2011 Annual Report

STARZEN CO., LTD.

Corporate Profile

As of March 31, 2011

Capital: ¥9,900 million

Sharers: Authorized .... 200,000,000 shares

Issued .... 87,759,216 shares

Number of shareholders: 12,107

Number of employees: 140

Head Office: 6-41, Kounan 1-chome, Minato-ku, Tokyo, Japan
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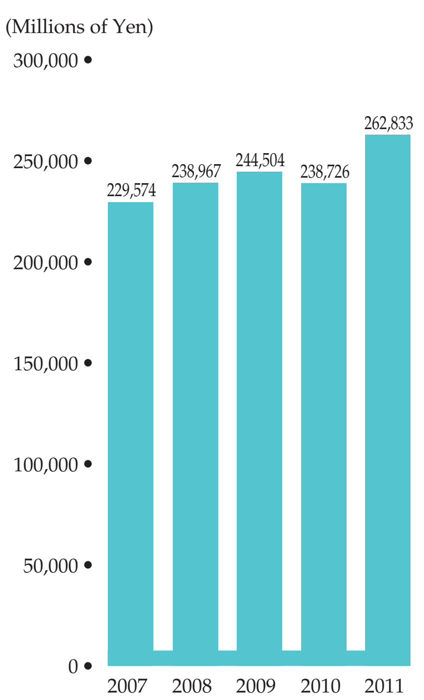
Financial Highlights

Years Ended March 31, 2010 and 2011

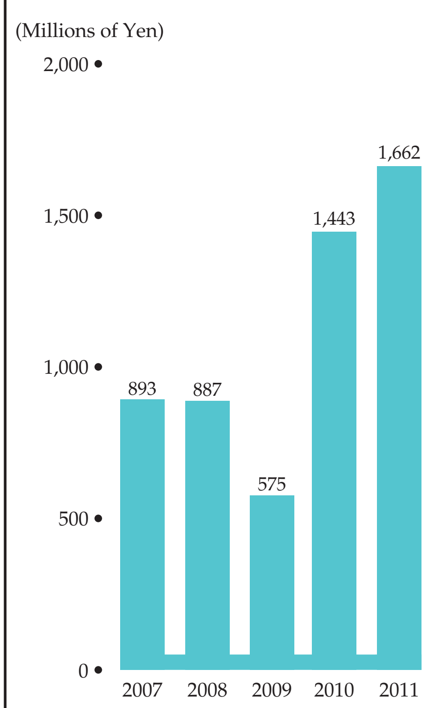
	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Net sales	¥238,726	**¥262,833**	**$3,160,948**
Income before income taxes and minority interest	3,286	**2,155**	**25,914**
Net income	1,443	**1,662**	**19,984**
Total assets	86,431	**95,432**	**1,147,713**
Property, plant and equipment	23,616	**26,532**	**319,089**
Net assets	24,449	**25,199**	**303,065**
	Japanese Yen		U.S. dollars
Amounts per share of Common Stock:			
Net Income-basic	¥19.33	**¥22.25**	**$0.27**
-diluted	19.33	**—**	**—**
Net Assets	322.46	**334.64**	**4.02**
Cash Dividends	7.00	**7.00**	**0.08**

Note. U.S. dollar amounts are translated for convenience only at the rate of ¥83.15 to U.S. $1.

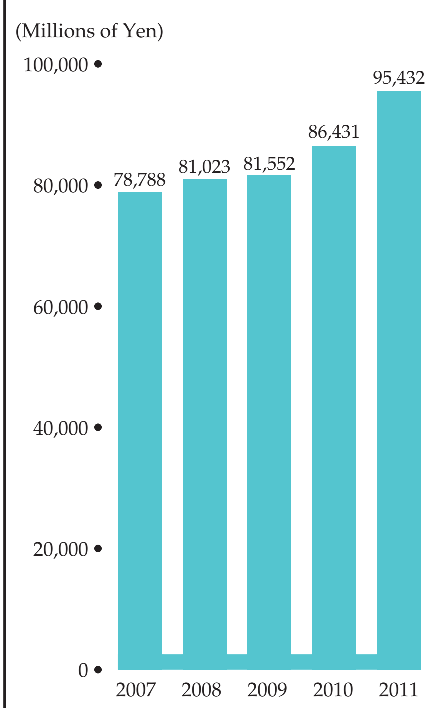
Net Sales



Net Income



Total Assets



To Our Shareholders

Ritsu Akiyama
President

REVIEW OF OPERATIONS

Summary of operating performance

The Japanese economy maintained favorable conditions in some sectors, mainly in exports, in this fiscal year, buoyed by the economic stimulus packages implemented on a global scale and strong performances by East Asian countries and other emerging countries. However, owing to dwindling consumption resulting from a record heat wave during the months of June through August of last year as well as the enormous damage to many industries caused by the unprecedented earthquake which occurred in March of this year, conditions remain without any signs of a pickup in the economy.

