

(English translation and a part of summary of the Annual Securities Report for the twelve-month period ended March 31, 2022, pursuant to the Financial Instruments and Exchange act of Japan.)

Annual Financial Report

For the fiscal year ended March 31, 2022

NH Foods Ltd.

V Financial Information

1. Preparation of consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of NH Foods Ltd. (the “Company”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), pursuant to the provisions of Article 93 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976, the “Regulation on Consolidated Financial Statements”).

(2) The non-consolidated financial statements of the Company have been prepared based on the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963, the “Regulation on Financial Statements”).

The Company falls under the category of special companies submitting financial statements and has prepared the non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit certification

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022) have been audited by Deloitte Touche Tohmatsu LLC.

3. Special measures to ensure fair presentation of the consolidated financial statements and other public filings as well as internal system to appropriately prepare the consolidated financial statements and other public filings in accordance with IFRS

The Company has taken special measures to ensure the fair presentation of the consolidated financial statements and other public filings and has developed an internal system to appropriately prepare the consolidated financial statements and other public filings in accordance with IFRS as follows:

(1) In order to have an appropriate understanding of the contents of the accounting standards and other principles and to develop a system so that the Company can properly respond to the changes in the accounting standards and other principles, the Company has become a member of the Financial Accounting Standards Foundation and participates in seminars held by organizations and bodies with expertise.

(2) In order to appropriately apply IFRS, the Company keeps itself updated about the latest IFRS by obtaining press releases and standards disclosed by the International Accounting Standards Board.

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statements of Financial Position

(millions of yen)

	Notes	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
(Assets)			
Current Assets			
Cash and cash equivalents	6,29	83,831	85,374
Trade and other receivables	7	127,067	136,017
Inventories	8	107,906	119,980
Biological assets	9	23,581	32,755
Other financial assets	29	15,082	24,648
Other current assets		8,561	15,532
Total Current Assets		366,028	414,306
Non-current Assets			
Property, plant and equipment	10	325,629	345,022
Right-of-use assets	15	38,362	46,090
Biological assets	9	1,314	1,240
Intangible assets and goodwill	11	10,608	15,269
Investments accounted for using the equity method	12	9,011	12,410
Other financial assets	29	35,796	35,232
Deferred tax assets	13	26,056	26,279
Other non-current assets	18	12,601	13,365
Total Non-current Assets		459,377	494,907
Total Assets		825,405	909,213

(millions of yen)

	Notes	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
(Liabilities and Equity)			
Current Liabilities			
Interest-bearing liabilities	14,29	59,322	90,056
Trade and other payables	16	98,983	103,719
Income taxes payable	13	9,748	6,494
Other financial liabilities	29	25,290	42,056
Other current liabilities	17	35,822	39,594
Total Current Liabilities		229,165	281,919
Non-current Liabilities			
Interest-bearing liabilities	14,29	134,428	121,351
Retirement benefit liabilities	18	14,543	12,951
Other financial liabilities	29	683	754
Deferred tax liabilities	13	581	1,045
Other non-current liabilities		1,696	1,639
Total Non-current Liabilities		151,931	137,740
Total Liabilities		381,096	419,659
Equity			
Common stock	19,21	36,294	36,294
Capital surplus	19,21	71,240	71,272
Retained earnings	19,20,29	320,577	360,900
Treasury stock, at cost	19	(3,532)	(2,856)
Accumulated other comprehensive income	26,29	9,016	13,459
Total Equity Attributable to Owners of the Parent		433,595	479,069
Non-controlling Interests		10,714	10,485
Total Equity		444,309	489,554
Total Liabilities and Equity		825,405	909,213

2) Consolidated Statements of Income

(millions of yen)

	Notes	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Net Sales	22	1,106,351	1,174,389
Cost of Goods Sold	8,9,10,11,15	907,897	974,361
Selling, General and Administrative Expenses	10,11,15,21, 23	149,829	157,950
Other Income	24	8,595	10,609
Other Expenses	10,11,12,24	11,910	8,554
Financial Income	25,29	2,392	2,193
Financial Costs	15,25,29	1,511	3,984
Share of Profit in Investments Accounted for Using the Equity Method	12	1,413	9,024
Profit before Tax		47,604	51,366
Income Tax Expense	13	17,253	12,668
Profit from Continuing Operations		30,351	38,698
Profit from Discontinued Operations	31	707	8,949
Profit		31,058	47,647
Profit Attributable to:			
Owners of the Parent			
Continuing Operations		31,914	38,944
Discontinued Operations		702	9,105
Total		32,616	48,049
Non-controlling Interests			
Continuing Operations		(1,563)	(246)
Discontinued Operations		5	(156)
Total		(1,558)	(402)
Profit		31,058	47,647

Earnings per Share	27		
Earnings per share (basic)		317.97 yen	469.92 yen
Continuing Operations		311.13 yen	380.87 yen
Discontinued Operations		6.84 yen	89.05 yen
Earnings per share (diluted)		317.89 yen	469.81 yen
Continuing Operations		311.05 yen	380.78 yen
Discontinued Operations		6.84 yen	89.03 yen

3) Consolidated Statements of Comprehensive Income

(millions of yen)

	Notes	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Profit		31,058	47,647
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans	18,19,26	3,384	1,598
Financial assets measured at fair value through other comprehensive income	19,26,29	2,601	(36)
Total		5,985	1,562
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19,26	4,285	3,972
Share of other comprehensive income of investments accounted for using the equity method	12,19,26	429	991
Total		4,714	4,963
Total Other Comprehensive Income		10,699	6,525
Comprehensive Income		41,757	54,172
Comprehensive Income Attributable to:			
Owners of the Parent		43,202	54,370
Non-controlling Interests		(1,445)	(198)
Comprehensive Income		41,757	54,172

4) Consolidated Statements of Changes in Equity

Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)

(millions of yen)

	Notes	Equity attributable to owners of the parent								Non-controlling interests	Total equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income						Total
						Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal			
Balance as of April 1, 2020		36,294	72,639	294,018	(173)	-	7,178	(5,542)	1,636	404,414	12,183	416,597
Profit				32,616					-	32,616	(1,558)	31,058
Other comprehensive income	26					3,384	2,598	4,604	10,586	10,586	113	10,699
Comprehensive income		-	-	32,616	-	3,384	2,598	4,604	10,586	43,202	(1,445)	41,757
Dividends	20			(9,263)					-	(9,263)	(6)	(9,269)
Acquisition of treasury stock	19		(2)		(3,565)				-	(3,567)		(3,567)
Disposal of treasury stock	19		(16)		206				-	190		190
Share-based payment transactions	21		87						-	87		87
Establishment of subsidiaries									-	-	2	2
Change in ownership interest of parent due to transactions with non-controlling interests			(1,468)						-	(1,468)	(20)	(1,488)
Transfer of accumulated other comprehensive income to retained earnings	29			3,206		(3,384)	178		(3,206)	-		-
Total transactions with owners		-	(1,399)	(6,057)	(3,359)	(3,384)	178	-	(3,206)	(14,021)	(24)	(14,045)
Balance as of March 31, 2021		36,294	71,240	320,577	(3,532)	-	9,954	(938)	9,016	433,595	10,714	444,309

Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

(millions of yen)

	Notes	Equity attributable to owners of the parent									Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
						Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal			
Balance as of April 1, 2021		36,294	71,240	320,577	(3,532)	-	9,954	(938)	9,016	433,595	10,714	444,309
Profit	26			48,049					-	48,049	(402)	47,647
Other comprehensive income						1,598	(35)	4,758	6,321	6,321	204	6,525
Comprehensive income		-	-	48,049	-	1,598	(35)	4,758	6,321	54,370	(198)	54,172
Dividends	20			(9,604)					-	(9,604)	(6)	(9,610)
Acquisition of treasury stock	19				(2)				-	(2)		(2)
Disposal of treasury stock	19		(61)		678				-	617		617
Share-based payment transactions	21		90						-	90		90
Change in ownership interest of subsidiaries			3						-	3	(195)	(192)
Sale of subsidiaries									-	-	170	170
Transfer of accumulated other comprehensive income to retained earnings	29			1,878		(1,598)	(280)		(1,878)	-		-
Total transactions with owners		-	32	(7,726)	676	(1,598)	(280)	-	(1,878)	(8,896)	(31)	(8,927)
Balance as of March 31, 2022		36,294	71,272	360,900	(2,856)	-	9,639	3,820	13,459	479,069	10,485	489,554

5) Consolidated Statements of Cash Flows

(millions of yen)

	Notes	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Cash Flows from Operating Activities			
Profit before tax		47,604	51,366
Profit before tax from discontinued operations	31	1,270	13,139
Depreciation and amortization expense		34,109	36,464
Impairment losses		7,069	2,395
Decrease (increase) in fair value of biological assets		(192)	44
Financial income and costs		(408)	2,826
Loss (gain) on sales of business	31	-	(12,037)
Decrease (increase) in trade and other receivables		3,817	(8,157)
Decrease (increase) in inventories		7,722	(22,655)
Decrease (increase) in biological assets		113	(9,187)
Decrease (increase) in other assets		(8,815)	(7,455)
Increase (decrease) in trade and other payables		(1,252)	8,552
Increase (decrease) in other liabilities		(507)	4,737
Others—net		648	(8,537)
Interest received		287	355
Dividends received		2,735	3,779
Interest paid		(1,339)	(1,197)
Income tax paid		(10,343)	(21,045)
Cash Flows from Operating Activities		82,518	33,387
Cash Flows from Investing Activities			
Acquisition of fixed assets		(59,398)	(44,473)
Proceeds from sales of fixed assets		1,423	728
Decrease (increase) in time deposits		259	4,024
Acquisition of other financial assets		(182)	(130)
Sale and redemption of other financial assets		673	929
Proceeds from sales of business	28,31	-	16,628
Others—net		(602)	(543)
Cash Flows from Investing Activities		(57,827)	(22,837)
Cash Flows from Financing Activities			
Cash dividends	28	(9,269)	(9,610)
Increase (decrease) in short-term bank loans		(4,840)	17,065
Proceeds from debt		70,393	27,462
Repayments of debt		(66,351)	(47,490)
Contributions from non-controlling interests		2	-
Acquisition from non-controlling interests		(1,489)	(191)
Acquisition of treasury stock		(3,567)	(2)
Proceeds from sales of treasury stock		187	604
Others—net		0	0
Cash Flows from Financing Activities		(14,934)	(12,162)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		1,675	3,155
Net Increase (Decrease) in Cash and Cash Equivalents		11,432	1,543
Cash and Cash Equivalents at the Beginning of the Year	6	72,399	83,831
Cash and Cash Equivalents at the End of the Year	6	83,831	85,374

Notes to Consolidated Financial Statements

1. Reporting company

NH Foods Ltd. (the “Company”) is a stock company incorporated in Japan. The address of its registered office is Kita-ku, Osaka-shi, Osaka-fu. The main businesses of the Company and its subsidiaries (the “Group”) and the affiliated companies of the Group are processing and packaging ham, sausage, and other processed food products; production and distribution of fresh meat; and production and distribution of marine products, dairy products, etc.

2. Basis of preparation of consolidated financial statements

(1) Matters on compliance with IFRS

The consolidated financial statements of the Group meet the requirements of “Specified Company Complying with Designated International Accounting Standards” set forth in Article 1-2 of the Regulation on Consolidated Financial Statements (the “Regulation”) and thus have been prepared in compliance with IFRS as stipulated in Article 93 of the Regulation.

(2) Basis of measurement

Unless indicated in “Note 3. Significant accounting policies,” the consolidated financial statements of the Group are prepared at cost.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. Amounts are rounded to the nearest million yen.

3. Significant accounting policies

The following accounting policies shall be considered the same as the accounting policies applied throughout the period indicated in the consolidated financial statements, unless stated otherwise.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved where the Company has power over the investee, is subject to the fluctuation of the return derived from the involvement with the investee, and has the ability to influence the return through the power which the Company has over the investee.

Financial statements of the subsidiaries are a part of the consolidation from the date the Group achieves control to the date the Group loses control. If the accounting policies adopted by the subsidiaries differ from those adopted by the Group, financial statements of these subsidiaries are adjusted as necessary. Significant intergroup transactions and balances are eliminated in preparing the consolidated financial statements.

Changes in interest of subsidiaries which do not result in loss of control are accounted for as equity transactions. Carrying amounts of total equity attributable to owners of the parent and non-controlling interests are revised to reflect the relative fluctuation of the interests in the subsidiary. The difference in the amount of non-controlling interests and the paid amount or received amount is directly recognized in equity and is allocated as total equity attributable to owners of the parent. If control over subsidiaries is lost, the difference between (1) the total of fair value of compensation received and fair value of the remaining interest and (2) assets (including goodwill) and liabilities of the subsidiary and the original carrying amount of the non-controlling interests is recognized as profit or loss. As of the date when control is lost, the fair value of the remaining investment is deemed to be the fair value at the first recognition as accounted for pursuant to IFRS 9 “Financial Instruments” (“IFRS 9”) or as the cost initially recognized for investment in associates.

If it is not acceptable for a subsidiary to settle on the consolidated closing date under the local laws where the subsidiary is located, financial statements based on provisional settlement of accounts carried out on the consolidated closing date are used for the financial statements of subsidiaries with different closing dates.

2) Associates

Associates are entities on whose finance and management policies the Group has significant influence, but has no control or joint control. If the Group possesses 20% to 50% of voting rights of another entity, the Group is presumed to hold significant influence over such entity.

Associates are accounted for using the equity method from the date the Group starts to have significant influence until the date such influence is lost. If the accounting policies adopted by the associates differ from those adopted by the Group, the financial statements of such associates are adjusted as necessary. Under the equity method, the invested amount is first measured at cost and thereafter, the invested amount is adjusted according to the fluctuation of the Group’s interest after the acquisition in relation to net assets of the associate.

