Consolidated Financial Statements

Year ended 31 March 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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.

Valuation 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 114,240 million yen and intangible assets of 2,858 million yen under non-current assets on its consolidated balance sheet as of March 31, 2021.	The audit procedures we performed with respect to the estimate of the total amount of undiscounted future cash flows used in determining whether to recognize impairment loss on non-current assets in the Food segment include the following, among others:

<table>
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<td>
As described in (Significant accounting estimates) under Notes to consolidated financial statements, with regards to the following asset groups in the Food segment that include non-current assets of 12,399 million yen, representing active efforts the Company has been making to invest in growth areas, the Company determined that there were indications of impairment due to decreased profitability accompanying changes in the operating environment, but did not recognize impairment loss as undiscounted future cash flows generated from each of these asset groups exceeded their respective book values.
<table>
<tr><th>Asset group</th><th>Location</th><th>Type of assets</th><th>Book value</th></tr>
<tr><td>1. Manufacturing factory for delicatessen foods</td><td>Chita city, Aichi</td><td>Land, buildings, etc.</td><td>6,119 million yen</td></tr>
<tr><td>2. Manufacturing factory for deep-fried bean curd</td><td>Asakura city, Fukuoka</td><td>Land, buildings, etc.</td><td>6,280 million yen</td></tr>
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<td>
(Audit procedures for the first asset group)
We compared the projection period for future cash flows to the remaining useful life of major assets.
We considered whether future cash flows are consistent with the business plan approved by the boards of directors of consolidated subsidiary.
We compared the prior year business plan with subsequent actual figures to evaluate the effectiveness of management’s estimation process.
We held discussions with management regarding expansion in sales volume, which is a key assumption underlying the business plan. To confirm the adequacy of the growth rate corresponding to the increase in the sales volume of existing products, we compared the growth rate to market forecasts and available external data based on an understanding of the market environment surrounding major customers, and performed trend analysis based on historical data. In order to confirm the feasibility of sales plans that form the basis of the estimated increase in net sales resulting from expansion in sales volume through the introduction of new products, we considered the consistency between these new products and similar products in terms of actual delivery price and delivery volume.
We considered the consistency between the Company’s estimated improvement in the raw material cost rate and actual prior year improvements by making inquiries of management concerning the Company’s efforts to reduce the raw material loss and the results of such efforts and by inspecting related documents.
</td>
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</table>

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 key assumptions underlying estimates of future cash flows for the first asset group are an increase in net sales due to expansion in sales volume, improvement in the raw material cost rate through a reduction in the raw material loss rate, and a decrease in the labor cost rate, each of which forms the basis for business plans. The key assumptions underlying estimates of future cash flows for the second asset group are a decrease in net sales due to COVID-19, the timing of the start of operations of a new factory currently being constructed in order to enhance productivity, and a cost rate that assumes changes in manufacturing methods and the introduction of a new production system following the commencement of operations at the new factory. Given that considerations of impairment of non-current assets are subject to a high degree of estimation uncertainty related to key assumptions and involve a high degree of judgment by management, we determined that this is a key audit matter.	We discussed the basis for the estimated labor cost rate with management and, in order to confirm the feasibility of the labor cost rate, we agreed the number of employees, which serves as the basis for the estimate, to recruitment plans related to the number of employees required for production and directly hired personnel. (Audit procedures for the second asset group) We considered whether future cash flows are consistent with the budget for the following fiscal year and business plan approved by the boards of directors of consolidated subsidiary. We compared the prior year business plan with subsequent actual figures to evaluate the effectiveness of management's estimation process. Regarding the decrease in net sales due to COVID-19, which is a key assumption underlying the business plan, we held discussions with management based on the business plan and considered the consistency between the Company's assumption about the timing with which COVID-19 will be contained and the business plan. In addition, we performed sensitivity analysis related to the rate of decline in net sales taking into account the risk of future fluctuations.

	We considered whether the timing of the start of operations of the new factory is consistent with capital investment plans for the new factory and the latest anticipated start date. In addition, with regards to the cost rate that assumes changes in manufacturing methods and the introduction of a new production system following the commencement of operations at the new factory, we considered the consistency between the cost rate and production plans following commencement of operations at the new factory by comparing the cost rate with that for the production methods used and actual production in prior years at existing factories where the same manufacturing methods have been adopted.

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 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

June 29, 2021

Seiji Yamamoto
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)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	37,486	33,829
Notes and accounts receivable - trade	42,353	44,928
Merchandise and finished goods	16,365	14,977
Work in process	219	301
Raw materials and supplies	17,394	16,717
Other current assets	4,141	3,916
Allowance for doubtful accounts	(59)	(136)
Total current assets	117,900	114,534
Non-current assets		
Property, plant and equipment		
Buildings and structures	105,844	98,884
Accumulated depreciation	(59,911)	(56,800)
Buildings and structures, net *2, *3	45,932	42,084
Machinery, equipment and vehicles	124,205	119,288
Accumulated depreciation	(102,513)	(99,142)
Machinery, equipment and vehicles, net *2, *3	21,692	20,146
Land *3	40,269	40,605
Construction in progress	3,814	2,199
Other	13,278	12,119
Accumulated depreciation	(10,746)	(10,196)
Other, net *2, *3	2,531	1,922
Total property, plant and equipment	114,240	106,957
Intangible assets	2,858	1,624
Investments and other assets		
Investment securities *1, *3	65,809	61,525
Long-term loans receivable	39	57
Deferred tax assets	1,653	1,567
Net defined benefit asset	1,202	198
Other assets *3	4,727	4,532
Allowance for doubtful accounts	(464)	(631)
Total investments and other assets	72,967	67,249
Total non-current assets	190,067	175,832
Deferred assets	49	61
Total assets	308,017	290,428