In the meat industry, foot-and-mouth disease, which broke out in Miyazaki Prefecture in April 2010, caused the largest damage ever. Furthermore, the bird flu, which broke out mainly in Miyazaki Prefecture in the beginning of 2011, had an unprecedented impact on the demand and supply of principal meat, causing the supply of chicken to decrease sharply. Meanwhile, the meat industry faced a headwind throughout the year due to a decline in meat consumption owing to downturn in demand for dining out and business products because of fewer opportunities for eating out as a result of the heat wave and market contraction in eastern Japan following the earthquake which occurred in March of this year.

Furthermore, great damage caused by the Fukushima nuclear power plant accident persists, and there are concerns about the impact of this on meat consumption in the future as well.

The environment surrounding imported meat is also changing significantly. The expansion of free trade negotiations and the enormous demand for animal protein by countries achieving steady economic development have intensified competition for imported meat which was procurable in the past. These circumstances have made it indispensable to further develop production locations in Japan and overseas in order to ensure a stable supply of meat to Japan.

Under these circumstances, the Company split off the division whose main customers consist of leading and wide-area retail chains in October of last year as a separate company, Starzen Ko-iki Sales Co., Ltd. and has improved the form of group business by the functions of sales, production, manufacturing, overseas business and head office since 2008. As a result, the Group companies were able to expand sales through expeditious decision-making and meticulous response to the market and its changes based on their own roles and functions.

As a measure to continue ensuring safe and secure food, facilities at 50 locations, representing 90% of Starzen Group's facilities, have obtained the SQF2000, International Certification for quality control, by March of this year since the Group first acquired the certification in 2004. Consequently, the Company's swift problem-solving and stable quality have been appreciated, and we have been earning greater trust of our customers year by year.

As a result, consolidated sales amount in this fiscal year was 262,833 million yen (up by 10.1% compared to last year), the highest amount ever, operating profit was 2,938 million yen (down by 23.6% compared to last year) and ordinary profit was 3,363 million yen (down by 16.3% compared to last year). Net income after income tax was 1,662 million yen (up by 15.2% compared to last year).

(1) Operating results of segments of Starzen Group

<Meat business>

Sales of the meat business totaled 259,926 million yen (up by 11.2% compared to last year). The operating results by segment are as follows.

Meat

In the field of domestic meat, demand for high-grade Japanese Wagyu was weak compared to last year partly owing to the economic downturn. On the other hand, since demand for other types of beef, such as crossbred beef which is more reasonable than Japanese Wagyu, was strong throughout the year, we worked to secure quantity.

As for domestic pork, although prices were firm due in part to a decrease in shipments because of the effect of the foot-and-mouth disease and poor growth resulting from the heat wave, the volume of products we handled decreased slightly due to the effect of the decline in shipments. With regard to domestic chicken, we were able to steadily proceed with securing products as a result of the development of production locations. For this reason, the impact of the bird flu was negligible and sales continued to be steady.

In the field of imported meat, sales were steady partly because the price of imported beef moved within a stable range against the background of the appreciation of the yen. In particular, sales of beef for raw materials for processed meat were strong. Imported pork continued to achieve robust sales for both raw materials for processed meat and general household use partly because of the high price of domestic pork. Imported chicken posted steady growth for both business and household use as a result of the decrease in supply of domestic chicken caused by the bird flu. As a result, sales of the meat segment totaled 215,916 million yen (up by 12.1% compared to last year).

Processed Meat

In the field of processed meat, sales of hamburgers were steady throughout the year, supported by strong demand by restaurants and convenience stores. In addition, sales expanded mainly for products that are easy to prepare. Furthermore, we were able to augment the quantity of products we handled and sales through the acquisition of a food processing company. As a result, sales reached 30,229 million yen (up by 8.7% compared to last year).

Ham and Sausage

As for ham and sausage, we were able to expand the quantity of products we handled and sales by acquiring a food processing company, even though we maintained the same results as the previous year with existing clients amid a downturn in demand, helped partly by the introduction of new products for households. As a result, sales reached 10,455 million yen (up by 9.3% compared to last year).

Other

Sales from other products totaled 3,326 million yen (down by 11.6% compared to last year), although there was no specific aspect that requires comment.

<Other businesses>

In other businesses, we actively carried out sale of noodles and other related products. However, sales fell sharply because we outsourced the operation of a food service subsidiary. As a result, sales reached 2,907 million yen (down by 42.2% compared to last year).

(2) Impact of the Great East Japan Earthquake on business

We would like to report that all our employees were safe in the earthquake that occurred on March 11 of this year.