The consolidated financial statements include the financial statements of associates with different closing dates since unification of the closing date is impracticable due to relationships with other shareholders. With regard to the financial statements of such associates, significant transactions or events which occur during the period between the different closing dates are adjusted.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method. The purchase price is measured by adding up the fair values of the assets transferred in exchange of control of the acquired company, the assumed liabilities and the equity instruments issued by the Company at the acquisition date.

Assets and liabilities which can be identified as of the acquisition date are recognized at their fair values as of the acquisition date, excluding the following items:

- Deferred tax assets (or deferred tax liabilities) and liabilities (or assets) related to employee benefit arrangements are each recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits.”
- Assets or disposal groups classified as for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are recognized and measured under such standard.

If the purchase price exceeds the fair value of the identifiable assets and liabilities, it is accounted for as goodwill in the consolidated statement of financial position. In contrast, if the compensation is less than the fair value, it is promptly recognized as profit or loss in the consolidated statement of income.

For each transaction, the Group chooses to measure the non-controlling interests either at fair value or at the proportionate share of the recognized amount of the identifiable net assets.

Acquisition-related costs which are generated in relation to the business combination are accounted for as expenses at the time of incurrence.

If the initial accounting of the business combination is not completed by the consolidated closing date when the business combination occurred, incomplete items are measured at a provisional amount based on the best estimate. Thereafter, if the new information obtained during the measurement period within one year from the acquisition date influences the measurement of the amount recognized as of the acquisition date, the provisional amount recognized as of the acquisition date is retrospectively revised.

(3) Foreign currency translation

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency. Also, each entity within the Group has designated its functional currency and transactions of each entity are measured based on such functional currency.

Transactions denominated in foreign currencies are converted into the Company’s functional currency at the exchange rate as of the date of transaction or an approximate rate thereof. Monetary assets and liabilities in foreign currency are converted into the Company’s functional currency based on the exchange rate as of the closing date. Translation differences which arise due to such conversion or settlement are recognized as profit or loss.

Assets and liabilities of foreign operations are converted into yen, based on the exchange rate as of the closing date and income and expenses are converted at the average exchange rate of a period unless the exchange rate during such period significantly fluctuates. Such translation differences are recognized as other comprehensive income. When the foreign operations are subject to disposal, the cumulative translation difference related to such foreign operations is recognized as profit or loss in the period of disposal.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables as of the occurrence date. All the other financial assets are initially recognized as of the transaction date on which the Group becomes a contracting party of such financial instrument.

When the Group initially recognizes the non-derivative financial assets, they are classified into financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income or profit or loss. A summary of each classification and measurement model is as follows:

Financial assets measured at amortized cost

If the financial asset meets both of the following conditions, it is classified as financial assets at amortized cost.

- The financial asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are initially measured by adding the transaction cost to the fair value.

Financial assets measured at fair value through other comprehensive income

(a) Debt instruments measured at fair value through other comprehensive income

If the financial asset meets both of the following conditions, it is classified as a debt instrument measured at fair value through other comprehensive income.

- The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

(b) Equity instruments measured at fair value through other comprehensive income

Among financial assets other than financial assets at amortized cost and debt instruments measured at fair value through other comprehensive income, those equity instruments which made an irrevocable option at initial recognition to display subsequent fluctuation of fair value as other comprehensive income are classified as financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income are initially measured by adding the transaction cost to the fair value.

Financial assets measured at fair value through profit or loss

Financial assets other than financial assets at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially measured at fair value, and transaction costs are recognized as profit or loss at the time of occurrence.

(ii) Subsequent measurement

After the initial recognition, financial assets are measured as follows, according to classification:

Financial assets measured at amortized cost

Measured at amortized cost based on the effective interest method.

Financial assets measured at fair value through other comprehensive income

Measured at fair value, and changes in their fair values are recognized as other comprehensive income.

However, dividends from financial assets measured at fair value through other comprehensive income are recognized as profit or loss.

Financial assets measured at fair value through profit or loss

Measured at fair value, and changes in their fair values are recognized as profit or loss.

(iii) Derecognition

The Group derecognizes the financial assets if the contractual rights of cash flow generated from the financial assets expire, or if the said financial assets are assigned and all the risks and rewards of ownership are transferred. With regard to the transferred financial asset, the interests created by the Group or retained continuingly by the Group are recognized as separate assets or liabilities.

Financial assets measured at fair value through other comprehensive income

(a) Debt instrument measured at fair value through other comprehensive income

If such financial asset is derecognized, the cumulative amount of gain or loss recognized through other comprehensive income is reclassified to profit or loss.

(b) Equity instrument measured at fair value through other comprehensive income

If such financial asset is derecognized, the cumulative amount of gain or loss recognized through other comprehensive income is reclassified to retained earnings and is not recognized as profit or loss.

(iv) Impairment of financial assets

Financial assets measured at amortized cost and debt financial instruments measured at fair value through other comprehensive income are presented after deducting credit losses likely to occur in the future. The Group evaluates whether the credit risk of such financial assets has significantly increased or not since the initial recognition.

If such credit risk has not substantially increased since the initial recognition, allowance for credit losses of such financial assets is measured at the amount equivalent to 12-month expected credit losses. In contrast, if the credit risk has substantially increased since the initial recognition, allowance for credit losses of such financial asset is measured at an amount equivalent to lifetime expected credit losses.

However, with respect to trade and other receivables, allowance for credit losses is measured at an amount equivalent to lifetime expected credit losses and such measured amount is recognized as profit or loss.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

The Group initially recognizes debt securities issued by the Group as of such issuance date. All the other financial liabilities are recognized as of the transaction date in which the Group becomes a contracting party of such financial instruments.

The Group holds interest-bearing liabilities and trade and other payables as non-derivative financial liabilities. At initial recognition, those are measured by subtracting from the fair value the transaction costs which are directly attributable to the relevant issuance.

(ii) Subsequent measurement

After the initial recognition, financial liabilities are measured at amortized cost based on the effective interest method.

(iii) Derecognition

The Group derecognizes the financial liabilities if they are extinguished, in other words, when contractual obligations are performed, discharged, cancelled or expire.

3) Derivative and hedge accounting

The Group uses derivatives such as foreign currency forward exchange contracts and interest rate swap contracts to hedge currency risks and interest rate risks. These derivatives are initially measured at fair value at the time the agreement is concluded, and continue to be measured at fair value thereafter.

Changes in fair value of derivatives is recognized as profit or loss in the consolidated statement of income.

Further, the Group has not adopted hedge accounting.

4) Fair value of financial instruments

The fair value of financial instruments traded in active financial markets as of each closing date refers to prices such as a published price of the market. The fair value of financial instruments which do not have an active financial market is measured using an appropriate evaluation method.

5) Offsetting of financial assets and financial liabilities

If an enforceable legal right to offset the recognized amount of financial assets and financial liabilities currently exists, and there are intentions to settle based on net amount or to settle the liabilities simultaneously to the assets being realized, they are offset and presented at net amount in the consolidated statement of financial position.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid short-term investments with original maturities of three months or less that are readily convertible to cash and are subject to insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value. For calculation of the cost, the average cost method is used. The cost of the inventories includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present locations and conditions.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Agricultural accounting

Biological assets are measured at fair value less costs to sell on initial recognition and at the end of each reporting period, if the fair value can be reliably measured. Changes in fair value according to such accounting are recognized as profit or loss. In contrast, if the fair value measurements cannot be reliably measured, they are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Harvested agricultural produce is reclassified from biological assets to inventories at the amount of fair value less costs to sell at the point of harvest.

(8) Property, plant and equipment

For measurement of property, plant and equipment, the cost model is adopted and they are carried at cost less any accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each asset.

Estimated useful lives of main property, plant and equipment are outlined as below:

Buildings: 20 - 40 years

Machinery and equipment: 5 - 15 years

Acquisition costs include any costs directly attributable to acquisition of such asset, initial estimated amount of costs for demolition, removal and restoration of the installation site, and borrowing cost which satisfies the conditions of asset capitalization.

Gains or losses incurred from derecognition of property, plant and equipment are included in profit or loss at the time of derecognition of such asset.

The depreciation method, the estimated useful life and the residual value are reviewed at the end of each fiscal year. If there are any changes, they are applied prospectively as changes in accounting estimates.

(9) Intangible assets and goodwill

1) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are measured at the fair value at the acquisition date.

For measurement of intangible assets, the cost model is adopted and they are carried at cost less any accumulated depreciation and any accumulated impairment losses.

For amortization of intangible assets with finite useful lives, the straight-line method is used over each estimated useful life.

Except for intangible assets with indefinite useful lives, the estimated useful lives of main intangible assets are outlined as below:

Software: 5 - 10 years

Amortization method, estimated useful life and residual value are reviewed at the end of each fiscal year. If there are any changes, they are applied prospectively as changes in accounting estimates.

2) Goodwill

Measurement of goodwill on initial recognition is as described in “Note 3. Significant accounting policies (2) Business combinations.”

For goodwill, the acquisition cost less accumulated impairment losses is recorded.

(10) Leases

At the inception of a contract, the Group assesses whether the contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For such lease contracts, the Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease.

Lease liabilities are initially measured and recognized at the discounted present value of the total lease payments that are not paid at the commencement date. The interest rates implicit in the lease are used to measure the present value of the lease payments that are not paid if those rates can be readily determined. If those cannot be readily determined, the lessee’s incremental borrowing rates are used. Lease liabilities are included in “Interest-bearing liabilities” in Current Liabilities and Non-current Liabilities in the consolidated statement of financial position. Lease payments are allocated to interest expenses and repayments of lease liabilities under the interest method. Interest expenses on the lease liabilities are separately presented from the depreciation charges for the right-of-use assets in the consolidated statement of income. The Group initially measures the right-of-use assets by adding any initial direct costs, any lease payments made before the commencement date and any costs of obligations to restore the assets to the conditions required by the contracts to the amount of the initial measurement of the lease liabilities. The right-of-use assets are depreciated under the straight-line basis or another systematic basis over the lease terms.

However, the Group elects not to recognize right-of-use assets and lease liabilities for either short-term leases with a lease term of 12 months or less, or leases for which the underlying assets are of low value. The total lease payments of these leases are recognized as expenses under the straight-line basis or another systematic basis over the lease terms.

(11) Impairment of non-financial assets

For impairment of non-financial assets excluding inventories, biological assets, deferred tax assets and assets related to retirement benefits, the Group determines whether there is any indication of impairment at the end of the reporting period. If there is an indication of impairment, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives, the recoverable amount of the asset is estimated every year at the same time and at any time there is an indication of impairment.

Cash-generating units are considered as minimum asset groups which generate cash inflow independently of other assets or asset groups.

The recoverable amount of assets or cash-generating units is the higher of the fair value less costs of disposal or value in use. For calculation of value in use, estimated future cash flow is discounted to the present value by using the pre-tax discount rate which reflects the time value of money and specific risk of such asset.

If the recoverable amount of assets or cash-generating units is lower than the carrying amount, the carrying amount is reduced to the recoverable amount and impairment losses are recognized.

For impairment losses recognized in the past, the Group determines as of the closing date of each reporting period whether there is an indication of possible decrease or extinguishment of loss.

If there is an indication of reversal of impairment losses, recoverable amount of the asset is estimated. Further, if such recoverable amount is more than the carrying amount, impairment losses are reversed.

The maximum amount reversed is an amount which is not higher than the carrying amount less the depreciation cost or amortization cost if impairment losses are not recognized.

Impairment losses recognized in relation to goodwill are not reversed.

(12) Post-employment benefits

The Group adopted the defined benefit plan comprised of defined benefit corporate pension plan and retirement lump-sum severance plan, and defined contribution pension plan, as post-employment benefit plans.

1) Defined benefit plan

The liabilities or assets of the defined benefit plan are recognized at an amount representing the present value of the defined benefit obligations less the fair value of the plan assets (the effect of the asset ceiling may be taken into account if necessary).

The present value of the defined benefit obligations is calculated by using the projected unit credit method. The discount rate used in this calculation is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds for the period until the expected date of future benefit payment.

Remeasurement of the net defined benefit liabilities or assets is recognized as other comprehensive income at the time of occurrence and is immediately reclassified as retained earnings. Past service cost and any gain or loss on settlement are recognized as profit or loss.

2) Defined contribution pension plan

Expenses related to post-employment benefits of the defined contribution pension plan are recognized as expenses at the time an employee provides the relevant service.

(13) Share-based payment

1) Stock Option Plan

The Group has adopted the Stock Option Plan as equity-settled share-based payment plan. The values of stock options are estimated based on fair value as of the grant date, which is recognized as expenses in the consolidated statement of income and a corresponding amount is recognized as an increase of equity in the consolidated statement of financial position. The fair value of the granted option is calculated using the Black Scholes Model and other models, by taking into account terms and conditions of the option.

2) Performance-Based Stock Compensation Plan

The Group has introduced the Performance-Based Stock Compensation Plan as an equity-settled share-based payment plan for officers. Under the Plan, services received are measured at the fair value of the Company's shares as of the grant date, and recognized as expenses in the consolidated statement of income throughout the vesting period. A corresponding amount is recognized as an increase of equity in the consolidated statement of financial position. The fair value of the Company's shares as of the grant date is measured based on observable market prices, and the expected dividends are incorporated in the measurement of the fair value.

3) Trust-type Employee Shareholding Incentive Plan

The Group has introduced the Trust-type Employee Shareholding Incentive Plan (hereinafter the “Plan”) as a cash-settled share-based payment plan. Under the Plan, services received are measured at the fair value of the liabilities incurred, and recognized as expenses in the consolidated statement of income from the grant date to the trust expiration date. A corresponding amount is recognized as an increase of liabilities in the consolidated statement of financial position. The fair value of the liabilities is remeasured as of the end of each period until settlement, and the changes in the fair value are recognized as profit or loss.

(14) Revenue

Pursuant to IFRS 15 “Revenue from Contracts with Customers,” the Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group mainly engages in the sales of hams and sausages, processed food products, fresh meats, marine products and dairy products.