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade *3	25,931	27,115
Short-term loans payable *3	22,388	20,824
Current portion of bonds	—	5,000
Income taxes payable	2,371	2,473
Accrued expenses	13,111	13,402
Provision for bonuses	690	710
Other current liabilities	5,167	4,552
Total current liabilities	69,661	74,078
Non-current liabilities		
Bonds payable	536	–
Convertible bond-type bonds with share acquisition rights	25,074	25,092
Long-term loans payable *3	22,181	12,418
Deferred tax liabilities	13,336	10,923
Net defined benefit liability	3,747	5,212
Accrued retirement benefits for directors	809	873
Other non-current liabilities	3,544	3,248
Total non-current liabilities	69,230	57,768
Total liabilities	138,891	131,847
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Capital surplus	11,308	11,262
Retained earnings	115,424	109,507
Treasury shares	(3,317)	(3,422)
Total shareholders' equity	135,656	129,587
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	27,770	24,444
Deferred gain (loss) on hedges	37	0
Foreign currency translation adjustment	493	961
Retirement benefits liability adjustments	308	(1,267)
Total accumulated other comprehensive income	28,610	24,139
Subscription rights to shares	234	260
Non-controlling interests	4,624	4,593
Total net assets	169,126	158,581
Total liabilities and net assets	308,017	290,428

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

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Net sales	329,566	344,839
Cost of sales	233,885	247,264
Gross profit	95,681	97,575
Selling, general and administrative expenses		
Freight, sales commission and other expenses	46,707	46,675
Provision for doubtful accounts	–	0
Salaries and wages	20,960	20,700
Retirement benefit expenses	942	788
Depreciation	1,327	1,178
Other	15,411	17,130
Total selling, general and administrative expenses *1	85,349	86,473
Operating income	10,331	11,101
Non-operating income (expenses)		
Interest income	107	102
Dividend income	1,517	1,526
Rent income on fixed assets	151	158
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	200	256
Foreign exchange gains	14	–
Interest expenses	(185)	(210)
Rent cost on fixed assets	(63)	(53)
Foreign exchange losses	–	(64)
Gain on sales of fixed assets *2	370	279
Gain on sales of investment securities	891	841
Compensation for expropriation *3	–	488
Gain on step acquisitions	485	–
Loss on sales and disposal of fixed assets *4	(101)	(112)
Impairment loss *5	(576)	(33)
Loss on valuation of investment securities	(73)	(247)
Demolition expenses	(20)	(72)
Expenses for change of the corporate brand logo and related items *6	–	(397)
Company name change cost *7	(297)	–
Other non-operating income (expenses), net	257	(176)
Total non-operating income (expenses), net	2,677	2,285
Profit before income taxes	13,009	13,386
Income taxes - current	3,994	4,164
Income taxes - deferred	272	205
Total income taxes	4,266	4,369
Profit	8,743	9,016
Profit attributable to non-controlling interests	134	74
Profit attributable to owners of parent	8,608	8,941

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Profit	8,743	9,016
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	3,432	(1,929)
Deferred gain (loss) on hedges	37	2
Foreign currency translation adjustment	(469)	269
Retirement benefits liability adjustments	1,567	(772)
Share of other comprehensive income of entities accounted for using equity method	(15)	(67)
Total other comprehensive income (loss) *1	4,551	(2,496)
Comprehensive income	13,294	6,520
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	13,153	6,459
Comprehensive income attributable to non-controlling interests	141	61

(iii) Consolidated statements of changes in net assets

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
Changes during period					
Dividends of surplus			(2,689)		(2,689)
Profit attributable to owners of parent			8,608		8,608
Change in scope of consolidation					–
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(2)	105	103
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	5,917	105	6,068
Balance at end of current period	12,240	11,308	115,424	(3,317)	135,656

	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 comprehen-sive income			
Balance at beginning of current period	24,444	0	961	(1,267)	24,139	260	4,593	158,581
Changes during period								
Dividends of surplus								(2,689)
Profit attributable to owners of parent								8,608
Change in scope of consolidation								–
Purchase of treasury shares								(0)
Disposal of treasury shares								103
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)	31	4,476
Total changes during period	3,325	37	(467)	1,576	4,471	(26)	31	10,544
Balance at end of current period	27,770	37	493	308	28,610	234	4,624	169,126

FY2020 (From April 1, 2019 to March 31, 2020)

(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	103,682	(3,536)	123,648
Changes during period					
Dividends of surplus			(2,533)		(2,533)
Profit attributable to owners of parent			8,941		8,941
Change in scope of consolidation			(573)		(573)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(9)	114	104
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					
Total changes during period	–	0	5,824	113	5,939
Balance at end of current period	12,240	11,262	109,507	(3,422)	129,587

	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 comprehen-sive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	26,424	(2)	572	(495)	26,498	287	4,552	154,986
Changes during period								
Dividends of surplus								(2,533)
Profit attributable to owners of parent								8,941
Change in scope of consolidation								(573)
Purchase of treasury shares								(0)
Disposal of treasury shares								104
Change in ownership interest of parent due to transactions with non-controlling interests								0
Net changes of items other than shareholders' equity	(1,979)	2	389	(771)	(2,359)	(26)	41	(2,344)
Total changes during period	(1,979)	2	389	(771)	(2,359)	(26)	41	3,594
Balance at end of current period	24,444	0	961	(1,267)	24,139	260	4,593	158,581