The facilities and products of Starzen Kitanihon Sales Co., Ltd. were damaged at four locations at the Sendai, Koriyama and Iwaki offices and Hitachi representative office. Of these offices, the Hitachi representative office was rendered useless because its sales facilities were damaged and its vehicles were flooded by tsunami. At Starzen Meat Processor Co., Ltd., some of its facilities at the Koriyama Plant were affected and some products were damaged due to a rise in the refrigerator temperature caused by the power outage. At Aoki Foods Co., Ltd., some of the facilities at the noodle manufacturing plant in Koriyama were damaged.

Since the affected offices, excluding the Hitachi representative office, started restoration work immediately after the earthquake, all the offices returned to normal operation and resumed production activities on the last day of April of this year. The damage caused by this earthquake amounted to 90 million yen, of which repair expenses were 35 million yen and loss on disposal of products were 45 million yen.

Summary of Facility Investment

To respond to the diversifying needs and tougher sales competition, the Company made facility investments of 4,499 million yen during this fiscal year, mainly in the meat business.

In the meat business, 3,152 million yen was used mainly to establish a new facility at the Chiba sales branch of Starzen Higashinihon Sales Co., Ltd. in order to strengthen the meat sales system.

In other business sections, facility investments of 1,347 million yen was made mainly for Aoki Foods Co., Ltd's relocation to a new plant.

Issues for the future

Not only the meat industry but Japan's food industry in general is still under a deflationary environment. However, the global food industry as a whole is in an inflationary trend supported by strong demand in emerging countries. Under these adverse circumstances, the Company will aggressively tackle the following issues from the viewpoint of continuing a stable supply of products and achieving steady growth going forward.

1. Establishment of system to secure business continuity under unexpected situations such as earthquakes

Although the Great East Japan Earthquake is said to be the type of event that happens only once a century, continuing the Company's business under any difficult circumstance is a big challenge. The Company has been strengthening countermeasures for emergency situations, putting its first priority on securing safety of its employees. In addition to the existing countermeasures, the Company will review all relevant matters and further strengthen various measures including promotion of seismic structure of buildings and utilization of solar energy.

2. Establishment of new revenue base

Japan is experiencing very rapid aging of its population and decline in birthrate that has never been experienced by any country in the past. This will undoubtedly result in a gradual decline in the consumption of meat in the future. In order to tackle these issues, the Company will advance utilization of accumulated know-how regarding the meat wholesale business in overseas businesses while trying to increase domestic market share by diversifying product lines and sales methods, and upgrading and expanding existing businesses such as promotion of grouping companies.

3. Response to globalization

Keeping an eye on the liberalization of the Japanese market, in order to secure a stable supply of foods, the Company will promote overseas business quickly to improve competitiveness in the domestic production area and procurement of undersupplied meats.

4. Basic policies on the control of the Company

The following is a summary of "Basic policies on persons who control financial and business policies of the Company," as defined in paragraph 3 of Article 118 of Ordinance for Enforcement of the Company Law.

(1) Basic policies on persons who control the Company's financial and business policies

The Company understands that the final decisions as to whether to proceed with a large-scale purchase of the Company shares should be left up to the shareholders' judgment. It shall therefore be necessary to provide shareholders with sufficient information and time to study the large-scale purchases in order to allow the shareholders to make proper judgments on the situation.

Further, the Company does not necessarily hold a negative view on an attempt for large-scale purchases of the Company's shares, in general. Among recent large-scale purchases, however, there are cases where:

1) A purchaser planning to make a large-scale purchase of a company's shares clearly has no intention to manage the company seriously nor reasonably.

2) A purchaser may force shareholders to sell their shares under disadvantageous conditions, in effect.

3) A purchaser may not provide sufficient information or sufficient time to allow the shareholders to fully study or properly judge a purchase proposal.

4) A purchaser has not presented a purchase proposal or business plan to the Company's Board of Directors, nor has not provided opportunities for negotiation or sufficient time for consideration whose proposals do not have any intention to secure or enhance corporate value or common interests of the shareholders.

Persons carrying out such purchases shall be considered inappropriate in the light of the Company's basic policies on the control of the companies. To secure corporate value and the common interests of the shareholders, the Company thinks that it will be necessary to take some kind of defensive measures to prevent such inappropriate purchasers from carrying out large-scale purchases.

(2) Initiatives to realize basic policies on corporate control

The Company is implementing the following measures in order to ensure the Company's corporate value and the common interests of the shareholders.

Measures to contribute to the formation of a business group

Under the Company's Three-Year Plan, which started in 2009, we have been working to achieve the objectives clarified for the functions of each company after the split-off. The Company with its new structure has established new Three-Year Plan starting from 2011 and is now working on the following issues to increase corporate value of the group companies as a whole by upgrading and expanding the meat wholesale business as the core business of the Company, such as expansion in production of meat products and foods, development of new sales channels, and establishment of a new business model.