With respect to the sales contracts of products with customers, since control over the products transfers to the customer and the performance obligations are satisfied as of when the products are delivered to the customer, revenue is recognized at such time.

Revenue is determined as the amount of the consideration in the sales contract less the rebates and discounts based on the net sales or the sales amount, and the consideration expected to be refunded to the customer is reasonably estimated and is recognized as refund liabilities.

In addition, if the Group is involved in the sales of products as an agent, revenue is recognized as a net amount.

The consideration in a sales contract for products is primarily recovered within one year from when the products are delivered to the customer. Furthermore, significant financing components are not included.

(15) Government grants

Regarding government grants, if the conditions for government grants are met and there is a reasonable guarantee for receiving government grants, government grant income is recognized at fair value. Government grants for incurred expenses are recognized as a profit or loss in the same consolidated fiscal year. Regarding government grants for acquiring assets, the amount of such grants is deducted from the acquisition cost of the assets.

(16) Income tax

Income tax is composed of current tax and deferred tax. Excluding items relating to business combinations and direct equity or items recognized as other comprehensive income, they are recognized as a profit or loss.

1) Current tax

Current tax is determined with the amount expected to be paid to or refunded from the tax authorities. The determination of the tax amount is based on the tax rate and tax laws that are enacted, or are substantively enacted, by the closing date of the reporting period in the country where the Group conducts its business activities and the profit or loss subject to taxation is earned.

2) Deferred tax

Deferred tax assets and liabilities are recognized for temporary differences between the accounting carrying amount and the tax amount of assets and liabilities, unused tax losses and unused tax credits as of the closing date of the reporting period.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against such deferred tax assets. Deferred tax liabilities are, in principle, recognized for future taxable temporary differences.

The carrying amount of deferred tax assets is reviewed every year, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are re-evaluated every year, and the Group recognizes deferred tax assets that were unrecognized in the past to the extent that future taxable income is highly likely to make the recovery of deferred tax assets possible.

Furthermore, deferred tax assets and liabilities are not recognized for the following temporary differences:

- Future taxable temporary differences arising from the initial recognition of goodwill
- Temporary differences that arise from the initial recognition of assets and liabilities incurred due to transactions that have no effect on accounting profits or taxable income for tax purposes, except for business combination transactions
- Taxable temporary differences on investment in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deductible temporary differences on investment in subsidiaries and associates when it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are determined according to the tax rate that is expected to be applied to the year the asset is realized or the liability is settled, based on the tax rate and tax laws that are enacted, or are substantively enacted, by the closing date of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities and current tax assets and such deferred tax assets and liabilities are imposed on the same taxable entity by the same tax authorities.

If an uncertain tax position of income tax being incurred is highly possible, a reasonable estimated amount is recognized as an asset or liability.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted-average number of shares of common stock outstanding during the period, adjusted for shares of treasury stock held.

Diluted earnings per share are calculated by adjusting for the effects of all dilutive potential common stocks.

(18) Equity

1) Common stock

Regarding shares of common stock issued by the Company, issue price is recorded in common stock and capital surplus, and direct issuance costs are excluded from the capital surplus.

2) Treasury stock

If shares of treasury stock are acquired, the consideration paid including direct transaction costs is recognized as an excludable item from equity. If shares of treasury stock are disposed of, the difference between the carrying value and consideration received is recognized as an increase in equity.

(19) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups whose carrying amounts are recovered primarily through sale transactions rather than through continuing use are classified as held for sale. To be classified as held for sale, the assets must be available for immediate sale in the present condition and the sale must be highly probable. It is only if the Group's management is committed to the sale plan and the sale is expected to be completed, in principle, within one year. Once classified as held for sale, the non-current assets or disposal groups are measured at the lower of carrying amounts and fair value less costs to sell and are not depreciated or amortized.

Discontinued operations include components of an entity that either has been disposed of or is classified as held for sale. The Group recognizes them if they represent a separate major line of Group's business or a geographical area of operations and there is a plan to dispose of one of the businesses or geographical areas.

4. Significant accounting estimates and judgments

The Group's consolidated financial statements include measurements of income and expenses and of assets and liabilities, and estimates and assumptions of management regarding disclosures of contingencies as of the closing date of the consolidated fiscal year. These estimates and assumptions are based on the best judgments of management considering past performance and various factors that can be thought to be reasonable as of the closing date of the consolidated fiscal year. Based on the nature of said assumptions, there is the possibility that the actual results will differ from these estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of the review of these estimates and assumptions are recognized during the accounting period in which such estimates and assumptions are reviewed and future accounting periods thereafter.

The judgments and estimates performed by management that have significant effects on the amounts of the consolidated financial statements are as follows:

- Range of consolidated subsidiaries and associates (Note 3. Significant accounting policies (1) Basis of consolidation)
- Fair value of financial instruments (Note 3. Significant accounting policies (4) Financial instruments, Note 29. Financial instruments)
- Fair value of biological assets (Note 3. Significant accounting policies (7) Agricultural accounting, Note 9. Biological assets)
- Impairment of non-financial assets (Note 3. Significant accounting policies (11) Impairment of non-financial assets, Note 10. Property, plant and equipment, Note 11. Intangible assets and goodwill, Note 12. Investments accounted for using the equity method)
- Post-employment benefits (Note 3. Significant accounting policies (12) Post-employment benefits, Note 18. Post-employment benefit plans)
- Recoverability of deferred tax assets (Note 3. Significant accounting policies (16) Income tax, Note 13. Income taxes)

(Additional information)

Although the Company anticipates that the impact of COVID-19 will continue for some time after the fiscal year ended March 31, 2022, the Company expects the COVID-19 pandemic will gradually subside thereafter. As such, the Company determined that the impact of COVID-19 on its accounting estimates and assumptions for the fiscal year ended March 31, 2022 was immaterial. However, the Group's financial position and operating results may be greatly affected in the next year depending on how the situation develops.

5. Segment information

(1) Overview of reportable segments

The Group's reportable segments are parts of its organizational units whose financial information is individually available, and are subject to regular review by the chief operating decision maker for the purpose of deciding the allocation of its operating resources and evaluating its business performance.

The Group categorizes the business into the following three reportable segments according to the nature of products and providing services, and the geographical areas where it sells products or provides services. The Group manages its operations by the business segment.

Processed Foods Business Division	—	Mainly domestic production and sales of hams and sausages, processed foods, marine products, and dairy products
Fresh Meats Business Division	—	Mainly domestic production and sales of fresh meats
Overseas Business Division	—	Mainly production and sales of hams and sausages, processed foods, fresh meats and marine products at overseas subsidiaries and associates

Intersegment transaction prices are determined with reference to transaction prices with external customers.

The Company discloses the Baseball and Ballpark Business and New Business, etc. in the "Others" category from the cumulative first quarter of the fiscal year for the purpose of expanding into new business areas.

In addition, from the cumulative first quarter of the fiscal year, the Company has changed the calculation method of net sales in order to more appropriately reflect the business results of the reportable segments.

The Company has classified the marine products business relating to The Marine Foods Corporation, its subsidiaries, etc. as discontinued operations from the fiscal year . However, the Processed Foods Business Division in the reportable segments includes the marine products business that has been classified as discontinued operations.

Reclassifications have been made to the information for the year ended March 31, 2021, based on operating segment information for the year ended March 31, 2022.

(2) Information regarding the reportable segments

The reportable segment information for the years ended March 31, 2021 and 2022 is as follows:

Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Overseas Business Division	Others	Total	Eliminations, adjustments and others	Consolidated (before adjustment for discontinued operations)	Transfer to discontinued operations	Consolidated (after adjustment for discontinued operations)
Net sales									
Sales to external customers	463,526	591,576	112,155	8,581	1,175,838	263	1,176,101	(69,750)	1,106,351
Intersegment sales	25,836	65,092	111,494	3,177	205,599	(205,599)	-	-	-
Total	489,362	656,668	223,649	11,758	1,381,437	(205,336)	1,176,101	(69,750)	1,106,351
Segment profit (loss)	17,977	41,243	(104)	(1,778)	57,338	(4,912)	52,426	(1,894)	50,532
Segment assets	308,769	341,364	123,427	27,535	801,095	24,310	825,405	-	825,405
Other items									
Depreciation and amortization	11,720	8,012	3,126	258	23,116	10,823	33,939	(1,200)	32,739
Capital expenditures	26,032	15,966	4,955	19,181	66,134	16,768	82,902	(1,773)	81,129
Investments accounted for using the equity method	337	702	7,972	-	9,011	-	9,011	-	9,011

Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Overseas Business Division	Others	Total	Eliminations, adjustments and others	Consolidated (before adjustment for discontinued operations)	Transfer to discontinued operations	Consolidated (after adjustment for discontinued operations)
Net sales									
Sales to external customers	469,953	621,531	142,799	10,631	1,244,914	1,528	1,246,442	(72,053)	1,174,389
Intersegment sales	26,747	61,770	124,824	3,178	216,519	(216,519)	-	-	-
Total	496,700	683,301	267,623	13,809	1,461,433	(214,991)	1,246,442	(72,053)	1,174,389
Segment profit (loss)	14,679	35,573	2,409	(1,569)	51,092	(2,976)	48,116	(2,295)	45,821
Segment assets	271,700	364,830	159,029	50,421	845,980	63,233	909,213	-	909,213
Other items									
Depreciation and amortization	12,666	8,705	3,482	276	25,129	11,250	36,379	(1,173)	35,206
Capital expenditures	11,038	17,083	3,321	21,806	53,248	27,147	80,395	(1,048)	79,347
Investments accounted for using the equity method	277	545	11,588	-	12,410	-	12,410	-	12,410

- (Notes)
1. “Others” refers to operating segments not included in the reportable segments, such as the Baseball and Ballpark Business and New Business, etc.
 2. “Eliminations, adjustments and others” includes unallocated items and intersegment eliminations.
 3. Except for a few unallocated items, corporate overhead expenses and profit or loss of certain subsidiaries are allocated to each reportable operating segment. These subsidiaries provide indirect services and operational support for the Group included in each reportable operating segment.
 4. “Segment profit (loss)” is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and accounting for foreign exchange gains and losses determined by the Group, while deducting adjustments in accordance with IFRS and non-recurring items.
 5. Segment assets included in “Eliminations, adjustments and others” mainly consist of adjustments to right-of-use assets and others in accordance with IFRS, cash and cash equivalents of the parent company, and investment securities.
 6. “Depreciation and amortization” represents depreciation and amortization expenses for property, plant and equipment, right-of-use assets, and intangible assets. “Depreciation and amortization” in each reportable segment does not include depreciation and amortization expenses included in corporate overhead expenses and profit or loss of certain subsidiaries stated in Note 3.
 7. “Capital expenditures” represents increases in property, plant and equipment, right-of-use assets, and intangible assets.
 8. The amounts of net sales, profits, and losses, and capital expenditures of The Marine Foods Corporation, its subsidiaries, etc. included in the Processed Foods Business Division have been reclassified to “Transfer to discontinued operations.”

Reconciliations of the aggregate segment profit (loss) and profit before tax for the years ended March 31, 2021 and 2022 are as follows:

	(millions of yen)	
	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Aggregate segment profit (loss)	52,426	48,116
IFRS adjustments (Note 1)	674	(746)
Foreign exchange gains and losses (Note 2)	(2,581)	(2,997)
Other income	8,595	10,609
Other expenses	11,910	8,554
Financial income	2,392	2,193
Financial costs	1,511	3,984
Share of profit in investments accounted for using the equity method	1,413	9,024
Transfer to discontinued operations	(1,894)	(2,295)
Profit before tax	47,604	51,366

- (Notes)
1. The major IFRS adjustments are the changes in fair value of biological assets under IAS 41 “Agriculture” and adjustments under IFRIC 21 “Levies.”
 2. Foreign exchange gains and losses arising from the settlement of business transactions are included in the reconciliations of “Segment profit (loss).”

(3) Information about geographical areas

Sales information about geographical areas for the years ended March 31, 2021 and 2022 is as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Japan	993,583	1,029,782
Other areas	112,768	144,607
Total	1,106,351	1,174,389

(Note) Sales are broken down by geographical area of the distributor's domicile.

Non-current assets (excluding financial assets, deferred tax assets and assets related to retirement benefits) by geographical area as of March 31, 2021 and 2022 are as follows:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Japan	347,401	377,757
Other areas	33,658	33,622
Total	381,059	411,379

(4) Information about major customers

Disclosure is omitted because there were no sales to a single external customer exceeding 10% of net sales in the consolidated statement of income.

6. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Cash and deposits	95,414	93,010
Time deposits with maturities over three months	(11,583)	(7,636)
Total	83,831	85,374

(Note) The balance of “Cash and cash equivalents” in the consolidated statement of financial position matches the balance of “Cash and cash equivalents” in the consolidated statement of cash flows.

7. Trade and other receivables

Trade and other receivables consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Trade notes receivable	589	517
Accounts receivable—trade	124,559	132,811
Accounts receivable—other	2,430	3,122
Less: Allowance for doubtful receivables	(511)	(433)
Total	127,067	136,017

(Note) Trade and other receivables are classified into financial assets measured at amortized cost.

8. Inventories

Inventories consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Finished goods and merchandise	85,134	94,782
Raw materials and work-in-process	19,098	20,805
Supplies	3,674	4,393
Total	107,906	119,980

The amount of inventories recognized as expenses in the fiscal years ended March 31, 2021 and 2022 was ¥896,830 million and ¥962,104 million, respectively.

The Group measured inventories at the net realizable value, resulting in the write-down of ¥625 million and ¥952 million as of March 31, 2021 and 2022, respectively.

There was no significant reversal of write-down of inventories for the fiscal years ended March 31, 2021 and 2022.

9. Biological assets

The Group produces and raises cattle, hogs and chickens mainly in Japan. Overseas, the Group raises cattle in Australia, and produces and raises chickens in Turkey.