(iv) Consolidated statements of cash flows

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Operating activities		
Profit before income taxes	13,009	13,386
Depreciation	8,981	8,375
Changes in net defined benefit asset and net defined benefit liability	(514)	(577)
Increase (decrease) in accrued retirement benefits for directors	(63)	54
Increase (decrease) in allowance for doubtful accounts	(247)	(12)
Impairment loss	576	33
Proceeds from compensation for expropriation	–	(488)
Demolition expenses	20	72
Interest and dividend income	(1,626)	(1,628)
Interest expenses	185	210
Loss (gain) on sales of investment securities	(939)	(773)
Loss (gain) on valuation of investment securities	73	247
Loss (gain) on step acquisitions	(485)	–
Foreign exchange losses (gains)	(18)	52
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(200)	(256)
Loss (gain) on sales of fixed assets	(370)	(275)
Loss on disposal of fixed assets	122	117
Expenses for change of the corporate brand logo and related items	–	397
Company name change cost	297	–
Decrease (increase) in notes and accounts receivable - trade	2,682	2,503
Decrease (increase) in inventories	(1,623)	2,802
Increase (decrease) in notes and accounts payable - trade	(1,899)	(7,403)
Increase (decrease) in accrued consumption taxes	(1,816)	(294)
Decrease (increase) in other receivables	1,690	59
Increase (decrease) in other payables	(770)	1,073
Other, net	489	261
Subtotal	17,554	17,936
Interest and dividend income received	1,618	1,633
Interest expenses paid	(206)	(212)
Income taxes paid	(4,162)	(3,824)
Net cash provided by (used in) operating activities	14,804	15,532

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Investing activities		
Decrease (increase) in time deposits	542	162
Purchase of fixed assets	(15,828)	(15,607)
Proceeds from sales of fixed assets	621	509
Purchase of investment securities	(137)	(671)
Proceeds from sales and redemption of investment securities	2,056	1,455
Purchase of shares of subsidiaries resulting in change in scope of consolidation *2	(62)	–
Payments of loans receivable	(5)	(11)
Collection of loans receivable	22	19
Decrease (increase) in other investments	205	13
Net cash provided by (used in) investing activities	(12,585)	(14,130)
Financing activities		
Net increase (decrease) in short-term loans payable	1,134	1,668
Proceeds from long-term loans payable	12,036	2,646
Repayments of long-term loans payable	(2,584)	(2,313)
Redemption of bonds	(5,048)	–
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(2,689)	(2,533)
Dividends paid to non-controlling interests	(22)	(18)
Repayments of finance lease obligations	(190)	(208)
Other, net	(81)	(0)
Net cash provided by (used in) financing activities	2,553	(759)
Effect of exchange rate changes on cash and cash equivalents	(145)	113
Net increase (decrease) in cash and cash equivalents	4,627	755
Cash and cash equivalents at beginning of period	31,012	30,085
Increase in cash and cash equivalents from newly consolidated subsidiary	–	171
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(319)	–
Cash and cash equivalents at end of period *1	35,320	31,012

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, 2020 to conform to the classifications used for the year ended March 31, 2021.

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

49 (48 in 2020) companies

Names of major consolidated subsidiaries

NIPPN Donut Co., Ltd., Nippon Rich Co., Ltd., NIPPN ENGINEERING CO., Ltd., NPF Japan Co., Ltd., NIPPN Frozen Foods 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., Tofuku Flour Mills Co., Ltd., and Yamato Foods Co., Ltd.

Jackle Urashimaya Co., Ltd. and G&L mart Co., Ltd. have been included in the scope of consolidation in the current fiscal year following a business combination through which the Company acquired shares in these companies. In addition, Nippon Flour Mills (Shanghai) Co., Ltd. has been excluded from the scope of consolidation because its significance diminished in monetary terms.

(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 2020) companies (of which six (six in 2020) unconsolidated subsidiaries and eight (eight in 2020) affiliates)

Names of major equity method companies

NIPPN Logistics Co., Ltd. and Chiba Grain Center Co., Ltd.

(2) There are 10 (nine in 2020) unconsolidated subsidiaries and 15 (16 in 2020) 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 (nine in 2020) 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.

For a consolidated subsidiary whose balance sheet date is June 30 and a consolidated subsidiary whose balance sheet date is August 31, financial statements based on provisional settlement of account as of March 31 are used.

5. Significant accounting policies

(1) Valuation bases and methods for significant assets

(i) Securities

Other securities

Securities with available fair market values

Stated at fair value based on the market price at the end of the fiscal year (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).

Securities without available fair market values

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) 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.

(6) Method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over a period of five to ten years.

(7) 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.

(8) 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.

(9) Accounting methods for consumption taxes
Items subject to consumption taxes are accounted for at amounts exclusive of consumption taxes.
(Significant accounting estimates)

(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) Principal assumptions
Principal 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 principal 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) Principal assumptions

Principal 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 principal assumptions may result in a decrease in the total undiscounted future cash flows to be derived from the asset group when determining whether an impairment loss will be recognized. If the undiscounted future cash flows fall below the book value, impairment loss may be recorded.

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

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan)

(1) Summary

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) jointly developed comprehensive accounting standards for revenue recognition and published the “Revenue from Contracts with Customers” (IFRS 15 at the IASB and Topic 606 at the FASB) in May 2014. Given that IFRS 15 is to be applied from fiscal years starting on or after January 1, 2018 and that Topic 606 is to be applied from fiscal years starting after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them in conjunction with the implementation guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to be setting accounting standards incorporating the basic principles of IFRS 15 as a starting point from the standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to be adding alternative accounting treatments without losing comparability if there is an item that should take into account practices, etc., that have been conducted in Japan.

(2) Scheduled date of application

These are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

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

The effect of application of the “Accounting Standard for Revenue Recognition,” etc., on the consolidated financial statements is currently under review.

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

(1) Summary

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) provide similar comprehensive guidance on fair value measurement (IFRS 13 “Fair Value Measurement” under International Financial Reporting Standards (IFRS) and the Accounting Standards Codification Topic 820 “Fair Value Measurement” under US-GAAP). In light of this situation, the ASBJ sought to ensure that Japanese standards are consistent with international accounting standards, especially for the guidance and disclosure of the fair value of financial instruments, and published the “Accounting Standard for Fair Value Measurement,” etc.