– Meat procurement business: In order to further expand our domestic production and bases for the collection of meat and to secure a more stable supply of meat, we are strengthening our domestic "breeding and feeding" business, together with stabilizing our supplies from overseas by expanding our bases for the collection of meat.

– Meat wholesale business: We are creating a supply system that can deliver our meat and other food products nationwide through our own distribution function. In addition to this, we are working on the construction of a new distribution center to expand our market share, the improvement of systems and the centralization of the location to aim for rationalization of distribution.

– Food production business: We are working to strengthen our development of new products, to reduce manufacturing costs, and to deliver products to our customers more quickly in line with their needs.

In addition to these, the most important social responsibility of the Group is to supply more safe and secure meat and food products through the construction of an effective supply chain. In particular, we are pressing ahead with the introduction of the SQF2000, International Certification for quality control, in order to ensure that all the products we handle are managed within a failsafe structure, and as of the end of March 2011, we had received certifications for 50 of our business locations and plants – the highest level in the industry. We are regularly inspected by external specialist agencies in order to check our efforts to maintain safety and security. We aim to maximize our corporate value through all of these activities, being mindful of our corporate social responsibility, compliance, and a constant awareness of environmental issues. Based on the initiatives mentioned above, Starzen Group seeks to further enhance the corporate value and common interests of the shareholders and seeks to implement dividend policies with an emphasis on shareholder interests by giving due consideration to the enhancement of the financial position of the Group and the improvement of internal reserves.

(3) Initiatives to prevent unsuitable parties from taking control of Starzen's financial and business policy decisions, in light of Starzen's basic policy on corporate control

With the intention of preventing unsuitable parties from taking control of Starzen's financial and business policy decisions in light of Starzen's basic policy on corporate control, and at the same time in order to ensure and enhance the corporate value and common interests of the shareholders, extension of the application of the existing "Countermeasures against large-scale purchases of the Company's shares" (hereinafter referred to as "the Plan") was approved at the Board of Directors held on May 10, 2010. The Plan was approved at the 71st ordinary general meeting of shareholders held on June 29, 2010.

Purchases of the Company's shares subject to the Plan are purchases of the Company's shares that aim to or result in the holding of 20% or more of the voting rights by a related shareholder group. Hereinafter, such purchase shall be referred to as a "Large-scale Purchase," and a person conducting a Large-scale Purchase shall be referred to as a "Large-scale Purchaser."

Under the terms of the plan, specific rules related to the supply of information and the consideration period applicable to Large-Scale purchases (hereinafter referred to as the "Large-Scale Purchase rules") are as follows. 1) The Large-Scale Purchaser must provide the Board of Directors with sufficient and necessary information in advance of their purchase, 2) Once this necessary information were submitted, the Board of Directors should determine an evaluation period during which the Board of Directors can evaluate or review. This evaluation period shall be up to sixty (60) days in the case of a cash tender offer in Japanese yen for all of the Company's shares, or up to ninety (90) days in the case of any other form of Large-Scale Purchase. A Large-scale Purchase shall commence only after the passage of this period. However, in the event the Company takes steps to confirm shareholders' intention regarding the contents of the countermeasures, the Large-scale Purchase cannot be commenced until the procedure to implement or not to implement the countermeasures has been completed.

If the Large-scale Purchaser complies with the Large-scale Purchase rules, the Board of Directors will not implement defensive measures against the Large-scale Purchase in principle. If the Large-scale Purchaser does not comply with the Large-scale Purchase rules, or if the Large-scale Purchaser complies with the Large-scale Purchase rules but the Board of Directors judges that the Large-scale Purchase will irreparably harm the Company or materially damage the Company's corporate value and, consequently the common interests of its shareholders, the Board of Directors may take necessary and appropriate countermeasures authorized by the Company Law, other relevant laws or regulations, or the Company's Articles of Incorporation, such as the free allocation of stock acquisition rights. When such countermeasures were implemented, in order to guarantee their rationality and fairness, the Board of Directors shall, in advance of their implementation, consult an Independent Committee comprised of outside auditors who remain independent from the Company executives who perform the business of the Company or external knowledgeable persons, and this Independent Committee shall provide recommendations to the Board of Directors within the evaluation period regarding the implementation of countermeasures. The Board of Directors shall place the highest value on the recommendations made by the Independent Committee.

This Plan will remain in effect and force until the closing of the Company's 74th ordinary general meeting of shareholders to be held in June 2013. However, the Plan can be abolished immediately if certain ratio of the shareholders has expressed their intention to cancel the Plan at the Company's general meeting of shareholders, or any resolution to cancel the Plan has been made at the Board of Directors' meeting of the Company.

(4) The Plan complies with the basic policies and is in conformity with the Company's corporate value, and consequently with the common interests of the shareholders, and there is no intention within the Plan to entrench the position of the Company's executives.