Biological assets recorded in current assets mainly consisted of three livestock species—cattle, hogs, and chickens—reared for fresh meat production. Biological assets recorded in non-current assets mainly consisted of cattle and hogs raised for breeding.

Biological assets held by the Group consisted of the following:

	Year ended March 31, 2021 (as of March 31, 2021)		Year ended March 31, 2022 (as of March 31, 2022)	
	Amount (millions of yen)	Volume	Amount (millions of yen)	Volume
Cattle	12,789	48,766	22,656	68,382
Hogs	6,181	355,173	6,204	342,292
Chickens	5,050	19,371	5,135	18,238
Others	875	9,937	-	-
Biological assets measured at fair value	24,895		33,995	
Current	23,581		32,755	
Non-current	1,314		1,240	

The production volume of biological assets for the years ended March 31, 2021 and 2022 is as follows:

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)		Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)	
	Amount (millions of yen)	Volume	Amount (millions of yen)	Volume
Cattle	19,587	82,651	21,638	76,304
Hogs	23,780	646,367	22,049	618,562
Chickens	64,544	357,540	66,696	311,789
Others	462	3,013	415	2,479

Volume units are as follows:

Cattle: heads

Hogs: heads

Chickens: tons

Changes in biological assets for the years ended March 31, 2021 and 2022 are as follows:

(millions of yen)

Beginning of the year ended March 31, 2021 (as of April 1, 2020)	23,218
Increase due to birth, purchase and breeding	81,500
Decrease due to sale	(5,400)
Decrease due to slaughter	(76,199)
Gain or loss on changes in fair value	192
Exchange differences on translation	1,584
Total	24,895
Current	23,581
Non-current	1,314
End of the year ended March 31, 2021 (as of March 31, 2021)	24,895
Increase due to birth, purchase and breeding	101,649
Decrease due to sale	(3,185)
Decrease due to slaughter	(88,575)
Gain or loss on changes in fair value	(44)
Changes due to changes in scope of consolidation	(934)
Exchange differences on translation	188
Total	33,995
Current	32,755
Non-current	1,240
End of the year ended March 31, 2022 (as of March 31, 2022)	33,995

Gain (loss) on changes in the fair value of biological assets is included in “Cost of Goods Sold” of the consolidated statement of income.

With respect to cattle and hogs, which are the Group’s biological assets, the fair value is measured according to the valuation model based on the market approach, wherein the input is the sales price of similar types of assets, and since unobservable inputs are included, it is classified as Level 3. In addition, with respect to chickens, the fair value is measured according to the valuation model based on the cost approach, wherein the acquisition costs are inputs, and since unobservable inputs are included, it is classified as Level 3.

In the Group’s activities to produce biological assets, there is a time gap between cash-out for the costs of production/feeding and cash-in from sales to third parties. In order to manage such financial risk, the Group strives to maintain working capital at an appropriate level.

10. Property, plant and equipment

(1) Changes in carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses are as follows:

(millions of yen)

Carrying amount	Land	Buildings	Machinery and equipment	Construction in progress	Total
Beginning of the year ended March 31, 2021 (as of April 1, 2020)	53,028	133,870	90,591	6,571	284,060
Acquisition	918	6,809	15,396	39,925	63,048
Disposal	(307)	(644)	(1,007)	(110)	(2,068)
Reclassification	(526)	8,143	9,112	(17,392)	(663)
Depreciation	(4)	(9,027)	(10,991)	-	(20,022)
Impairment losses	(69)	(829)	(598)	-	(1,496)
Foreign exchange translation differences	259	877	819	586	2,541
Others	18	38	32	141	229
End of the year ended March 31, 2021 (as of March 31, 2021)	53,317	139,237	103,354	29,721	325,629
Acquisition	212	4,248	8,649	37,004	50,113
Changes due to changes in scope of consolidation	(1,448)	(2,570)	(1,766)	(25)	(5,809)
Disposal	(92)	(309)	(578)	-	(979)
Reclassification	(1,101)	9,942	7,260	(17,312)	(1,211)
Depreciation	(4)	(9,588)	(12,347)	-	(21,939)
Impairment losses	(82)	(822)	(1,400)	(11)	(2,315)
Foreign exchange translation differences	102	917	684	67	1,770
Others	(25)	9	(14)	(207)	(237)
End of the year ended March 31, 2022 (as of March 31, 2022)	50,879	141,064	103,842	49,237	345,022

(millions of yen)

Acquisition cost	Land	Buildings	Machinery and equipment	Construction in progress	Total
Beginning of the year ended March 31, 2021 (as of April 1, 2020)	53,492	316,589	247,196	6,588	623,865
End of the year ended March 31, 2021 (as of March 31, 2021)	53,933	328,989	264,218	29,721	676,861
End of the year ended March 31, 2022 (as of March 31, 2022)	51,073	333,860	269,378	49,248	703,559

(millions of yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings	Machinery and equipment	Construction in progress	Total
Beginning of the year ended March 31, 2021 (as of April 1, 2020)	464	182,719	156,605	17	339,805
End of the year ended March 31, 2021 (as of March 31, 2021)	616	189,752	160,864	-	351,232
End of the year ended March 31, 2022 (as of March 31, 2022)	194	192,796	165,536	11	358,537

Depreciation of property, plant and equipment is included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

The amount of expenditures for property, plant and equipment under construction is included in “Construction in progress” in the table above.

(2) Commitments

The amount of commitments for the acquisition of property, plant and equipment as of March 31, 2021 and 2022 was ¥36,236 million and ¥40,780 million, respectively. Commitments as of March 31, 2021 and 2022 include the contract amounts of ¥34,874 million and ¥39,147 million, respectively, for the design and construction of a new baseball stadium, which represent an expected maximum contract amount and do not mean the actual payment amounts.

(3) Impairment losses

Impairment losses were included in “Other Expenses” in the consolidated statement of income.

The Group recognized impairment losses on property, plant and equipment of ¥1,466 million for the fiscal year ended March 31, 2021. The impairment losses were principally associated with idle assets related to the Processed Foods Business Division and business assets used for the Overseas Business Division. The impairment losses of the business assets resulted mainly from expected decreases in profitability of some subsidiaries.

The Group recognized impairment losses on property, plant and equipment of ¥2,259 million for the fiscal year ended March 31, 2022. The impairment losses were principally associated with business assets used for the Fresh Meats Business Division and business assets and idle assets related to the Processed Foods Business Division. The impairment losses of the business assets resulted mainly from expected disposal due to reorganization of production sites and expected decreases in profitability of some subsidiaries, respectively.

The fair value less costs of disposal, which formed the basis of calculation, was determined based on the appraisal value or market value of the assets, or by other means considered appropriate by management. The determined fair value falls under the Level 3 category of the fair value hierarchy.

(4) Borrowing costs

Borrowing costs capitalized during the fiscal year ended March 31, 2021 and 2022 were ¥31 million and ¥51 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization for the fiscal year ended March 31, 2021 and 2022 were 0.5% and 0.4%, respectively.

11. Intangible assets and goodwill

(1) Changes in carrying amount, acquisition cost, and accumulated amortization and accumulated impairment losses are as follows:

(millions of yen)

Carrying amount	Goodwill	Software	Software in progress	Other	Total
Beginning of the year ended March 31, 2021 (as of April 1, 2020)	437	4,240	3,404	872	8,953
Acquisition	-	315	3,580	2	3,897
Disposal	-	(59)	-	(1)	(60)
Reclassification	-	1,846	(1,864)	-	(18)
Amortization	-	(1,623)	-	(33)	(1,656)
Impairment losses	(260)	-	-	(16)	(276)
Exchange differences on translation	16	19	25	(31)	29
Others	-	-	(262)	1	(261)
End of the year ended March 31, 2021 (as of March 31, 2021)	193	4,738	4,883	794	10,608
Acquisition	-	472	5,908	7	6,387
Changes due to changes in scope of consolidation	-	(12)	-	(57)	(69)
Disposal	-	(15)	-	(1)	(16)
Reclassification	-	1,073	(1,075)	2	0
Amortization	-	(1,649)	-	(35)	(1,684)
Impairment losses	-	(3)	-	(76)	(79)
Exchange differences on translation	8	20	0	23	51
Others	-	(124)	178	17	71
End of the year ended March 31, 2022 (as of March 31, 2022)	201	4,500	9,894	674	15,269

(millions of yen)

Acquisition cost	Goodwill	Software	Software in progress	Other	Total
Beginning of the year ended March 31, 2021 (as of April 1, 2020)	6,142	28,593	3,404	3,928	42,067
End of the year ended March 31, 2021 (as of March 31, 2021)	5,875	30,127	4,883	3,919	44,804
End of the year ended March 31, 2022 (as of March 31, 2022)	5,771	29,686	9,894	4,067	49,418

(millions of yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Software in progress	Other	Total
Beginning of the year ended March 31, 2021 (as of April 1, 2020)	5,705	24,353	-	3,056	33,114
End of the year ended March 31, 2021 (as of March 31, 2021)	5,682	25,389	-	3,125	34,196
End of the year ended March 31, 2022 (as of March 31, 2022)	5,570	25,186	-	3,393	34,149

Amortization of intangible assets is included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

(2) R&D expenditures

The expenditures for the research and development activities expensed during the years ended March 31, 2021 and 2022 were ¥3,238 million and ¥3,206 million, respectively, which are included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

(3) Impairment test for cash-generating units including goodwill

1) Cash-generating units

The Group tests goodwill for impairment at least once by the end of each fiscal year, or whenever there is an indication that the goodwill may be impaired. The carrying amount of goodwill is as follows:

	(millions of yen)	
	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Carrying amount of goodwill	193	201

2) Calculation basis on which the recoverable amount has been determined

For the years ended March 31, 2021 and 2022, a description is omitted because the amount of goodwill was insignificant.

(4) Impairment losses

Impairment losses are included in “Other Expenses” in the consolidated statement of income.

For the fiscal year ended March 31, 2021, impairment losses of ¥260 million were recorded for goodwill related to the Overseas Business Division.

While the Group recorded impairment losses of ¥78 million for intangible assets and goodwill for the fiscal year ended March 31, 2022, a description on the factors behind such impairment losses are omitted because the amount of losses was insignificant.

The recoverable amount of the intangible assets used as the basis for calculation was measured at value in use. The value in use was estimated based on future cash flows in the business plan over the next five years reflecting the past results. When the estimated value in use is negative, the recoverable amount is assessed to be zero.

12. Investments accounted for using the equity method

Investments in associates were accounted for using the equity method. There were no individually significant associates.

The carrying amount of the Group's interest in associates which were not individually significant is as follows:

	(millions of yen)	
	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Carrying amount of investments accounted for using the equity method	9,011	12,410

During the fiscal year ended March 31, 2021, the performance of Panus Poultry Group Co., Ltd. in the Overseas Business Division, a chicken production and processing company in Thailand, deviated significantly from the original plan due to lower market prices of chicken than assumed in the future plan at the time of investment, as well as sluggish sales to Europe in the wake of the COVID-19 pandemic. As a result, the Company determined that there is an indication of impairment of investment in Panus Poultry Group Co., Ltd., which is accounted for using the equity method, and conducted an impairment test by comparing the recoverable amount and the carrying amount.

In conducting the impairment test, the recoverable amount was determined as the value in use. The value in use was determined as the discounted present value of future cash flows. The future cash flows were estimated based on the five-year business plan approved by management with a growth rate factored in. The business plan was prepared based on the external and internal sources of information, reflecting management's evaluation of future prospects of the industry and past data. The growth rate was determined at 0.8% based on the long-term average growth rate in Thailand, the country in which Panus Poultry Group Co., Ltd. belongs. The discount rate was determined at 10.0% based on the weighted-average cost of capital (after tax) in the market to which Panus Poultry Group Co., Ltd. belongs.

The Company also conducted an impairment test for an intangible asset included in investments accounted for using the equity method in the same way as above, by determining the recoverable amount and comparing it with the carrying amount.

As a result, impairment losses of ¥5,291 million on investments accounted for using the equity method were recorded in "Other expenses" in the consolidated statement of income. Additionally, impairment losses of ¥1,785 million on the intangible asset included in investments accounted for using the equity method were recorded in "Share of profit in investments accounted for using the equity method" in the consolidated statement of income.

The Group's interest in profit, other comprehensive income and comprehensive income of associates which were not individually significant is as follows:

	(millions of yen)	
	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Profit	1,413	9,024
Other comprehensive income	429	991
Comprehensive income	1,842	10,015

13. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major cause and changes thereof are as follows:

For the year ended March 31, 2021 (April 1, 2020 through March 31, 2021)

(millions of yen)

	Balance at beginning of the year (April 1, 2020)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Balance at end of the year (March 31, 2021)
Deferred tax assets:				
Inventories	1,178	(71)	-	1,107
Accrued enterprise taxes	581	223	-	804
Accrued bonuses	3,148	155	-	3,303
Property, plant and equipment and intangible assets	14,660	(352)	-	14,308
Retirement benefit liabilities	6,580	900	(1,541)	5,939
Unused tax losses and unused tax credits	781	(535)	-	246
Other temporary differences	5,285	(1,084)	-	4,201
Total	32,213	(764)	(1,541)	29,908
Deferred tax liabilities:				
Inventories	(744)	219	-	(525)
Property, plant and equipment and intangible assets	-	(81)	-	(81)
Financial assets	(2,403)	(525)	(861)	(3,789)
Investments in subsidiaries	(53)	15	-	(38)
Total	(3,200)	(372)	(861)	(4,433)
Net deferred tax assets (liabilities)	29,013	(1,136)	(2,402)	25,475

(Note) The difference between deferred income tax charges and the amount recognized in profit or loss is exchange differences on translation of foreign operations.