The basic policy of the ASBJ in developing accounting standards for fair value measurement is thought to be generally adopting all the provisions of IFRS 13, in order to improve the comparability of financial statements between domestic and foreign companies by using a standardized measurement method, as well as to be specifying alternative accounting treatment for specific items without significantly undermining the comparability of financial statements, by taking into account the practices that have been used in Japan.

(2) Scheduled date of application

These are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

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

The effect of application of the “Accounting Standard for Fair Value Measurement,” etc., on the consolidated financial statements is currently under review.

(Changes in presentation)

(Application of the “Accounting Standard for Disclosure of Accounting Estimates”)

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements pertaining to the end of the current fiscal year, thereby notes to significant accounting estimates are provided in the consolidated financial statements.

In the notes, however, contents pertaining to the previous fiscal year are not provided, pursuant to the transitional provisions as set forth in provisory clause in Paragraph 11 of the said Accounting Standard.

(Consolidated statements of income)

“Impairment loss” included in “Other non-operating income (expenses), net” in the previous fiscal year, is reclassified as a separate item in the current fiscal year, because the amount has become significant.

As a result, ¥33 million included in “Other non-operating income (expenses), net” in the consolidated financial statements for the previous fiscal year has been reclassified as “Impairment loss.”

(Consolidated statements of cash flows)

“Impairment loss” included in “Other, net” under “Operating activities” in the previous fiscal year, is reclassified as a separate item in the current fiscal year, because the amount has become significant.

As a result, ¥33 million included in “Other, net” under “Operating activities” in the consolidated financial statements for the previous fiscal year has been reclassified as “Impairment loss.”

(Consolidated balance sheets)

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

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Investment securities	5,506	5,147

*2 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)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
	576	423

*3 Assets pledged as collateral

(1) Assets pledged as collateral

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Buildings and structures	1,097	1,133
Machinery and equipment	502	551
Land	1,039	1,039
Property, plant and equipment (other)	0	0
Investment securities	179	136
Total	2,819	2,861

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

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Buildings and structures	406	372
Machinery and equipment	341	344
Land	91	91
Total	840	808

(2) Liabilities corresponding to assets pledged as collateral

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Short-term loans payable	1,600	1,600
Long-term loans payable (including current portion)	165	237
Notes and accounts payable - trade	635	760
Total	2,400	2,598

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

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Short-term loans payable	400	400
Long-term loans payable (including current portion)	—	42

Total	400	442

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

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Employees	6	8

(Consolidated statements of income)

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

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
	3,330	3,381

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

*3 Compensation for expropriation
FY2020 (From April 1, 2019 to March 31, 2020)
This is compensation for expropriation related to the eviction of Nippon Flour Mills (Shanghai) Co., Ltd.

*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.
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 realizable value, which is calculated based on appraisal reports obtained from independent real estate appraisers and other information.

FY2020 (From April 1, 2019 to March 31, 2020)

Location	Intended use	Type of assets
Itabashi ward, Tokyo, 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 ¥33 million.
Although the recoverable amount is measured by value in use, it is stated as zero, as no future cash flow is expected.

*6 Expenses for change of the corporate brand logo and related items
FY2020 (From April 1, 2019 to March 31, 2020)
These are expenses incurred for altering packaging and other related expenses as a result of changing the corporate brand logo.

*7 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.

(Consolidated statements of comprehensive income)

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

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Unrealized holding gain (loss) on securities:		
Amount arising during the year	5,581	(2,248)
Reclassification adjustments	(667)	(535)
Before tax effect adjustments	4,914	(2,783)
Tax effects	(1,482)	853
Unrealized holding gain (loss) on securities	3,432	(1,929)
Deferred gain (loss) on hedges:		
Amount arising during the year	35	(13)
Reclassification adjustments	18	17
Before tax effect adjustments	53	4
Tax effects	(16)	(1)
Deferred gain (loss) on hedges	37	2
Foreign currency translation adjustment:		
Amount arising during the year	(423)	269
Reclassification adjustments	(45)	—
Foreign currency translation adjustment	(469)	269
Retirement benefits liability adjustments:		
Amount arising during the year	1,963	(1,187)
Reclassification adjustments	266	59
Before tax effect adjustments	2,229	(1,128)
Tax effects	(661)	355
Retirement benefits liability adjustments	1,567	(772)
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	(15)	(67)
Total other comprehensive income (loss)	4,551	(2,496)

(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.

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 of 0 thousand shares in the number of treasury shares of common stock was mainly due to the purchase of 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

FY2020 (From April 1, 2019 to March 31, 2020)

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

(Thousands of shares)

	Number of shares as of April 1, 2019	Increase in number of shares during fiscal year	Decrease in number of shares during fiscal year	Number of shares as of March 31, 2020
Issued shares				
Common stock	78,824	–	–	78,824
Treasury shares				
Common stock (Note 1, 2)	2,226	0	69	2,157

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 69 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, 2020 (Millions of yen)
			As of April 1, 2019	Increase	Decrease	As of March 31, 2020	
Reporting company (Parent company)	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2025	Common stock	10,888,501	11,869	–	10,900,370	(Note) –
	Subscription rights to shares as stock options	–	–	–	–	–	260
Total		–	–	–	–	–	260

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 27, 2019	Common stock	1,304	17.0	March 31, 2019	June 28, 2019
Board of Directors meeting held on November 7, 2019	Common stock	1,229	16.0	September 30, 2019	November 29, 2019

(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 26, 2020	Common stock	1,382	Retained earnings	18.0	March 31, 2020	June 29, 2020

(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)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Cash and deposits	37,486	33,829
Time deposits with maturity over three months	(2,165)	(2,817)
Cash and cash equivalents	35,320	31,012

*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 current 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)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Due within one year	39	23
Due after one year	55	47
Total	95	71

(Lessor)

1. Operating lease transactions

Future lease payments for non-cancelable operating lease transactions

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Due within one year	822	845
Due after one year	3,128	3,937
Total	3,951	4,783

(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, 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 (5) 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 financial instruments whose fair values are deemed to be extremely difficult to determine (see Note 2 below).