The Plan 1) fully satisfies the requirements of the Guidelines for Takeover Defense Measures, 2) is introduced with the purpose of securing and enhancing the common interests of the shareholders, 3) reflects the shareholders' intention, 4) emphasizes on the decision of independent outsiders, and 5) is not designed to be a dead-hand or slow-hand takeover defense measure. By these reasons, it is considered to be in line with Basic Policies and doesn't have any intention to harm the Company's corporate value and, consequently, the interests of shareholders, and also not designed to entrench the position of the Company's executives.

Business Risks

Risks that may influence the business results, stock prices, and financial conditions of Starzen Group are the following. The outlooks for the future mentioned here are the judgments of the Group made as of the end of the consolidated fiscal year.

(1) Natural disaster

In the future, the production, processing and transportation of meat, which the Group mainly handles, may be affected by aftershocks and radioactive contamination stemming from uncertainties about the settlement of the nuclear power plant problem. This may lead to the collapse of domestic demand and supply and fluctuations of the meat market due to the impact on the supply chain, and may significantly affect the Group's business results.

(2) Fluctuations of the meat market

The demand and supply of meat, the main product handled by the Group, is vulnerable to collapse as a result of various factors such as changes in global demand, delays in the growth of livestock by abnormal weather or natural disasters, decrease in livestock due to the outbreaks of livestock disease or stagnant consumption. Such a collapse of domestic supply and demand could lead to large fluctuations of the meat market, which in turn could give a strong impact on the performance of the Group.

(3) Official regulations

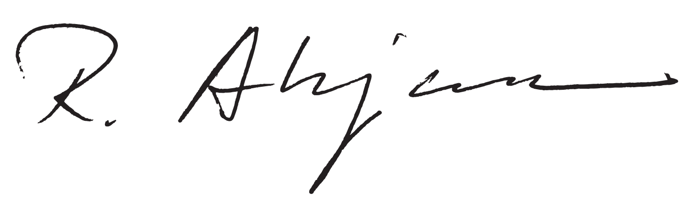
In the development of business, the Group is subject to import regulations (including custom duties), official regulations related to BSE (Bovine Spongiform Encephalopathy), foot-and-mouth disease, new-type flu, and other livestock diseases, and various other regulations. Should any of these official regulations be enforced, the business activities of the Group could be restricted.

As the Group is also subject to legal regulations related to quality indication, the Group strictly checks quality control and quality indications frequently. Should the Group fail to comply with regulations related to quality indication, the activities of the Group could be restricted.

(4) Defects of Products

The Group manufactures various products with the utmost care in accordance with criteria on food sanitation, safety and security. However, there is no guarantee that all products will be free of defects and any risks of recall in the future.

Defects of products that bring about large-scale recall of products or product liability compensations would entail large costs and give a strong impact on the valuation of the Group. This, in turn, could decrease the sales and adversely influence the business result of the Group.



Ritsu Akiyama
President

Consolidated Balance Sheets

As of March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2010	**2011**	**2011**
ASSETS			
Current assets:			
Cash and bank deposits (Notes 5,6 and 9)	¥13,657	**¥10,483**	**$ 126,075**
Notes and accounts receivable-trade (Note 5)	25,236	**29,108**	**350,060**
Inventories (Note 13)	8,983	**12,337**	**148,377**
Deferred tax assets (Note 10)	752	**1,130**	**13,594**
Other current assets	3,916	**4,678**	**56,255**
Allowance for doubtful accounts	(63)	**(146)**	**(1,761)**
Total current assets	52,481	**57,590**	**692,600**
Fixed assets:			
Property, plant and equipment (Notes 9 and 16)			
Buildings and structures	21,751	**24,365**	**293,025**
Machinery and vehicles	9,227	**10,549**	**126,863**
Land	9,178	**10,129**	**121,817**
Construction- in-progress	110	**746**	**8,978**
Lease assets (Note 15)	1,916	**2,528**	**30,404**
Other	1,185	**1,212**	**14,578**
Accumulated depreciation	(19,751)	**(22,997)**	**(276,576)**
	23,616	**26,532**	**319,089**
Intangible assets			
Goodwill	4	**2**	**21**
Lease assets (Note 15)	36	**24**	**298**
Other	192	**188**	**2,263**
	232	**214**	**2,582**
Investments and other assets			
Investment securities (Notes 5,7 and 9)	4,910	**5,384**	**64,750**
Rental properties (Note 12)	1,636	**1,575**	**18,937**
Long-term loans receivable	491	**549**	**6,598**
Deferred tax assets (Note 10)	1,199	**1,556**	**18,719**
Other	2,230	**2,537**	**30,513**
Allowance for doubtful accounts	(414)	**(570)**	**(6,856)**
	10,052	**11,031**	**132,661**
Deferred Charges	50	**65**	**781**
Total assets	¥86,431	**¥95,432**	**$1,147,713**