For the year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

(millions of yen)

	Balance at beginning of the year (April 1, 2021)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Changes due to changes in scope of consolidation	Balance at end of the year (March 31, 2022)
Deferred tax assets:					
Inventories	1,107	(106)	-	(18)	983
Accrued enterprise taxes	804	61	-	(43)	822
Accrued bonuses	3,303	299	-	(172)	3,430
Property, plant and equipment and intangible assets	14,308	898	-	(312)	14,894
Retirement benefit liabilities	5,939	283	(815)	(532)	4,875
Unused tax losses and unused tax credits	246	665	-	-	911
Other temporary differences	4,201	315	-	(188)	4,328
Total	29,908	2,415	(815)	(1,265)	30,243
Deferred tax liabilities:					
Inventories	(525)	(1,035)	-	-	(1,560)
Property, plant and equipment and intangible assets	(81)	22	-	-	(59)
Financial assets	(3,789)	464	143	(202)	(3,384)
Investments in subsidiaries	(38)	32	-	-	(6)
Total	(4,433)	(517)	143	(202)	(5,009)
Net deferred tax assets (liabilities)	25,475	1,898	(672)	(1,467)	25,234

(Note) The difference between deferred income tax charges and the amount recognized in profit or loss is exchange differences on translation of foreign operations.

Unused tax losses, unused tax credits and deductible temporary differences for which deferred tax assets were not recognized are as follows:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Unused tax losses and unused tax credits	25,034	19,448
Deductible temporary differences	7,138	10,719

The amount and expiration of unused tax losses and unused tax credits for which deferred tax assets were not recognized are as follows:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
1 year	1,309	1,098
2 years	983	2,913
3 years	3,128	3,140
4 years	1,804	1,684
5 years	4,112	1,509
Over 5 years	13,698	9,104
Total	25,034	19,448

The amount of future taxable temporary differences related to investments in the Group's subsidiaries for which deferred tax liabilities were not recognized was ¥43,208 million and ¥70,817 million as of March 31, 2021 and 2022, respectively. This is because the Group is able to control the timing of reversing the temporary differences, and it is probable that temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

Income tax expense consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Current tax expense	16,432	14,885
Deferred tax expense	821	(2,217)
Total	17,253	12,668

Current tax expense includes the amount of the benefit arising from previously unrecognized tax losses, tax credits, or temporary differences of a prior period. Current tax expense decreased by ¥243 million and ¥1,046 million due to these factors in the fiscal years ended March 31, 2021 and 2022, respectively.

Deferred tax expense includes the amount of benefit arising from previously unrecognized tax losses, tax credits, or temporary differences of a prior period. Deferred tax expense decreased by ¥1,298 million due to these factors in the fiscal year ended March 31, 2022. The amount of such deferred tax expense for the fiscal year ended March 31, 2021 was not material.

Deferred tax expense includes the amount of expenses arising from the write-down and the reversal of the previous write-down of deferred tax assets. Deferred tax expense increased by ¥425 million due to these factors in the fiscal year ended March 31, 2021. The amount of such deferred tax expense for the fiscal year ended March 31, 2022 was not material.

The Group is subject to income taxes, inhabitants taxes, and enterprise taxes. The effective statutory tax rate for income tax expense calculated based on these taxes was approximately 31.0% for the fiscal years ended March 31, 2021 and 2022. Foreign subsidiaries are subject to the tax rates of the countries in which they operate.

Factors that caused differences between the effective statutory tax rate and the average effective tax rate are as follows:

(%)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Effective statutory tax rate	31.0	31.0
(Adjustments)		
Difference in tax rates of foreign subsidiaries	(1.2)	(1.5)
Change in recoverability of deferred tax assets	4.1	(3.1)
Permanently non-deductible expenses	(0.1)	(1.1)
Tax credit	(0.7)	(0.5)
Impairment losses on goodwill	0.2	-
Impairment losses on equity method investments	3.5	-
Other	(0.6)	(0.1)
Average effective tax rate	36.2	24.7

14. Interest-bearing liabilities

Interest-bearing liabilities consisted of the following:

(millions of yen)

Category	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
With collateral:		
Loans mainly from banks and insurance companies		
Maturing through 2022		
Interest rates: 3.25% to 3.50% (Year ended March 31, 2021)	300	
Without collateral:		
Loans mainly from banks and insurance companies		
Maturing through 2028		
Interest rates: 0.01% to 19.75% (Year ended March 31, 2021)	90,256	
Interest rates: 0.12% to 4.27% (Year ended March 31, 2022)		100,665
Bonds with 0.934% coupon due September 2022	9,993	9,998
Bonds with 0.15% coupon due February 2024	9,973	9,982
Bonds with 0.25% coupon due February 2026	9,967	9,974
Bonds with 0.36% coupon due February 2029	9,959	9,964
Bonds with 0.30% coupon due February 2031	9,944	9,950
Bonds with 0.60% coupon due August 2039	14,915	14,920
Lease liabilities:		
Maturing through 2047		
Interest rates: 0.0% to 25.31% (Year ended March 31, 2021)	38,443	
Maturing through 2047		
Interest rates: 0.0% to 25.31% (Year ended March 31, 2022)		45,954
Total	193,750	211,407
Current	59,322	90,056
Non-current	134,428	121,351

15. Leases

The Group leases assets including land, buildings, machinery and equipment as a lessee. Certain lease contracts have renewal or termination options, which are exercised as necessary. There are no important incidental matters such as restrictions or covenants imposed by lease contracts.

(1) Gains and losses related to leases are as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Depreciation charges for the right-of-use assets		
Land	385	422
Buildings	7,535	8,100
Machinery and equipment	3,496	3,435
Other	2	8
Total	11,418	11,965
Interest expense on lease liabilities	205	225
Lease expense applying the recognition exemption for short-term leases	1,562	1,543
Lease expense applying the recognition exemption for low-value assets	1,400	1,326
Variable lease payments not included in the measurement of lease liabilities	77	87

Depreciation charges for the right-of-use assets is included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

(2) The carrying amount of right-of-use assets is as follows:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Land	2,435	2,238
Buildings	22,994	32,779
Machinery and equipment	12,901	11,044
Other	32	29
Total	38,362	46,090

The increase in right-of-use assets is described in “Note 28. Cash flow information (1) Significant non-cash transactions.”

The maturity analysis of lease liabilities is provided in “Note 29. Financial instruments (2) Financial risk management 3) Liquidity risk.”

(3) Total cash outflow for leases is as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Total cash outflow for leases	15,880	16,404

16. Trade and other payables

Trade and other payables consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Trade notes payable	10,093	10,964
Accounts payable—trade	59,808	62,877
Accounts payable—other	21,916	22,934
Refund liabilities	7,166	6,944
Total	98,983	103,719

(Note) Trade and other payables are classified into financial liabilities measured at amortized cost.

17. Other current liabilities

Other current liabilities consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Accrued expenses	27,044	26,901
Accrued consumption taxes	5,669	7,703
Contract liabilities	2,271	2,995
Other	838	1,995
Total	35,822	39,594

18. Post-employment benefit plans

(1) Overview of post-employment benefit plans

The Company has a retirement lump-sum severance plan and a defined benefit corporate pension plan based on a formula for determining benefits including a “point-based benefits system” under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification, performance and years of service. Market-related interest is added to the benefit of the defined benefit corporate pension plan. The defined benefit corporate pension plan provides annuity payments for the periods of 10 to 20 years commencing with mandatory retirement. The Company also has a defined contribution pension plan.

The Company has a contract-type corporate pension plan based on pension rules. The Company has established rules on the defined benefit corporate pension plan stipulating the details of the pension plan, such as eligibility requirements, contents and method for determining benefit payments and burden of contributions, by agreement with its employees and has had these rules approved by the Minister of Health, Labour and Welfare. The Company maintains the plans by signing contracts such as with trust banks and insurance companies for the payment of contributions and the management of accumulated funds. The trust banks administer and manage the plan assets while they perform actuarial calculations and payments of annual and lump-sum benefits.

The Company is responsible for executing its duties faithfully for the participants in compliance with laws and regulations and any orders issued by the Minister of Health, Labour and Welfare. Furthermore, the Company is prohibited from entering into any contracts or giving any directions on the administration and management of the pension reserves for the purpose of looking after its own interests or the interests of third parties other than the participants.

Plan assets are legally separate from the Company. Asset management trustees are responsible for plan assets and have a duty of loyalty to pension plan participants, such management responsibilities as a dispersed investment obligation, and a duty to prevent conflicts of interest.

Plan assets are invested on the basis of soundness. However, financial instruments have inherent investment risks. Defined benefit obligations are measured based on various pension actuarial assumptions, such as discount rates. Accordingly, there exists a risk that these assumptions may change.

Certain subsidiaries have defined benefit corporate pension plans, retirement lump-sum severance plans and defined contribution pension plans. Assumptions used for those plans are generally the same as those used for the Company’s plans.

(2) Defined benefit plan

The amounts related to the defined benefit plan on the consolidated statement of financial position are as follows:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Present value of defined benefit obligations	54,510	52,489
Fair value of plan assets	48,274	51,731
Funding position	6,236	758
Effect of the asset ceiling	851	2,586
Net defined benefit liabilities (assets)	7,087	3,344
Amounts on the consolidated statement of financial position		
Retirement benefit liabilities	14,543	12,951
Other non-current assets	7,456	9,607

1) Changes in the present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Balance of defined benefit obligations at beginning of the year	54,312	54,510
Service cost	2,938	2,910
Interest cost	278	272
Remeasurement	(217)	(415)
Actuarial losses (gains) arising from changes in demographic assumptions	(260)	43
Actuarial losses (gains) arising from changes in financial assumptions	43	(458)
Benefits paid from the plan	(2,801)	(3,096)
Changes due to changes in scope of consolidation	-	(1,692)
Balance of defined benefit obligations at end of the year	54,510	52,489

The weighted-average duration of defined benefit obligations as of March 31, 2021 and 2022 was both 10.8 years.

2) Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Fair value of plan assets at beginning of the year	43,141	48,274
Interest income (Note)	249	280
Remeasurement	5,537	3,607
Return on plan assets (excluding the amount included in net interest cost)	5,537	3,607
Employer contribution	880	887
Benefits paid from the plan	(1,533)	(1,317)
Fair value of plan assets at end of the year	48,274	51,731

(Note) Interest income is measured as the fair value of plan assets multiplied by the discount rate.

The Group plans to contribute ¥902 million to the defined benefit corporate pension plan during the fiscal year ending March 31, 2023.

3) Changes in the effect of the asset ceiling

Changes in the effect of the asset ceiling are as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Balance at beginning of the year	-	851
Changes in the effect of the asset ceiling	851	1,735
Balance at end of the year	851	2,586

(Note) When the defined benefit plan is overfunded, defined benefit assets (other non-current assets) recognized in the consolidated statement of financial position are limited to the present value of future economic benefits available in the form of reductions in future contributions to the defined benefit plan.

4) Components of plan assets

The Group's plan assets as of March 31, 2021 and 2022 consisted of the following:

Year ended March 31, 2021 (as of March 31, 2021)

(millions of yen)

	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market
Equity instruments:		
Domestic stocks	10,886	-
Foreign stocks	6,527	-
Debt instruments:		
Domestic public and corporate bonds	4,885	-
Foreign public and corporate bonds	3,245	-
Life insurance company general accounts	-	10,390
Others	4,385	7,956
Total	29,928	18,346

Year ended March 31, 2022 (as of March 31, 2022)

(millions of yen)

	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market
Equity instruments:		
Domestic stocks	12,657	-
Foreign stocks	5,525	-
Debt instruments:		
Domestic public and corporate bonds	5,591	-
Foreign public and corporate bonds	2,880	-
Life insurance company general accounts	-	10,455
Others	6,208	8,415
Total	32,861	18,870

The Group's fundamental policy for the investment of plan assets is to secure the necessary profit on a long-term basis to enable the Group to fund the payments for future pension benefits to eligible participants. Plan assets are allocated in accordance with the plan assets allocation policy, which is established for the purpose of achieving a stable rate of return on a medium- to long-term basis, by taking into account the expected rate of return on each plan asset, a standard deviation and a correlation coefficient. The variance between expected long-term return and actual return on invested plan assets is evaluated on an annual basis. The plan assets allocation policy is revised, when considered necessary, to achieve the expected long-term rate of return.

The Group's portfolio consists of four major components. Equity instruments consist primarily of stocks that are listed on the stock exchanges. The Group investigates the business condition of the investee companies and appropriately diversifies investments by industry type and other relevant factors. The debt instruments consist primarily of government bonds, public bonds and corporate bonds. The Group investigates the quality of the bonds, including credit rating, interest rate and repayment dates, and appropriately diversifies the investments. Mutual funds are invested using the strategy consistent with equity instruments and debt instruments described above. As for the life insurance company general accounts, life insurance companies guarantee certain interest rates and repayment of principal.

5) Actuarial assumptions

Assumptions (weighted-average) used to measure the defined benefit obligations of the plans above are as follows:

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Discount rate	0.5%	0.7%

The Company has adopted the “point-based benefits system.” Accordingly, rate of increase in future compensation levels was not used to determine retirement benefit expenses for the fiscal years ended March 31, 2021 and 2022.

Assumptions used for the plans of subsidiaries were generally the same as those used for the Company’s plans.

6) Sensitivity analysis for significant actuarial assumptions

The effects of a change in discount rate on defined benefit obligations as of March 31, 2021 and 2022 are shown below. The sensitivity analysis is based on the assumption that there are no changes in other assumptions, however, changes in other assumptions may affect the sensitivity analysis.

(millions of yen)

		Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Discount rate	0.5% increase	(2,667)	(2,539)
	0.5% decrease	2,894	2,738

The method and assumptions used in the sensitivity analysis as of March 31, 2022 are the same as those used as of March 31, 2021.

(3) Defined contribution pension plans

The Group recognized that the expenses related to the defined contribution plan are ¥9,865 million and ¥10,416 million for the fiscal years ended March 31, 2021 and 2022, respectively.

19. Common stock and other equity items

(1) Number of shares authorized and shares issued

Changes in number of shares authorized and shares issued are as follows:

(shares)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Number of shares authorized		
Common stock	285,000,000	285,000,000
Number of shares issued		
Balance at beginning of the year	102,958,904	102,958,904
Increase during the year	-	-
Decrease during the year	-	-
Balance at end of the year	102,958,904	102,958,904

(Note) All shares issued by the Company are common stock with no par value that has no limitation set on the rights of holders. The shares issued have been fully paid in.