FY2021 (As of March 31, 2021)

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
(1) Cash and deposits	37,486	37,486	–
(2) Notes and accounts receivable - trade	42,353	42,353	–
(3) Investment securities	56,094	56,094	–
(4) Notes and accounts payable - trade	(25,931)	(25,931)	–
(5) Short-term loans payable (excluding current portion of long-term loans payable)	(19,927)	(19,927)	–
(6) Bonds payable (including current portion of bonds payable)	(536)	(532)	3
(7) Convertible bond-type bonds with share acquisition rights	(25,074)	(25,400)	(326)
(8) Long-term loans payable (including current portion of long-term loans payable)	(24,643)	(24,334)	308
(9) Derivatives	53	53	–

(*) Liabilities are presented in parentheses.

FY2020 (As of March 31, 2020)

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
(1) Cash and deposits	33,829	33,829	–
(2) Notes and accounts receivable - trade	44,928	44,928	–
(3) Investment securities	51,744	51,744	–
(4) Notes and accounts payable - trade	(27,115)	(27,115)	–
(5) Short-term loans payable (excluding current portion of long-term loans payable)	(18,593)	(18,593)	–
(6) Bonds payable (including current portion of bonds payable)	(5,000)	(5,000)	(0)
(7) Convertible bond-type bonds with share acquisition rights	(25,092)	(25,575)	(483)
(8) Long-term loans payable (including current portion of long-term loans payable)	(14,650)	(14,496)	154
(9) Derivatives	(0)	(0)	–

(*) Liabilities are presented in parentheses.

Note 1: Calculation methods of the fair value of financial instruments and matters relating to securities and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable - trade

The book value is used as the fair value, given that the fair value is almost equivalent to the amount of the book value, as they are settled in a short time.

(3) Investment securities

Stocks are valued at prices on stock exchanges and bonds are valued at prices obtained from financial institutions. For matters concerning securities by holding purpose, please refer to note on “Securities.”

(4) Notes and accounts payable - trade and (5) Short-term loans payable

The book value is used as the fair value, given that the fair value is almost equivalent to the amount of the book value, as they are settled in a short time.

(6) Bonds payable

The fair value of bonds payable with available fair market value is valued at market prices. The fair value of bonds payable without available fair market value is estimated by discounting the total amount of principal and interest at a rate that reflects the remaining periods of the bonds and the credit risk.

(7) Convertible bond-type bonds with share acquisition rights

The fair value of convertible bond-type bonds with share acquisition rights is valued at market prices.

(8) Long-term loans payable

The fair value of long-term loans payable is estimated 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. 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.

(9) Derivatives

Please refer to notes on “Derivatives.”

Note 2: Carrying amounts of financial instruments whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Category	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Unlisted stocks and others	9,715	9,780

Unlisted stocks are not included in “(3) Investment securities” because they have no market prices and their fair values are deemed to be extremely difficult to determine as future cash flow cannot be estimated.

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

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

FY2020 (As of March 31, 2020)

(Millions of yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Deposits	33,688	–	–	–
Notes and accounts receivable - trade	44,928	–	–	–
Securities and investment securities				
Other securities with maturities				
(1) Bonds (Corporate bonds)	21	345	217	105
(2) Other	–	173	159	–
Total	78,638	518	376	105

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

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

FY2020 (As of March 31, 2020)

(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	18,593	–	–	–	–	–
Bonds payable	5,000	–	–	–	–	–
Convertible bond-type bonds with share acquisition rights	–	–	–	–	–	25,000
Long-term loans payable	2,231	1,674	1,534	2,334	2,410	4,464
Total	25,824	1,674	1,534	2,334	2,410	29,464

(Securities)

1. Other securities

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.

FY2020 (As of March 31, 2020)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Stocks	49,248	13,458	35,789
	(2) Bonds			
	(i) Government bonds and local government bonds	–	–	–
	(ii) Corporate bonds	60	57	3
	(iii) Other	–	–	–
	(3) Other	121	115	6
	Subtotal	49,430	13,631	35,799
Securities whose carrying amount does not exceed their acquisition cost	(1) Stocks	1,231	1,499	(268)
	(2) Bonds			
	(i) Government bonds and local government bonds	–	–	–
	(ii) Corporate bonds	595	767	(171)
	(iii) Other	–	–	–
	(3) Other	507	698	(190)
	Subtotal	2,334	2,964	(630)
Total		51,764	16,595	35,168

Note: Unlisted stocks (carrying amount: ¥4,633 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

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)

FY2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
(1) Stocks	1,132	841	–
(2) Bonds			
(i) Government bonds and local government bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	161	5	–
Total	1,294	846	–

3. Securities subject to impairment

In the previous fiscal year, the Company recognized ¥247 million as impairment loss for securities. In the current fiscal year, the Company recognized ¥73 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 securities whose fair value is deemed to be extremely difficult to determine, 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
   FY2021 (From April 1, 2020 to March 31, 2021)
   Not applicable

   FY2020 (From April 1, 2019 to March 31, 2020)
   Not applicable

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

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.

FY2020 (As of March 31, 2020)

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	1,116	–	0
	EUR		246	–	0
	Sell				
	USD	Accounts receivable - trade	95	–	(1)
Total			1,459	–	0

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

(2) Interest rate-related transactions

FY2021 (As of March 31, 2021)

Not applicable

FY2020 (As of March 31, 2020)

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.