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2010	**2011**	**2011**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable-trade (Note 5)	¥13,364	**¥17,582**	**$ 211,448**
Short-term borrowings (Notes 5,8,9 and 18)	18,400	**18,077**	**217,405**
Current portion of long-term debt (Notes 5,8 and 9)	5,083	**5,277**	**63,467**
Accrued income taxes	411	**616**	**7,408**
Accrued bonuses	1,327	**1,230**	**14,793**
Lease obligations (Note 15)	398	**527**	**6,341**
Other current liabilities	4,001	**4,386**	**52,742**
Total current liabilities	42,984	**47,695**	**573,604**
Long-term liabilities:			
Long-term debt (Notes 5,8 and 9)	14,986	**17,410**	**209,374**
Accrued pension and severance costs (Note 11)	1,764	**1,766**	**21,243**
Lease obligations (Note 15)	1,275	**1,316**	**15,827**
Other long-term liabilities	973	**2,046**	**24,600**
Total long-term liabilities	18,998	**22,538**	**271,044**
Net Assets			
Shareholders' equity:			
Common stock			
Authorized :200,000,000 shares			
Issued: 87,759,216 shares	9,900	**9,900**	**119,059**
Capital surplus	10,620	**10,620**	**127,722**
Retained earnings (Note 21)	6,303	**7,422**	**89,266**
Treasury stock	(2,246)	**(2,247)**	**(27,023)**
Total shareholders' equity	24,577	**25,695**	**309,024**
Accumulated other comprehensive income:			
Unrealized gain (loss) on securities	(199)	**(77)**	**(925)**
Loss on deferred hedges	(130)	**(424)**	**(5,094)**
Foreign currency translation adjustments	(177)	**(213)**	**(2,566)**
Total accumulated other comprehensive income	(506)	**(714)**	**(8,585)**
Minority interest in consolidated subsidiaries	378	**218**	**2,626**
Total net assets	24,449	**25,199**	**303,065**
Total liabilities and net assets	¥86,431	**¥95,432**	**$1,147,713**

Consolidated Statements of Income

For the Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2010	2011	2011
Net sales	¥238,726	¥262,833	$3,160,948
Cost of sales (Note 13)	214,425	238,554	2,868,954
Gross profit	24,301	24,279	291,994
Selling, general and administrative expenses (Note 14)	20,455	21,341	256,658
Operating profit	3,846	2,938	35,336
Non-operating income:			
Interest and dividend income	98	126	1,519
Revenue from rented properties (Note 12)	614	655	7,873
Other	557	796	9,577
Total non-operating income	1,269	1,577	18,969
Non-operating expenses:			
Interest expense	603	586	7,044
Cost of rented properties (Note 12)	236	276	3,325
Other	258	290	3,492
Total non-operating expenses	1,097	1,152	13,861
Ordinary profit	4,018	3,363	40,444
Extraordinary gains:			
Gain on sale of property, plant and equipment	3	1	18
Gain on sale of investment securities (Note 7)	1	10	119
Gain on negative goodwill	—	156	1,872
Total extraordinary gains	4	167	2,009
Extraordinary losses:			
Loss on sale of property, plant and equipment	4	4	45
Loss on disposal of property, plant and equipment	125	56	680
Impairment loss on fixed assets (Notes 12 and 16)	592	507	6,092
Loss on sale of investment securities (Note 7)	—	354	4,259
Devaluation loss on investment securities (Note 7)	15	19	234
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	345	4,148
Loss on disaster (Note 25)	—	90	1,081
Total extraordinary losses	736	1,375	16,539
Income before income taxes and minority interest	3,286	2,155	25,914
Income taxes (Note 10):			
Current	1,727	1,136	13,663
Deferred	89	(479)	(5,758)
	1,816	657	7,905
Income before minority interests	1,470	1,498	18,009
Minority interest in income of consolidated subsidiaries	27	(164)	(1,975)
Net income	¥ 1,443	¥ 1,662	$ 19,984

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

For the Year ended March 31, 2011

	Millions of Yen	Thousands of U.S. dollars (Note 4)
	2011	**2011**
Income before minority interests	**¥1,498**	**$18,009**
Other comprehensive income		
Unrealized gain (loss) on securities	**117**	**1,403**
Loss on deferred hedges	**(296)**	**(3,554)**
Foreign currency translation adjustments	**(36)**	**(435)**
Share of other comprehensive income of affiliated companies accounted for by the equity-method	**6**	**78**
Total other comprehensive income (Note 24)	**(209)**	**(2,508)**
Comprehensive income	**¥1,289**	**$15,501**
Comprehensive income attributable to:		
Shareholders of the parent	**¥1,454**	**$17,481**
Minority interests	**(¥ 165)**	**($ 1,980)**

The accompanying notes are an integral part of this statement.