(2) Treasury stock

Changes in number of shares of treasury stock are as follows:

(shares)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Balance at beginning of the year	39,542	784,890
Increase during the year (Notes 1 and 2)	791,385	402
Decrease during the year (Note 3)	(46,037)	(151,804)
Balance at end of the year (Notes 4 and 5)	784,890	633,488

(Notes) 1. Increase during the fiscal year ended March 31, 2021 is due to purchase from market by the Board Incentive Plan Trust (the "BIP Trust") and the NH Foods Group Employee Shareholding Association Trust (the "Shareholding Trust") and purchase of shares less than one unit.

2. Increase during the fiscal year ended March 31, 2022 is due to purchase of shares less than one unit.

3. Decrease is due to delivery and payment to the Directors, etc. by the BIP Trust, sale to the Shareholding Association by the Shareholding Trust, and exercise of stock options.

4. The balance as of March 31, 2021 includes 140,663 shares of the Company held by the BIP Trust and 608,600 shares of the Company held by the Shareholding Trust.

5. The balance as of March 31, 2022 includes 137,759 shares of the Company held by the BIP Trust and 466,200 shares of the Company held by the Shareholding Trust.

(3) Common stock and capital surplus

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the payment or delivery upon issuance of shares shall be credited to common stock, and the remainder shall be credited to legal capital surplus included under capital surplus. The Companies Act permits, upon approval at the General Meeting of Shareholders, the transfer of legal capital surplus to common stock.

(4) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings paid shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be appropriated for deficit disposition and also may be reversed upon approval at the General Meeting of Shareholders.

(5) Accumulated other comprehensive income

1) Remeasurement of defined benefit plans

A reassessment of defined benefit obligations that identifies the difference between actuarial assumptions at the beginning of the fiscal year and actual results, a return on plan assets at fair value (excluding the amount included in net interest cost) and other components.

2) Financial assets measured at fair value through other comprehensive income

Differences between the fair value and the acquisition price of financial assets measured at fair value through other comprehensive income, accumulated until derecognition.

3) Exchange differences on translation of foreign operations

Exchange differences attributable to the consolidation of the financial results of foreign operations whose financial statements are prepared in foreign currencies.

4) Share of other comprehensive income of investments accounted for using the equity method

The Company's share of exchange differences on translation of foreign operations accounted for using the equity method.

20. Dividends

Dividends paid for the fiscal years ended March 31, 2021 and 2022 are as follows:

Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 11, 2020	Common stock	9,263	90.00	March 31, 2020	June 2, 2020

Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 10, 2021	Common stock	9,675	94.00	March 31, 2021	June 2, 2021

(Note) The total amount of dividends includes dividends on the Company's shares held by the BIP Trust of ¥13 million and dividends on the Company's shares held by the Shareholding Trust of ¥57 million.

Dividends for which the effective date is in the next fiscal year are as follows:

Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 10, 2021	Common stock	Retained earnings	9,675	94.00	March 31, 2021	June 2, 2021

(Note) The total amount of dividends includes dividends on the Company's shares held by the BIP Trust of ¥13 million and dividends on the Company's shares held by the Shareholding Trust of ¥57 million.

Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 10, 2022	Common stock	Retained earnings	10,499	102.00	March 31, 2022	June 1, 2022

(Note) The total amount of dividends includes dividends on the Company's shares held by the BIP Trust of ¥14 million and dividends on the Company's shares held by the Shareholding Trust of ¥48 million.

21. Share-based payment

(1) Stock Option Plan

1) Terms and conditions of stock options

The Company has previously adopted a Stock Option Plan. On May 9, 2008, however, the Board of Directors resolved to abolish the Stock Option Plan except for those stock options granted on or before March 31, 2008.

Title of grantees: Director, Executive Officer, Audit & Supervisory Board Member and Executive Officer of the Company

Settlement: Equity-settled

Exercise period: 20 years after grant date

Vesting conditions: Pursuant to the “Stock Acquisition Rights Allotment Agreement”

Existing stock options of the Company as of March 31, 2022 are as follows:

	Number of shares (shares)	Number of outstanding options (units)	Exercise price (yen)	Expiry	Vesting conditions
Issue in July 2004	6,000	12	1	June 30, 2024	Note 1
Issue in July 2005	4,500	9	1	June 30, 2025	Note 1
Issue in July 2006	6,000	12	1	June 30, 2026	Note 2
Issue in July 2007	4,000	8	1	June 30, 2027	Note 2
Total	20,500	41			

(Notes) Vesting conditions are as follows:

1. An individual to whom stock acquisition rights are allotted may exercise stock acquisition rights from the date following the date one year after losing any titles, including corporate officer, of the Company. Any other conditions, based on the resolution by the Board of Directors, shall be as set forth in the “Stock Acquisition Rights Allotment Agreement” to be entered into between the Company and each individual to whom the stock acquisition rights are allotted.
2. A holder of stock acquisition rights may exercise stock acquisition rights within four years from the date following the date one year after losing any titles, including Director, Audit & Supervisory Board Member and Executive Officer, of the Company and its associates (20% or more owned by the Company). Any other conditions, based on the resolution by the Board of Directors, shall be as set forth in the “Stock Acquisition Rights (stock options as share-based payment) Allotment Agreement” to be entered into between the Company and each individual to whom the stock acquisition rights are allotted.

2) Changes in stock options granted

Changes in stock options granted are as follows:

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)		Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)	
	Stock options (shares)	Average exercise price per share (yen)	Stock options (shares)	Average exercise price per share (yen)
Outstanding at beginning of the year	32,000	1	27,000	1
Exercised during the year	(5,000)	1	(6,500)	1
Outstanding at end of the year	27,000	1	20,500	1
Exercisable at end of the year	11,000	1	4,500	1

(Notes) 1. The number of stock options is translated into the number of shares.

2. The weighted-average share price at exercise of stock options during the year was ¥4,319 for the fiscal year ended March 31, 2021 and ¥4,272 for the fiscal year ended March 31, 2022.

3. The weighted-average remaining life of the outstanding stock options was 3.4 years for the fiscal year ended March 31, 2021 and 2.9 years for the fiscal year ended March 31, 2022.

(2) Performance-Based Stock Compensation Plan

1) Details of the Performance-Based Stock Compensation Plan

The Company has introduced the Performance-Based Stock Compensation Plan for Directors (excluding Outside Directors and non-residents of Japan; hereinafter the same) and Executive Officers (excluding non-residents of Japan; hereinafter together with Directors, the “Directors, etc.”) to further clarify the linkage between the compensations of the Directors, etc. and the business performance and shareholder value of the Company, and to provide incentives to encourage enhancement of the corporate value over the medium- to long-term in order to realize the Company’s corporate philosophy. The Performance-Based Stock Compensation Plan is accounted for as an equity-settled share-based payment transaction.

The Performance-Based Stock Compensation Plan has adopted a scheme called the Board Incentive Plan (BIP) Trust, which grants a certain number of points (1 point = 1 share) to the Directors, etc. depending on their position, achievement level of the performance goal, etc. for the fiscal years corresponding to the period of the Company’s medium-term management plan (the “Target Period”), on the condition they satisfy the prescribed beneficiary requirements, such as being the Directors, etc. during the Target Period. Thereafter, the Directors, etc. who satisfy each beneficiary requirement are entitled to receive delivery and payment of the shares of the Company and the amount of money equivalent to the proceeds from the disposal of the shares of the Company corresponding to the number of points granted by completing the prescribed procedures for determining beneficiaries.

2) Number of points granted during the year and weighted average fair value of points

The fair value of the Company’s shares as of the grant date of points is measured based on observable market prices, and the expected dividends are incorporated into the measurement of the fair value. The number of points granted during the year and the weighted average fair value of points are as follows:

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Number of points granted during the year (points)	21,107	23,944
Weighted average fair value (yen)	4,303	4,292

(3) Trust-type Employee Shareholding Incentive Plan

The Company has introduced the Trust-type Employee Shareholding Incentive Plan (the “Plan”) as an incentive plan for the Group’s employees to enhance the corporate value over the medium- to long-term, and accounts for the Plan as a cash-settled share-based payment transaction.

Under the Plan, the Company has established the NH Foods Group Employee Shareholding Association Trust (the “Shareholding Trust”) at a trust bank, and the Shareholding Trust has acquired the Company’s shares in advance for an amount expected to be acquired by the Shareholding Association over a certain period of time after the establishment. Thereafter, the Shareholding Trust makes sales of the Company’s shares to the Shareholding Association on a continuous basis. Upon the conclusion of the trust, if there are any accumulated gains on sales of shares within the Shareholding Trust, such gains on sales of shares will be allocated as residual assets to employees who meet eligibility requirements as beneficiaries. Such allocation is accounted for as a cash-settled transaction, and the fair value of the liability is measured at the discounted present value of the estimated cash flows as of the trust expiration date, taking into account the terms and conditions of the trust agreement, at the end of each fiscal year.

The fair value of the liability for the Plan is estimated using the Monte Carlo method, and the main underlying figures are as follows. The carrying amount of the liability for the Plan as of March 31, 2022 was ¥38 million and ¥50 million.

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
The Company’s stock price (yen)	4,745	4,150
Remaining shares (shares)	608,600	466,200
Expected volatility (%)	25.6	26.9
Expected remaining period (years)	4.6	3.6
Risk-free interest rate (%)	(0.1)	(0.0)

(4) Share-based payment expense

The amounts recognized as share-based payment expenses are as follows and are included in “Selling, General and Administrative Expenses” in the consolidated statement of income.

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Expenses for the Performance-Based Stock Compensation Plan	91	103
Expenses for the Trust-type Employee Shareholding Incentive Plan	38	12
Total	129	115

22. Net sales

(1) Disaggregation of revenue

The Group disaggregates revenue from each of the three reportable segments, the “Processed Foods Business Division,” the “Fresh Meats Business Division,” and the “Overseas Business Division,” into the categories of “Hams and sausages,” “Processed foods,” “Fresh meats,” “Marine products,” “Dairy products,” and “Others,” depending on the type of goods and services.

The Company discloses the Baseball and Ballpark Business and New Business, etc. in the “Others” category from the cumulative first quarter of the fiscal year for the purpose of expanding into new business areas.

In addition, from the cumulative first quarter of the fiscal year, the Company has changed the calculation method of net sales in order to more appropriately reflect the business results of the reportable segments.

The Company has classified the marine products business relating to The Marine Foods Corporation, its subsidiaries, etc. as discontinued operations from the fiscal year. However, the Processed Foods Business Division in the reportable segments includes the marine products business that has been classified as discontinued operations.

Reclassifications have been made to the information for the year ended March 31, 2021, based on the operating segment information for the year ended March 31, 2022.

Net sales by product type for the fiscal years ended March 31, 2021 and 2022 are as follows:

Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Overseas Business Division	Others	Total	Eliminations, adjustments and others	Consolidated (before adjustment for discontinued operations)	Transfer to discontinued operations	Consolidated (after adjustment for discontinued operations)
Hams and sausages	129,139	860	2,427	-	132,426	(1)	132,425	-	132,425
Processed foods	193,666	13,790	16,157	57	223,670	(85)	223,585	(6,683)	216,902
Fresh meats	26,381	565,883	81,076	-	673,340	(460)	672,880	-	672,880
Marine products	70,774	26	6,040	-	76,840	13	76,853	(63,357)	13,496
Dairy products	31,967	-	-	-	31,967	-	31,967	-	31,967
Others	11,599	11,017	6,455	8,524	37,595	796	38,391	290	38,681
Total	463,526	591,576	112,155	8,581	1,175,838	263	1,176,101	(69,750)	1,106,351

Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Overseas Business Division	Others	Total	Eliminations, adjustments and others	Consolidated (before adjustment for discontinued operations)	Transfer to discontinued operations	Consolidated (after adjustment for discontinued operations)
Hams and sausages	127,646	881	2,620	-	131,147	-	131,147	-	131,147
Processed foods	199,367	17,597	17,269	72	234,305	129	234,434	(9,458)	224,976
Fresh meats	26,872	590,921	104,489	-	722,282	561	722,843	-	722,843
Marine products	69,738	9	9,407	-	79,154	77	79,231	(63,007)	16,224
Dairy products	35,212	-	-	-	35,212	2	35,214	-	35,214
Others	11,118	12,123	9,014	10,559	42,814	759	43,573	412	43,985
Total	469,953	621,531	142,799	10,631	1,244,914	1,528	1,246,442	(72,053)	1,174,389

(2) Balances from contracts with customers

Balances from contracts with customers are as follows:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Contract liabilities	2,280	2,997
Refund liabilities	7,166	6,944

Of the contract liability balances above, the amount of those recognized as revenue for the fiscal years ended March 31, 2021 and 2022 is as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Amount included in the opening balance of contract liabilities	2,156	2,073

The Group receives payments from customers according to the contractual billing schedule.

Contract liabilities represent payments received prior to the performance under the contract. Accordingly, their balances vary depending on the Group's status of performance obligation in the contract.

The amount of income recognized from performance obligations satisfied in the fiscal years ended March 31, 2021 and 2022 is not material.

23. Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Labor costs	66,724	68,802
Distribution costs	36,419	37,869
Advertising expenses	4,472	4,544
Depreciation and amortization	13,708	14,250
Other	28,506	32,485
Total	149,829	157,950

24. Other income and other expenses

(1) Other income

Other income consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Gain on sale of fixed assets	914	242
Foreign exchange gains	6,024	8,965
Subsidy income	301	435
Other	1,356	967
Total	8,595	10,609

(2) Other expenses

Other expenses consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Impairment losses	7,039	2,339
Loss on sale and retirement of fixed assets	2,684	1,561
Foreign exchange losses	1,736	4,163
Other	451	491
Total	11,910	8,554

25. Financial income and financial costs

(1) Financial income

Financial income consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Dividend income		
Financial assets measured at fair value through other comprehensive income	1,694	1,571
Interest income		
Financial assets measured at amortized cost	312	431
Gain on valuation of derivatives		
Financial assets and financial liabilities measured at fair value through profit or loss	26	35
Foreign exchange gains	338	151
Other	22	5
Total	2,392	2,193

(2) Financial costs

Financial costs consisted of the following:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Interest expenses		
Financial liabilities measured at amortized cost	1,353	1,136
Commission expenses		
Financial liabilities measured at amortized cost	100	98
Revaluation losses due to discontinuation of application of the equity method (Note 1)	-	1,247
Loss on change in ownership interest (Note 2)	-	1,485
Other	58	18
Total	1,511	3,984

(Notes) 1. During the fiscal year ended March 31, 2022, the Group lost significant influence over Lay Hong Berhad, an associate, following its issuance of new shares through a third-party allotment. Therefore, the application of the equity method was discontinued and the fair value measurement was performed, and as a result, the loss was incurred.

2. The loss was incurred due to the change in the Company's interest in Nebraska Beef Ltd., an associate, as a result of the exercise of warrants against Nebraska Beef Ltd. during the fiscal year ended March 31, 2022.

26. Other comprehensive income

Changes in each item of other comprehensive income (loss) during the year are as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans		
Amount recognized during the year	4,925	2,413
Before tax effects	4,925	2,413
Tax effects	(1,541)	(815)
After tax effects	3,384	1,598
Financial assets measured at fair value through other comprehensive income		
Amount recognized during the year	3,462	(179)
Before tax effects	3,462	(179)
Tax effects	(861)	143
After tax effects	2,601	(36)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount recognized during the year	4,398	4,141
Reclassification adjustments	(113)	(169)
Before tax effects	4,285	3,972
Tax effects	-	-
After tax effects	4,285	3,972
Share of other comprehensive income of investments accounted for using the equity method		
Amount recognized during the year	429	1,077
Reclassification adjustments	-	(86)
Before tax effects	429	991
Tax effects	-	-
After tax effects	429	991
Total	10,699	6,525

27. Earnings per share

(1) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary shareholders of parent by the weighted-average number of shares of common stock outstanding during the fiscal years ended March 31, 2021 and 2022. The weighted-average number of shares of common stock outstanding does not include shares of common stock repurchased as shares of treasury stock. The Company's shares held by the BIP Trust and the Shareholding Trust are accounted for as treasury stock and accordingly are not also included in the weighted-average number of shares of common stock outstanding.

Diluted earnings per share are calculated by adjusting the profit and weighted-average number of shares of common stock outstanding on the assumption that all dilutive potential shares of common stock have been converted to shares of common stock. The Group holds stock options, which are dilutive potential shares of common stock. For stock options, the expected number of shares acquired at fair value (determined at the average share price of the Company's stock during the year) is calculated based on the exercise price of outstanding stock options granted, which is added to the weighted-average number of shares of common stock outstanding.

(2) Amount of basic earnings per share and basis of calculation

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Basic earnings per share (yen)	317.97	469.92
Continuing operations	311.13	380.87
Discontinued operations	6.84	89.05
Basis for calculation:		
Profit attributable to owners of the parent (millions of yen)	32,616	48,049
Amount not attributable to ordinary shareholders of the parent (millions of yen)	-	-
Profit used in the calculation of basic earnings per share (millions of yen)	32,616	48,049
Continuing operations	31,914	38,944
Discontinued operations	702	9,105
Weighted-average number of shares of common stock (thousands of shares)	102,576	102,251

(3) Amount of diluted earnings per share and basis of calculation

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Diluted earnings per share (yen)	317.89	469.81
Continuing operations	311.05	380.78
Discontinued operations	6.84	89.03
Basis for calculation:		
Profit used in the calculation of diluted earnings per share		
Profit used in the calculation of basic earnings per share (millions of yen)	32,616	48,049
Adjustment to profit (millions of yen)	-	-
Profit used in the calculation of diluted earnings per share (millions of yen)	32,616	48,049
Continuing operations	31,914	38,944
Discontinued operations	702	9,105
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share		
Weighted-average number of shares of common stock used in the calculation of basic earnings per share (thousands of shares)	102,576	102,251
Dilutive effect of stock options granted (thousands of shares)	28	25
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share (thousands of shares)	102,604	102,276

28. Cash flow information

(1) Significant non-cash transactions

Non-cash transactions (investing and financing transactions that do not require the use of cash or cash equivalents) are as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Acquisition of right-of-use assets under lease transactions	15,774	22,858

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)

(millions of yen)

	Balance at beginning of the year (April 1, 2020)	Changes associated with cash flows	Changes not associated with cash flows		Balance at end of the year (March 31, 2021)
			Exchange differences on translation	Others	
Short-term bank loans (Note)	44,528	(4,840)	2,684	4,283	46,655
Long-term bank loans	41,441	6,553	190	(4,283)	43,901
Bonds	54,776	9,943	-	32	64,751
Lease liabilities	35,748	(12,454)	23	15,126	38,443
Total	176,493	(798)	2,897	15,158	193,750

Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

(millions of yen)

	Balance at beginning of the year (April 1, 2021)	Changes associated with cash flows	Changes not associated with cash flows			Balance at end of the year (March 31, 2022)
			Exchange differences on translation	Changes arising from obtaining or losing control of subsidiaries or other businesses	Others	
Short-term bank loans (Note)	46,655	17,065	712	(398)	(4,699)	59,335
Long-term bank loans	43,901	(6,957)	(102)	(210)	4,699	41,331
Bonds	64,751	-	-	-	36	64,787
Lease liabilities	38,443	(13,071)	12	(1,639)	22,209	45,954
Total	193,750	(2,963)	622	(2,247)	22,245	211,407

(Note) "Increase (decrease) in short-term bank loans" in the consolidated statement of cash flows includes only short-term bank loans with a maturity of three months or less. Therefore, the balance of short-term bank loans with a maturity of more than three months is reclassified from long-term bank loans in "Others" under "Changes not associated with cash flows."

(3) Proceeds from sales of business

The major breakdown of assets and liabilities at the time of losing control of the companies that ceased to be subsidiaries, etc. due to the sales of shares, and the relationship between consideration received and cashflows from the sales are as follows.

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Breakdown of assets at the time of losing control		
Current assets	-	25,247
Non-current assets	-	10,105
Breakdown of liabilities at the time of losing control		
Current liabilities	-	26,749
Non-current liabilities	-	2,617

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Consideration received by cash	-	17,135
Cash and cash equivalents in assets at the time of losing control	-	507
Proceeds from sales of business	-	16,628

29. Financial instruments

(1) Capital management

Aiming for stable and sustainable growth of corporate value, the Group prioritizes the distribution of profit to shareholders as a key management issue. Therefore, the Group maintains an optimal capital structure that ensures capital efficiency improvement as well as financial soundness as its basic policy for capital management, ensuring a balance among cash and cash equivalents, interest-bearing liabilities, and capital. The Group is not subject to particular significant capital requirements (other than general rules such as the Companies Act of Japan).

The balances of cash and cash equivalents, interest-bearing liabilities, and capital (equity attributable to owners of the parent) as of March 31, 2021 and 2022 are as follows:

	(millions of yen)	
	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Cash and cash equivalents	83,831	85,374
Interest-bearing liabilities	193,750	211,407
Capital (equity attributable to owners of the parent)	433,595	479,069

(2) Financial risk management

In the normal course of business, the Group is exposed to financial risks, including market risk, credit risk, and liquidity risk. In order to mitigate these risks, the Group conducts risk management in accordance with certain policies. The Group uses derivative transactions in order to mitigate risks described hereafter, and not for speculative purposes.

1) Market risk

(i) Currency risk

The Group also operates businesses overseas, and thus is exposed to foreign currency exchange rate risk in relation to its transactions conducted in currencies other than the functional currency as well as its net investments in foreign operations. In order to mitigate this risk, the Group uses derivatives, such as foreign currency forward exchange contracts. In addition, the Group continually monitors the foreign exchange markets and periodically assesses foreign currency exchange rate risk in accordance with its currency risk management policies. All derivative transactions are conducted in accordance with the currency risk management policies and the internal regulations that specify transaction authority and transaction amount limits.

The major net exposures to currency risk of the Group (excluding exposures hedged by such means as forward exchange contracts) as of March 31, 2021 and 2022 are as follows:

	(millions of yen)	
	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
U.S. dollar	30,188	44,836
Chilean peso	8,112	9,190

Sensitivity analysis of currency risk

For the fiscal years ended March 31, 2021 and 2022, if the U.S. dollar and the Chilean peso each appreciated against the functional currency by 1%, the effects on profit before tax in the consolidated statement of income would be as follows. This analysis assumes that all other variables remain unchanged and does not include the effects of translation into the presentation currency of financial instruments denominated in the functional currency, income and expenses as well assets and liabilities of foreign operations.

	(millions of yen)	
	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Profit before tax		
U.S. dollar	302	448
Chilean peso	81	92

(ii) Share price risk

The Group holds shares in companies, such as business partners, to promote smooth business operations in relation to maintaining and developing business relationships. As such, the Group is exposed to share price risk. In order to mitigate the risk, the Group reviews all holdings of shares annually. Only when the Group determines that a holding of shares contributes to closer cooperation for stable transactions and business expansion and is thus indispensable for its sustainable growth, the Group continues the holding of shares. If there is less need for a holding of shares, the holding of shares is disposed of appropriately in light of share prices and market conditions.

Sensitivity analysis of share price risk

If the prices of shares in companies, such as business partners, held by the Group as of March 31, 2021 and 2022 increased by 1%, the effects on other comprehensive income (before tax effects) in the consolidated statement of income would be as follows. This analysis assumes that all other variables remain unchanged.

	(millions of yen)	
	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Effects on other comprehensive income	259	221

(iii) Interest rate risk

The Group holds interest-bearing liabilities with floating interest rates. As such, the Group is exposed to interest rate risk. In order to mitigate the risk, the Group uses interest rate swap contracts. Accordingly, the Group's exposure to interest rate risk is limited, and the effect on profit before tax in the consolidated statement of income is immaterial.

2) Credit risk

The Group holds trade and other receivables. As such, the Group is exposed to credit risk. In order to mitigate the risk, the Group controls due dates and balances in accordance with sales management policies and other regulations and also ensures regular monitoring of the credit standing of business partners. The Group is not exposed to credit risk that is excessively concentrated in a particular counterparty. Derivative transactions entered into to mitigate currency risk and interest rate risk are exposed to the credit risk of the counterparty financial institutions. Those financial institutions are creditworthy, and therefore the credit risk is considered to be extremely limited. The carrying amount of financial assets less impairment losses in the consolidated statement of financial position represents the maximum credit risk exposure. The amount of receivables that are past due but not impaired is immaterial.

3) Liquidity risk

The Group raises funds necessary for its business operations through bank loans and issuance of bonds, and accordingly is exposed to liquidity risk, which is the risk of failure to meet payment obligations at due dates. The Company manages financial plans by continually monitoring and updating them through the cash management system and reports from the subsidiaries. The Group strives to reduce the liquidity risk by maintaining the level of necessary working capital under this framework as well as by entering into commitment line agreements with financial institutions.

The balance of financial liabilities by settlement date is as follows:

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)				
	Carrying amount	Contractual amount	Within 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term bank loans	46,655	46,655	46,655	-	-
Trade and other payables	98,983	98,983	98,983	-	-
Bonds	64,751	67,563	289	30,801	36,473
Long-term bank loans	43,901	44,738	2,572	39,650	2,516
Lease liabilities	38,443	39,302	11,382	21,069	6,851
Derivative financial liabilities					
Derivatives	167	167	147	20	-
Total	292,900	297,408	160,028	91,540	45,840

(millions of yen)

	Year ended March 31, 2022 (as of March 31, 2022)				
	Carrying amount	Contractual amount	Within 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term bank loans	59,335	59,335	59,335	-	-
Trade and other payables	103,719	103,719	103,719	-	-
Bonds	64,788	67,274	10,243	20,714	36,317
Long-term bank loans	41,331	41,934	9,549	29,875	2,510
Lease liabilities	45,954	46,912	11,649	22,244	13,019
Derivative financial liabilities					
Derivatives	378	378	378	-	-
Total	315,505	319,552	194,873	72,833	51,846

(Note) The Group entered into commitment line agreements with financial institutions totaling ¥75,000 million as of March 31, 2021 and 2022, of which ¥75,000 million and ¥66,904 million are unused and readily available.

(3) Derivatives and hedging activities

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivatives are foreign currency exchange rate risk (principally in U.S. dollars and Chilean pesos) and interest rate risk. The Group uses foreign currency forward exchange contracts to mitigate foreign currency exchange rate risk. In addition, the Group uses interest rate swap contracts to mitigate interest rate risk.

The Group documents its risk management policies including strategies for the purpose of undertaking hedge transactions. All derivatives are entered into under the purpose, strategies and related rules which regulate transactions.

Derivatives which do not qualify for hedge accounting

These derivatives are used to mitigate foreign currency exchange rate risk and interest rate risk. Changes in fair value of derivatives which do not qualify for hedge accounting are recognized in profit or loss immediately.

As of March 31, 2021 and 2022, the contract amounts or notional principal amounts of derivatives held by the Group that did not qualify for hedge accounting are as follows:

	(millions of yen)	
	Year ended March 31, 2021 (as of March 31, 2021)	Year ended March 31, 2022 (as of March 31, 2022)
Interest rate swap contracts	3,000	3,000
Foreign currency forward exchange contracts	81,042	110,324

The Group also has a policy that derivatives are not to be used for purposes other than for hedging. The Group's derivatives contain no provisions that require such derivatives to maintain an investment grade credit rating from each of the major credit rating agencies.