Regarding the Restaurant Industry JF Social Pension Fund that some domestic consolidated subsidiaries had joined, after receiving authorization for the transfer of the substitution part of future periods from the Minister of Health, Labour and Welfare on April 1, 2018, the fund has been dissolved as of January 1, 2019, and liquidation procedures are currently being carried out. Additional expenses to be borne by the Company are not expected to arise due to the dissolution of the said fund.

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)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Balance of retirement benefit obligations at beginning of period	16,807	16,633
Service cost	891	871
Interest cost	118	116
Actuarial gain or loss	(88)	88
Retirement benefit paid	(978)	(902)
Other	0	0
Balance of retirement benefit obligations at end of period	16,749	16,807

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

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Balance of plan assets at beginning of period	13,472	13,866
Expected return	246	232
Actuarial gain or loss	1,874	(1,098)
Employer's contribution	1,211	1,185
Retirement benefit payments	(778)	(713)
Balance of plan assets at end of period	16,026	13,472

(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)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Net defined benefit liability and net defined benefit asset at beginning of period	1,679	1,635
Retirement benefit expenses	261	271
Retirement benefit paid	(111)	(181)
Contributions to plans	(62)	(52)
Other	55	5
Net defined benefit liability and net defined benefit asset at end of period	1,821	1,679

(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)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Retirement benefit obligation for funded plans	17,572	17,572
Plan assets	(16,891)	(14,248)
	680	3,323
Retirement benefit obligation for non-funded plans	1,864	1,690
Net liabilities and assets recorded on the consolidated balance sheets	2,545	5,013
Net defined benefit liability	3,747	5,212
Net defined benefit asset	(1,202)	(198)
Net liabilities and assets recorded on the consolidated balance sheets	2,545	5,013

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

(5) Retirement benefit expenses and the breakdown

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Service cost	891	871
Interest cost	118	116
Expected return	(246)	(232)
Amortization of actuarial gain or loss	266	59
Retirement benefit expenses based on simplified method	261	271
Other	(0)	–
Retirement benefit expenses relating to defined benefit plan	1,290	1,085

(6) Retirement benefits liability adjustments

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

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Actuarial gain or loss	2,229	(1,128)

(7) Accumulated retirement benefits liability adjustments

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

(Millions of yen)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Unrecognized actuarial gains and losses	(496)	1,732

(8) Matters relating to plan assets

(i) Major breakdown of plan assets

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

	FY2021 (As of March 31, 2021) (%)	FY2020 (As of March 31, 2020) (%)
Bonds	36	39
Stocks	39	30
General account	1	1
Other	24	30
Total	100	100

Note: The total plan assets include a retirement benefit trust established for the corporate pension plan, accounting for 21% of the total plan assets as of the end of the current fiscal year (24% 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

	FY2021 (As of March 31, 2021) (%)	FY2020 (As of March 31, 2020) (%)
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 - 4.1	0.0 - 4.6

3. Defined contribution plan

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Required contributions to defined contribution plan for consolidated subsidiaries	31	34

4. Multi-employer plans

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

FY2020 (From April 1, 2019 to March 31, 2020)
Not applicable

Regarding the Restaurant Industry JF Social Pension Fund that some domestic consolidated subsidiaries had joined, after receiving authorization for the transfer of the substitution part of future periods from the Minister of Health, Labour and Welfare on April 1, 2018, the fund has been dissolved as of January 1, 2019. As liquidation procedures are currently being carried out, this information has been omitted.

(Stock options)

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

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Selling, general and administrative expenses	77	77

2. Details, size and changes in stock options

(1) Details of stock options

	2020 Stock Options	2019 Stock Options
Category and number of grantees	Directors of the Company; 9	Directors of the Company; 12
Number of stock options by type of shares (Note)	48,500 shares of common stock	45,700 shares of common stock
Grant date	July 28, 2020	July 29, 2019
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, 2020 to June 30, 2021	From July 1, 2019 to June 30, 2020
Exercise period	From July 29, 2020 to July 28, 2050	From July 30, 2019 to July 29, 2049

	2018 Stock Options	2017 Stock Options
Category and number of grantees	Directors of the Company; 13	Directors of the Company; 13
Number of stock options by type of shares (Note)	46,900 shares of common stock	47,950 shares of common stock
Grant date	July 25, 2018	July 26, 2017
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, 2018 to June 30, 2019	From July 1, 2017 to June 30, 2018
Exercise period	From July 26, 2018 to July 25, 2048	From July 27, 2017 to July 26, 2047

	2016 Stock Options	2015 Stock Options
Category and number of grantees	Directors of the Company; 12	Directors of the Company; 11
Number of stock options by type of shares (Note)	51,700 shares of common stock	51,100 shares of common stock
Grant date	July 27, 2016	July 23, 2015
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, 2016 to June 30, 2017	From July 1, 2015 to June 30, 2016
Exercise period	From July 28, 2016 to July 27, 2046	From July 24, 2015 to July 23, 2045

	2014 Stock Options
Category and number of grantees	Directors of the Company; 9
Number of stock options by type of shares (Note)	61,700 shares of common stock
Grant date	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.
Vesting period	From July 1, 2014 to June 30, 2015
Exercise period	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 FY2021 (fiscal year ended March 31, 2021). The number of stock options represents the number of shares.