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2010 and 2011

	Millions of Yen											
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on securities	Loss on deferred hedges	Foreign currency translation adjustments	Total Accumulated other comprehensive income	Minority interest in consolidated subsidiaries	Total net assets
Balance at March 31, 2009	87,759,216	¥9,900	¥10,619	¥5,158	(¥2,248)	¥23,429	(¥288)	(¥245)	(¥190)	(¥723)	¥385	¥23,091
Cash dividends				(522)		(522)						(522)
Net income				1,443		1,443						1,443
Acquisition of treasury stock					(2)	(2)						(2)
Disposition of treasury stock			1		4	5						5
Increase resulting from newly consolidated subsidiaries				6		6						6
Increase resulting from changes in fiscal term of consolidated subsidiaries				218		218						218
Items other than changes in shareholders' equity							89	115	13	217	(7)	210
Balance at March 31, 2010	87,759,216	¥9,900	¥10,620	¥6,303	(¥2,246)	¥24,577	(¥199)	(¥130)	(¥177)	(¥506)	¥378	¥24,449
Cash dividends				(523)		(523)						(523)
Net income				1,662		1,662						1,662
Acquisition of treasury stock					(8)	(8)						(8)
Disposition of treasury stock			0		7	7						7
Change of scope of equity method				(20)		(20)						(20)
Items other than changes in shareholders' equity							122	(294)	(36)	(208)	(160)	(368)
Balance at March 31, 2011	87,759,216	¥9,900	¥10,620	¥7,422	(¥2,247)	¥25,695	(¥ 77)	(¥424)	(¥213)	(¥714)	¥218	¥25,199

	Thousands of U.S. dollars (Note 4)										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on securities	Loss on deferred hedges	Foreign currency translation adjustments	Total Accumulated other comprehensive income	Minority interest in consolidated subsidiaries	Total net assets
Balance at March 31, 2010	$119,059	$127,713	$75,806	($27,008)	$295,570	($2,393)	($1,558)	($2,131)	($6,082)	$4,550	$294,038
Cash dividends			(6,284)		(6,284)						(6,284)
Net income			19,984		19,984						19,984
Acquisition of treasury stock				(95)	(95)						(95)
Disposition of treasury stock		9		80	89						89
Change of scope of equity method			(240)		(240)						(240)
Items other than changes in shareholders' equity						1,468	(3,536)	(435)	(2,503)	(1,924)	(4,427)
Balance at March 31, 2011	$119,059	$127,722	$89,266	($27,023)	$309,024	($ 925)	($5,094)	($2,566)	($8,585)	$2,626	$303,065

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2010	**2011**	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 3,286	**¥ 2,155**	**$ 25,914**
Adjustments:			
Depreciation and amortization	2,138	**2,473**	**29,738**
Impairment loss on fixed assets	592	**507**	**6,092**
Increase (decrease) in accrued bonuses	120	**(109)**	**(1,304)**
Increase in accrued pension and severance costs	65	**(10)**	**(120)**
Gain on negative goodwill	—	**(156)**	**(1,872)**
Increase (decrease) in allowance for doubtful accounts	5	**239**	**2,869**
Interest and dividend income	(98)	**(126)**	**(1,519)**
Equity in earnings of affiliated companies	(44)	**(104)**	**(1,246)**
Devaluation loss on investment securities	14	**19**	**234**
Loss on sale of investment securities	—	**344**	**4,140**
Interest expense	603	**586**	**7,044**
Loss on sale or disposal of property, plant and equipment	129	**59**	**707**
Gain on sale of property, plant and equipment	(3)	**—**	**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**345**	**4,148**
(Increase) decrease in notes and accounts receivable-trade	(3,110)	**(3,234)**	**(38,891)**
(Increase) decrease in inventories	2,395	**(3,103)**	**(37,318)**
(Increase) decrease in advance payments	(118)	**(708)**	**(8,517)**
Increase (decrease) in notes and accounts payable-trade	2,502	**3,885**	**46,727**
Other	417	**(654)**	**(7,865)**
Subtotal	8,893	**2,408**	**28,961**
Interest and dividends received	108	**143**	**1,716**
Interest paid	(605)	**(593)**	**(7,132)**
Income taxes paid	(2,624)	**(896)**	**(10,770)**
Net cash provided by operating activities	5,772	**1,062**	**12,775**
Cash flows from investing activities:			
Payments for time deposits	(252)	**(278)**	**(3,340)**
Proceeds from maturity of time deposits	295	**252**	**3,036**
Payments for purchase of investment securities	(1,185)	**(1,054)**	**(12,681)**
Proceeds from sale of investment securities	6	**508**	**6,111**
Payments for purchase of property, plant and equipment	(2,943)	**(3,636)**	**(43,734)**
Proceeds from sale of property, plant and equipment	25	**34**	**408**
(Increase) decrease in short-term loans receivable	(567)	**70**	**845**
Payment for long-term loans receivable	(407)	**(389)**	**(4,680)**
Proceeds from long-term loans receivable	451	**508**	**6,108**
Purchase of subsidiaries' shares	(2)	**(1,191)**	**(14,318)**
Other	(1)	**(235)**	**(2,827)**
Net cash used in investing activities	(4,580)	**(5,411)**	**(65,072)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	706	**(75)**	**(901)**
Proceeds from long-term debt	5,696	**7,957**	**95,695**
Repayments of long-term debt	(4,303)	**(4,706)**	**(56,602)**
Repayment of lease obligations	(309)	**(497)**	**(5,978)**
Proceeds from issuance of bonds	3,453	**—**	**—**
Payments for redemption of bonds	(3,188)	**(980)**	**(11,786)**
Payments for purchases of treasury stock	(2)	**(8)**	**(95)**
Proceeds from sales of treasury stock	5	**7**	**89**
Cash dividends paid	(522)	**(523)**	**(6,284)**
Other	(31)	**(2)**	**(35)**
Net cash provided by financing activities	1,505	**1,173**	**14,103**
Effect of exchange rate changes on cash equivalents	4	**(34)**	**(418)**
Net increase (decrease) in cash and cash equivalents	2,701	**(3,210)**	**(38,612)**
Cash and cash equivalents at beginning of year	7,788	**13,438**	**161,617**
Cash and cash equivalents of newly consolidated subsidiaries, at the beginning of year	17	**—**	**—**
Increase in cash and cash equivalents resulting from changes in fiscal term of consolidated subsidiaries	2,932	**—**	**—**
Cash and cash equivalents at end of year (Note 6)	¥13,438	**¥10,228**	**$123,005**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements:

