reduce production costs and develop products jointly with the Company. In this way, OK Food Industry will benefit from synergies of the collaboration with the Company.

(3) Effective date of the Share Exchange

July 25, 2022

(4) Legal form of the Share Exchange

A share exchange with the Company becoming a wholly owning parent company resulting from a share exchange and with OK Food Industry becoming a wholly owned subsidiary company resulting from a share exchange. Pursuant to the provisions in Article 796 (2) of the Companies Act, the Company completed procedures for a simplified share exchange that does not require approval of the Shareholders Meeting.

The Share Exchange Agreement was approved by the Annual Shareholders Meeting of OK Food Industry held on June 23, 2022.

(5) Corporate name after the business combination

OK Food Industry Co., Ltd.

2. Matters relating to the calculation of acquisition cost

(1) Cost of the acquisition of the acquired company and the breakdown thereof

(Millions of yen)

Consideration for acquisition: treasury shares of common stock	1,860
Cost of acquisition	1,860

(2) Details of allotment in connection with the share exchange

Company name	The Company (Wholly owning parent company resulting from a share exchange)	OK Food Industry (Wholly owned subsidiary company resulting from a share exchange)
Allotment ratio for share exchange	1	0.63
Number of shares allotted and delivered under the Share Exchange	Common stock of the Company: 1,140,834 shares	

Note 1: To ensure the fair and appropriate calculation of the share exchange ratio for the Share Exchange, the Company requested a third party valuation institution independent from both the Company and OK Food Industry to calculate the share exchange ratio.

Note 2: All shares delivered by the Company were allotted from treasury shares held by the Company.

3. Overview of the accounting treatment

The Share Exchange was treated as a common control transaction, etc. under the Accounting Standard for Business Combinations.

(v) Consolidated supplemental schedules

(Schedule of bonds payable)

Company name	Security titles	Issue date	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Interest rate (%)	Collateral	Maturity
NIPPN CORPORATION	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2025 (Note 2)	June 22, 2018	25,074	25,056	–	None	June 20, 2025
G&L mart Co., Ltd.	17th Series of Unsecured Straight Bonds	September 29, 2017	15	5	0.230	None	September 29, 2023
Same as above	18th Series of Bank-guaranteed Private Placement Bonds	September 10, 2018	50	30	0.490	None	September 8, 2023
Same as above	19th Series of Unsecured Straight Bonds	September 28, 2018	25	15	0.290	None	September 29, 2023
Same as above	20th Series of Credit Guarantee Association-guaranteed Private Placement Bonds	February 25, 2019	150	150	0.400	None	February 22, 2024
Same as above	21st Series of Bank-guaranteed Private Placement Bonds	September 25, 2019	196	140	0.300	None	September 25, 2024
Same as above	22nd Series of Unsecured Straight Bonds	September 25, 2019	100	100	0.100	None	September 25, 2024
Total	–	–	25,610	25,496	–	–	–

Notes: 1. Repayment schedule for five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years
91	221	28	25,100	–

2. Information regarding bonds with share acquisition rights are as follows:

Security titles	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2025
Shares to be issued	Common stock
Issue price of stock acquisition rights (Yen)	Free of charge
Issue price of shares (Yen)	2,279.3

Aggregate amount of issue price (Millions of yen)	25,000
Aggregate amount of issue price of shares issued through the exercise of stock acquisition rights (Millions of yen)	–
Ratio of stock acquisition rights granted (%)	100
Exercise period of stock acquisition rights	July 6, 2018 to June 6, 2025

Note: When exercising each stock acquisition right, the bond regarding the stock acquisition right shall be funded. The price of the bond shall be equal to the face value of the bond.

(Schedule of borrowings)

Category	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Average interest rate (%)	Repayment date
Short-term loans payable	19,927	17,231	0.46	–
Current portion of long-term loans payable	2,461	2,298	0.33	–
Current portion of lease obligations	260	255	–	–
Long-term loans payable (excluding current portion)	22,181	23,684	0.28	2023 – 2033
Lease obligations (excluding current portion)	681	696	–	2023 – 2031
Other interest-bearing debt	–	–	–	–
Total	45,512	44,165	–	–

Notes: 1. Repayment schedule for long-term loans payable and lease obligations (excluding current portion) for five years after the consolidated balance sheet date is as follows:

(Millions of yen)

	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years
Long-term loans payable	2,117	3,257	2,994	2,261
Lease obligations	185	152	121	94

2. Average interest rates are computed using interest rates at the end of the fiscal year.
3. Average interest rates on lease obligations are not provided because the lease obligations stated in the consolidated balance sheet represent the amounts with interest equivalents not deducted from the total lease payments.

(Schedule of asset retirement obligations)

The amount of asset retirement obligations at the beginning and at the end of the current fiscal year was not more than 1/100 of the amount of total liabilities and net assets at the beginning and at the end of the current fiscal year. Consequently, pursuant to Article 92-2 of the Regulations for Consolidated Financial Statements, this information has been omitted.