(i) Number of stock options

	2020 Stock Options	2019 Stock Options	2018 Stock Options	2017 Stock Options	2016 Stock Options	2015 Stock Options	2014 Stock Options
Before vesting (Shares)							
As of March 31, 2020	–	45,700	34,150	32,300	25,500	19,900	18,100
Granted	48,500	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–
Vested	–	17,050	15,550	12,950	8,700	4,700	5,400
Unvested	48,500	28,650	18,600	19,350	16,800	15,200	12,700
After vesting (Shares)							
As of March 31, 2020	–	–	–	–	–	–	–
Vested	–	17,050	15,550	12,950	8,700	4,700	5,400
Exercised	–	17,050	15,550	12,950	8,700	4,700	5,400
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

	2020 Stock Options	2019 Stock Options	2018 Stock Options	2017 Stock Options	2016 Stock Options	2015 Stock Options	2014 Stock Options
Exercise price (Yen)	1	1	1	1	1	1	1
Average price per share upon exercise (Yen)	–	1,649	1,649	1,648	1,648	1,648	1,648
Fair value per share at grant date (Yen)	1,612	1,658	1,798	1,667	1,512	1,590	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 2020 stock options granted in the current fiscal year is as follows:

(i) Valuation method: Black-Scholes Model

(ii) Main assumptions and estimation method:

	2020 Stock Options
Volatility of share price (Note 1)	17.1%
Estimated remaining outstanding period (Note 2)	Three years and 10 months
Estimated dividend (Note 3)	¥34 per share
Risk-free interest rate (Note 4)	(0.14)%

Notes: 1. Calculated based on the stock market performance for the three years and 11 months (from August 2016 to July 2020).

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, 2020.

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)

	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Deferred tax assets		
Tax loss carried forward (Note 1)	2,003	1,341
Non-deductible accrued enterprise tax	205	200
Accrued bonuses	548	549
Net defined benefit liability	2,418	2,492
Loss on valuation of securities	92	75
Unrealized gain on sales of fixed assets	945	926
Loss on valuation of non-current assets	458	303
Other	1,876	2,733
Subtotal deferred tax assets	8,548	8,620
Valuation allowance for tax loss carried forward (Note 1)	(1,881)	(1,298)
Valuation allowance for total future deductible temporary differences, etc.	(1,381)	(1,239)
Subtotal valuation allowance	(3,263)	(2,538)
Total deferred tax assets	5,284	6,082
Amount offset by deferred tax liabilities	3,631	4,515
Net deferred tax assets	1,653	1,567
Deferred tax liabilities		
Reserve for reduction entry	2,877	2,846
Unrealized holding gain (loss) on securities	12,246	10,763
Gain on contribution of securities to retirement benefit trust	435	435
Other	1,409	1,392
Subtotal deferred tax liabilities	16,967	15,439
Amount offset by deferred tax assets	3,631	4,515
Net deferred tax liabilities	13,336	10,923

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

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.

FY2020 (As of March 31, 2020)

(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)	133	92	137	123	41	812	1,341
Valuation allowance	(125)	(92)	(134)	(123)	(41)	(781)	(1,298)
Deferred tax assets	8	–	2	–	–	31	42

(*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

	FY2021 (As of March 31, 2021) (%)	FY2020 (As of March 31, 2020) (%)
Effective statutory tax rate	30.6	30.6
(Adjustments)		
Entertainment expenses and other non-deductible permanent differences	0.5	0.8
Non-taxable permanent differences such as dividend income	(0.7)	(0.7)
Per capita inhabitant taxes	0.7	0.7
Special deductions from income tax	(1.3)	(1.5)
Effect of change in effective tax rate	–	–
Differences of tax rates at foreign subsidiaries	(0.4)	(0.4)
Other	3.4	3.1
Actual effective tax rate after tax effect accounting	32.8	32.6

(Business combination)

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

Business combination through acquisition

1. Overview of business combination

(1) Name and business contents of the acquired companies

Name of the acquiring company: NIPPUN SHOJI CORPORATION

(i) Name of the acquired company: Jackle Urashimaya Co., Ltd.

Business contents: Operation of food mass-market retailers

(ii) Name of the acquired company: G&L mart Co., Ltd.

Business contents: Operation of food mass-market retailers

Note: The acquired companies will conduct a merger on July 1, 2021 in which G&L mart Co., Ltd. will be the surviving company and Jackle Urashimaya Co., Ltd. will be the dissolving company.

(2) Principal reasons for business combination

Shares in Jackle Urashimaya Co., Ltd. were acquired based on the judgement that a synergistic effect can be achieved by reorganizing the capital relationship through a business combination and streamlining the two companies' business operations.

(3) Date of business combination

February 1, 2021

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Corporate name after the business combination

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

(6) Ratio of voting rights acquired

(i) Jackle Urashimaya Co., Ltd.

Ratio of voting rights owned prior to the business combination: －%

Ratio of voting rights additionally acquired on business combination date: 100.00%

Ratio of voting rights after the acquisition: 100.00%

(ii) G&L mart Co., Ltd.

Ratio of voting rights owned prior to the business combination: 46.43%

Ratio of voting rights additionally acquired on business combination date: 46.43% (including indirect holding of 46.43%)

Ratio of voting rights after the acquisition: 92.86% (including indirect holding of 46.43%)

(7) Grounds for determining the acquiring company

Share acquisition in exchange for cash conducted by NIPPUN SHOJI CORPORATION, a consolidated subsidiary of the Company

2. Period of the acquired companies' business results included in the consolidated financial statements

From February 1, 2021 to March 31, 2021

3. Cost of the acquisition of the acquired companies and the breakdown thereof

	(Millions of yen)
Consideration for the acquisition: Cash	1,297
Acquisition cost	1,297

4. Difference between the cost of acquisition of the acquired companies and the total of acquisition cost of each transaction until the completion of acquisition

	(Millions of yen)
Cost of acquisition of the acquired companies	523
Total of acquisition cost of each transaction until the completion of acquisition	38
Difference (Gain on step acquisitions)	485

5. Principal expenses related to the acquisitions and amount thereof

Due diligence costs, etc.: ¥6 million

6. Amount of goodwill arising from the acquisition, reason for the goodwill, and method and period for amortization of goodwill
(1) Amount of goodwill arising from the acquisition: ¥1,264 million
(2) Reason for the goodwill
The goodwill arose in relation to the anticipated future profit.
(3) Method and period for amortization of goodwill
Goodwill will be amortized by the straight-line method over a period of ten years.