(4) Fair value of financial instruments

1) Measurement of fair value

The Group measures the fair value of financial assets and financial liabilities as follows:

(Cash and cash equivalents, trade and other receivables, trade and other payables, short-term bank loans)

The carrying amounts of these items approximate the fair values because of their short maturities.

(Investment securities)

The fair values of marketable investment securities are based on quoted prices. The fair values of unlisted investment securities are measured by using valuation techniques, such as the market approach and the income approach.

(Other financial assets)

The fair values of foreign currency forward exchange contracts are determined by the discounted cash flow model for the contract term using observable market data such as forward exchange rates.

(Bonds and long-term bank loans)

The fair values of bonds and long-term bank loans are measured by discounting the future cash flows to present value at a rate that would be applied to a similar new contract.

(Other financial liabilities)

The fair values of foreign currency forward exchange contracts and interest rate swap agreements are determined by the discounted cash flow model for the contract term using observable market data such as forward exchange rates and market interest rates.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

The table below does not include financial instruments measured at fair value or financial instruments whose carrying amounts approximate the fair value.

(millions of yen)

	Year ended March 31, 2021 (as of March 31, 2021)		Year ended March 31, 2022 (as of March 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Financial liabilities measured at amortized cost				
Bank loans	43,901	44,547	41,331	41,504
Bonds	64,751	64,856	64,788	64,257

Financial liabilities measured at amortized cost are classified as Level 2.

3) Financial instruments measured at fair value

The table below shows analytical results on financial instruments measured at fair value. Each level is defined as follows.

There are no financial instruments measured at fair value on a non-recurring basis.

Level 1: Fair value measured at quoted prices in active markets

Level 2: Fair value determined, either directly or indirectly, by using observable inputs other than Level 1

Level 3: Fair value determined using valuation techniques based on unobservable inputs

The Group recognizes transfers between the levels of the fair value hierarchy at the date when the event or the change in circumstances resulting in the transfer occurred.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for the fiscal years ended March 31, 2021 and 2022.

(millions of yen)

Year ended March 31, 2021 (as of March 31, 2021)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	-	2,979	-	2,979
Debt financial assets	-	212	735	947
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	25,913	-	4,316	30,229
Total financial assets	25,913	3,191	5,051	34,155
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	167	-	167
Total financial liabilities	-	167	-	167

(millions of yen)

Year ended March 31, 2022 (as of March 31, 2022)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	-	5,795	-	5,795
Debt financial assets	-	216	1,674	1,890
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	22,078	-	7,729	29,807
Total financial assets	22,078	6,011	9,403	37,492
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	378	-	378
Total financial liabilities	-	378	-	378

Reconciliation for financial instruments classified as Level 3

The reconciliation from the opening balances to the closing balances of financial instruments classified as Level 3 in fair value measurements is as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Balance at beginning of the year	6,884	5,051
Other comprehensive income	(1,930)	3,579
Acquisition	100	907
Disposal	0	(29)
Changes due to changes in scope of consolidation	-	(105)
Others	(3)	-
Balance at end of the year	5,051	9,403

Financial assets classified as Level 3 mainly consist of unlisted shares, whose fair values are measured using valuation techniques based on market prices of peer companies and other methods.

Fair value measurements of unlisted shares use unobservable inputs, such as a valuation multiple. The fair value increases (decreases) as an operating income multiple rises (declines).

(5) Financial assets measured at fair value through other comprehensive income

The Group designates investments in equity financial assets held for maintaining and enhancing business relationships as financial assets measured at fair value through other comprehensive income, in light of the purpose of holding the assets.

1) Fair value by issuer of shares

The fair value of investments in equity financial assets designated as financial assets measured at fair value through other comprehensive income is as follows:

Year ended March 31, 2021 (as of March 31, 2021)

Issuer of shares	Amount
MOS FOOD SERVICES, INC.	4,879
Chubu Shiryō Co., Ltd.	3,030
FOOD & LIFE COMPANIES LTD.	2,715
AEON CO., LTD.	2,216
XYZ Co., Ltd.	1,753

Year ended March 31, 2022 (as of March 31, 2022)

Issuer of shares	Amount
MOS FOOD SERVICES, INC.	4,166
Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd.	3,868
Chubu Shiryō Co., Ltd.	2,082
FOOD & LIFE COMPANIES LTD.	1,907
Luohe Shuanghui Wanzhong Poultry Development Co., Ltd.	1,884

2) Dividend income

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Investments derecognized during the year	25	14
Investments held at end of the year	1,267	1,557
Total	1,292	1,571

3) Equity financial assets measured at fair value through other comprehensive income derecognized during the year

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Fair value upon derecognition	606	899
Accumulated gain upon derecognition	28	412

These were sold primarily as a result of reviewing business relationships.

4) Transfer to retained earnings

The Group transfers an accumulated gain or loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the investment is disposed of or when its fair value declines significantly.

Accumulated income or losses (after tax) in other comprehensive income that were transferred to retained earnings for the fiscal years ended March 31, 2021 and 2022 were ¥(178) million and ¥280 million, respectively.

30. Related parties

Compensation for major management executives is as follows:

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Basic compensation	202	199
Performance-based compensation	56	89
Stock acquisition-based compensation	10	-
Performance-based stock compensation	26	35
Total	294	323

31. Discontinued operations

(1) Overview of discontinued operations

The Company, at the meeting of its Board of Directors held on February 9, 2022, determined to transfer all of its shares and related assets of its consolidated subsidiary, The Marine Foods Corporation (“Marine Foods”), to Sojitz Corporation, and the share transfer was completed on March 31, 2022.

As a result, for the year ended March 31, 2022, the marine products business relating to Marine Foods has been classified as discontinued operations, and it has been reclassified and presented as discontinued operations for the previous fiscal year as well.

(2) Name and nature of business of the subsidiary and the segment that included the divested business

Name of the subsidiary	The Marine Foods Corporation
Nature of business	Manufacturing and sale of processed marine food products and import and sale of marine raw materials
Applicable segment	Processed Foods Business Division

(3) Number of shares sold, percentage of ownership after the sale, and gain or loss on sale

Numbers of shares owned before the sale	22,666,000 shares (Number of voting rights: 22,666,000) (Percentage of voting rights held: 100.0%)
Number of shares sold	22,666,000 shares (Number of voting rights: 22,666,000)
Percentage of ownership after the sale	– share (Number of voting rights: –) (Percentage of voting rights held: –%)

(4) Profit (loss) from discontinued operations

Details of profit (loss) from discontinued operations are as follows.

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Net sales	69,750	72,053
Gain (loss) on sales of business	-	12,037
Other profit (loss)	(68,480)	(70,951)
Profit before tax from discontinued operations	1,270	13,139
Income tax expense (Note)	(563)	(4,190)
Profit from discontinued operations	707	8,949

(Note) Income tax expense for the year ended March 31, 2022 includes income tax of ¥3,448 million on the gain(loss) on sales of business.

(5) Cash flows from discontinued operations

Cash flows from discontinued operations are as follows.

(millions of yen)

	Year ended March 31, 2021 (April 1, 2020 through March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Cash flows from operating activities	1,659	2,003
Cash flows from investing activities (Note)	(2,294)	16,721
Cash flows from financing activities	300	(2,170)
Total	(335)	16,554

(Note) Cash flows from investing activities for the fiscal year ended March 31, 2022 include ¥16,628 million of proceeds from sales of business.

32. Significant subsidiaries

Significant subsidiaries of the Group are as described in “I Overview of the Company, 4 Overview of affiliated entities.” Please note, however, that “I Overview of the Company, 4 Overview of affiliated entities” is not included in the English translation.

There were no subsidiaries that had individually significant non-controlling interests as of March 31, 2021 and 2022.

33. Contingent liabilities

There were no significant contingent liabilities.

34. Significant subsequent events

There were no applicable items.

35. Approval of consolidated financial statements

These consolidated financial statements were approved by Yoshihide Hata, President and Representative Director, and Masahito Kataoka, CFO, as of June 27, 2022.

(2) Other

Quarterly information for the fiscal year ended March 31, 2022

(Cumulative period)	Three months ended June 30, 2021 (April 1, 2021 through June 30, 2021)	Six months ended September 30, 2021 (April 1, 2021 through September 30, 2021)	Nine months ended December 31, 2021 (April 1, 2021 through December 31, 2021)	Fiscal year ended March 31, 2022 (April 1, 2021 through March 31, 2022)
Net sales (millions of yen)	278,829	569,118	896,129	1,174,389
Profit before tax (millions of yen)	15,465	28,067	49,109	51,366
Profit attributable to owners of the parent (millions of yen)	9,906	19,604	36,747	48,049
Basic earnings per share (yen)	96.94	191.80	359.45	469.92

(Accounting period)	First quarter (April 1, 2021 through June 30, 2021)	Second quarter (July 1, 2021 through September 30, 2021)	Third quarter (October 1, 2021 through December 31, 2021)	Fourth quarter (January 1, 2022 through March 31, 2022)
Basic earnings per share (yen)	96.94	94.86	167.65	110.47

(Note) The Company, at the meeting of its Board of Directors held on February 9, 2022, determined to transfer all of its shares and related assets of its consolidated subsidiary, Marine Foods, to Sojitz Corporation, and the share transfer was completed on March 31, 2022. As a result, for the year ended March 31, 2022, the marine products business relating to Marine Foods has been classified as discontinued operations. Accordingly, the amounts of net sales and profit before tax for the cumulative first, second and third quarters of the fiscal year have been reclassified into the amounts of the continuing operations excluding discontinued operations.

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Management's Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Yoshihide Hata, President and Representative Director, and Masahito Kataoka, Director and Executive Officer in charge of Accounting & Finance Department, are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2022, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, based on significance that may affect the reliability of their financial reporting. The significance that may affect the reliability of the financial reporting is determined based on quantitative and qualitative impacts on financial reporting. Based on the results of the assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal control over business processes. Regarding certain consolidated subsidiaries and equity-method affiliated companies that did not fall within the top 95% in terms of potential financial impact, calculated using net sales and other financial indicators, we concluded that they do not have any material impact on the consolidated financial statements, and thus, did not include them in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales and cost of sales (after elimination of inter-company transactions), and the top sixteen companies whose net sales and cost of sales reach two-thirds of the total sales and cost of sales on a consolidation basis, were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations

and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected two locations and/or business units for testing, as business processes being significant, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Supplementary information

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5. Other matters warranting special mention

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Yoshihide Hata

President and Representative Director

Masahito Kataoka

Director and Executive Officer in charge of Accounting & Finance Department

NH Foods Ltd.

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 27, 2022

To the Board of Directors of
NH Foods Ltd.:

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Engagement Partner,
Certified Public Accountant:

Koichi Sekiguchi

Designated Engagement Partner,
Certified Public Accountant:

Takashige Ikeda

Designated Engagement Partner,
Certified Public Accountant:

Shunsuke Matsumoto

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of NH Foods Ltd. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2022 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2021 to March 31, 2022, and the 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 of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

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 provisions of the Code of

Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Identification of impairment indicators in fixed assets
<p>Key Audit Matter Description</p> <p>The Group recorded 345,022 million yen of Property, plant and equipment and 15,269 million yen of Intangible assets and goodwill in the consolidated statement of financial position as of March 31, 2022, which accounted for approximately 38% and 2% of consolidated total assets, respectively. These assets included domestic meat production and breeding facilities, processing facilities, and processed food production facilities, as well as overseas meat production and breeding facilities and processing facilities.</p> <p>As described in Note 3. (11) to the consolidated financial statements, the Group determines whether there is any indication of impairment at the end of the reporting period in each asset or cash-generating unit for Property, plant and equipment and Intangible assets and goodwill. If there is an indication of impairment, an impairment loss is recognized by estimating the recoverable amount of the asset or cash-generating unit. For the fiscal year ended March 31, 2022, impairment losses on Property, and equipment and Intangible assets and goodwill in the amount of 2,259 million and 78 million, respectively, were recognized.</p> <p>The financial performance of the Group is expected to be affected by extreme weather events, such as droughts and torrential rains, livestock diseases, fluctuations in commodity prices, and adverse effects on product quality and safety. As a result, there may be an indication of impairment in Property, plant and equipment and Intangible assets and goodwill if business plans are not achieved or the financial performance deteriorates.</p> <p>When assessing whether such a failure to meet business plans or a deterioration in the financial performance constitutes an indication of impairment, it is necessary to analyze the cause of such failure by considering the various factors described above, which involves management's judgment. In addition, Property, plant and equipment and Intangible assets and goodwill are quantitatively material. Based on the above, we identified the identification of impairment indicators in Property, plant and equipment and Intangible assets and goodwill as a key audit matter.</p>
<p>How the Key Audit Matter Was Addressed in the Audit</p> <p>Our audit procedures related to the identification of impairment indicators in Property, plant and equipment and Intangible assets and goodwill included the following, among others:</p> <ul style="list-style-type: none"> • We understood and tested the design and operating effectiveness of internal controls over management's identification of impairment indicators in Property, plant and equipment and Intangible assets and goodwill. • We tested the accuracy of the analysis of changes in operating income and loss related to each asset or cash-generating unit by comparing it to supporting documents used in the preparation of the consolidated financial statements and related disclosures of segment information. • We assessed whether there were any changes in the financial performance of each asset or cash-generating unit that could be indicative of impairment by inspecting the analysis of changes in operating income and loss related to each asset or cash-generating unit. We performed additional procedures, such as inquiries of management and person in charge of responsible departments and accounting department and inspection of the financial performance analysis prepared by management as well as commodity market data, in order to evaluate the following: <ul style="list-style-type: none"> ➢ The completeness of management's review extent for indications of impairment, ➢ The reasonableness and the consistency with the internal and external business environment of the analysis of changes in the financial performance used by management in identifying impairment indicators, and ➢ The consistency of management's conclusion on the identification of impairment indicators with the results of the analysis of changes in the financial performance and the business plan.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, 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.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of NH Foods Ltd. as of March 31, 2022.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of NH Foods Ltd. as of March 31, 2022, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

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

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.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.