7. Amounts of assets acquired and liabilities assumed on the date of business combination, and breakdown thereof

	(Millions of yen)
Current assets	2,553
Non-current assets	1,680
Total assets	4,233
Current liabilities	2,161
Non-current liabilities	1,439
Total liabilities	3,600

8. Approximate amount and calculation method of the impact of business combination on the consolidated statements of income for the current fiscal year assuming that the acquisition was completed on the first day of the current fiscal year

	(Millions of yen)
Net sales	13,559
Operating income	324
Ordinary Income	360
Profit before income taxes	360
Profit attributable to owners of parent	235

(Calculation method of approximate amount)
The approximate amount is the difference between the amount of net sales and profit and loss information, which were calculated assuming that the business combination was completed on the first day of the current fiscal year, and net sales and profit and loss information on the acquired companies' consolidated statements of income.
This note has not received audit certification.

(Asset retirement obligations)
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.

As of March 31, 2020
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)
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.

FY2020 (From April 1, 2019 to March 31, 2020)

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 ¥410 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 ¥130 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	
3,536	4,336	7,873	24,287

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 ¥4,621 million due to new acquisitions, and the decrease mainly consists of ¥146 million of depreciation and ¥139 million due to sales of properties.

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

(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.

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

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	97,653	196,514	294,167	35,398	329,566	–	329,566
Internal sales or transfers between segments	1,977	515	2,493	6,646	9,139	(9,139)	–
Total	99,631	197,029	296,661	42,044	338,705	(9,139)	329,566
Segment income	5,102	4,264	9,366	1,034	10,401	(70)	10,331
Segment assets	103,555	118,224	221,779	23,192	244,972	63,045	308,017
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 ¥(70) 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.

FY2020 (From April 1, 2019 to March 31, 2020)

(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	102,621	204,399	307,021	37,818	344,839	–	344,839
Internal sales or transfers between segments	2,137	627	2,764	2,086	4,851	(4,851)	–
Total	104,758	205,027	309,786	39,904	349,691	(4,851)	344,839
Segment income	5,657	4,865	10,522	547	11,070	31	11,101
Segment assets	106,318	105,149	211,468	23,640	235,108	55,320	290,428
Other items							
Depreciation	2,994	3,912	6,907	1,128	8,036	338	8,375
Increase in property, plant and equipment and intangible assets	3,133	5,772	8,905	4,803	13,709	(117)	13,592

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 ¥31 million includes elimination of inter-segment transactions and corporate expenses.
3. Corporate assets included in adjustments of segment assets amounted to ¥56,549 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 ¥(117) 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]

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	43,199	Flour Milling and Food

FY2020 (From April 1, 2019 to March 31, 2020)

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.	50,479	Food
ITOCHU Corporation	43,722	Flour Milling and Food

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

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.

FY2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Flour Milling	Food	Other (Note)	Adjustments and elimination	Total
Impairment loss	–	–	33	–	33

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

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

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.

FY2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Flour Milling	Food	Other (Note)	Adjustments and elimination	Total
Amortization during current period	–	49	62	–	112
Balance at end of current period	–	136	377	–	514

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

[Information on gain on bargain purchase by reportable segment]

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

Not applicable

FY2020 (From April 1, 2019 to March 31, 2020)

Not applicable

[Related parties]

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

FY2020 (From April 1, 2019 to March 31, 2020)
Not applicable

(Per share information)

(Yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Net assets per share	2,141.91	2,006.14
Basic profit per share	112.27	116.71
Fully diluted profit per share	97.94	101.82

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

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Basic profit per share		
Profit attributable to owners of parent (Millions of yen)	8,608	8,941
Amount not attributable to common shareholders (Millions of yen)	–	–
Amount pertaining to common stock (Millions of yen)	8,608	8,941
Average number of shares of common stock in the fiscal year (Thousands of shares)	76,680	76,617
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)	11,091	11,081
Summary of residual securities not included in calculation of fully diluted profit per share due to non dilutive effect	–	–

(Significant subsequent events)
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).

(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	4th Series of Unsecured Straight Bonds	April 19, 2013	5,000	–	0.524	None	April 17, 2020
Same as above	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2025 (Note 2)	June 22, 2018	25,092	25,074	–	None	June 20, 2025
Jackle Urashimaya Co., Ltd.	17th Series of Unsecured Straight Bonds	September 29, 2017	–	15	0.230	None	September 30, 2022
Same as above	18th Series of Bank-guaranteed Private Placement Bonds	September 10, 2018	–	50	0.490	None	September 8, 2023
Same as above	19th Series of Unsecured Straight Bonds	September 28, 2018	–	25	0.290	None	September 29, 2023
Same as above	20th Series of Credit Guarantee Association-guaranteed Private Placement Bonds	February 25, 2019	–	150	0.400	None	February 22, 2024
Same as above	21st Series of Bank-guaranteed Private Placement Bonds	September 25, 2019	–	196	0.300	None	September 25, 2024
Same as above	22nd Series of Unsecured Straight Bonds	September 25, 2019	–	100	0.100	None	September 25, 2025
Total	–	–	30,092	25,610	–	–	–

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
–	187	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)	2,287.9
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	18,593	19,927	0.46	–
Current portion of long-term loans payable	2,231	2,461	0.33	–
Current portion of lease obligations	160	260	–	–
Long-term loans payable (excluding current portion)	12,418	22,181	0.28	2022 – 2031
Lease obligations (excluding current portion)	437	681	–	2022 – 2030
Other interest-bearing debt	—	—	–	–
Total	33,842	45,512	–	–

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	1,681	2,746	2,622	2,018
Lease obligations	211	140	109	78

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.