The accompanying consolidated financial statements of Starzen Company Limited ("the Company") and consolidated subsidiaries (together with the Company, collectively referred to as "the Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The accompanying consolidated financial statements include certain reclassifications and modifications in order to present in a format more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies:

(a) Consolidation and investments in affiliated companies —

The consolidated financial statements consist of the accounts of the Company and its 28 subsidiaries (29 subsidiaries at March 31, 2010), including 9 core operating companies (Starzen Meat Processor Co., Ltd., Zenchiku Sales Co., Ltd., Lohmeyer Corporation, Starzen International Co., Ltd., Starzen Kitanihon Sales Co., Ltd., Starzen Higashinihon Sales Co., Ltd., Starzen Nishinihon Sales Co., Ltd., Starzen Minaminihon Sales Co., Ltd. and Starzen Ko-iki Sales Co., Ltd. which was established during the year ended March 31,2011). King Shokuhin Co., Ltd. was newly included in the scope of consolidation by purchase. San-ei Co., Ltd. was merged into Starzen Meat Processor Co., Ltd., Tokyo Shiratsuyu Sangyo Co., Ltd. was merged into Zenchiku Sales Co., Ltd., and Tochigi Zenchiku Co., Ltd. was liquidated, so they were excluded from the scope of consolidation during the year ended March 31, 2011.

All significant inter-company transactions have been eliminated. Certain consolidated subsidiaries are consolidated on the basis of their fiscal years ended December 31 or January 31. Significant differences in inter-company transactions arising from the use of the different fiscal year-ends are appropriately adjusted on consolidation. Effective from the year ended March 31, 2011, Maruzen Co., Ltd. and Zenchiku Logistics Co., Ltd. have changed their fiscal year-ends from December 31 to March 31, and Starzen Service Co., Ltd., Zcos Co., Ltd. and Meat Service Co., Ltd. have changed their fiscal year-ends from January 31 to March 31. Investments in 20% to 50% owned companies, over which the Company has the ability to exercise significant influence, except for those deemed to be immaterial, are accounted for using the equity method. At March 31, 2011, there were 6 companies (4 at March 31, 2010) to which the equity method was applied. As described in Note 3, effective from the year ended March 31, 2011, the Companies adopted "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method".

Assets and liabilities of consolidated subsidiaries are incorporated into the financial statements at fair value, and the difference between the net assets at fair value and the investment cost is amortized on a straight-line basis over a maximum of 20 years, except for minor amounts which are charged to income in the year of acquisition.

(b) Cash and cash equivalents —

Cash and cash equivalents in the consolidated statements of cash flows include highly liquid investments with maturities of three months or less from the acquisition date that are readily convertible to cash and that are exposed to insignificant risk of changes in value.

(c) Inventories —

Merchandise and finished products are stated at the lower of acquisition cost or net realizable value determined by the specific identification method and the average cost method. Raw materials, work-in-process and supplies are stated at the lower of acquisition cost or net realizable value mainly determined by the first-in first-out method.

(d) Marketable Securities and Investment Securities —

Securities are classified into four categories; "Trading securities", "Held-to-maturity debt securities", "Equity securities of affiliates" and "Other securities". At March 31, 2010 and 2011, the Company did not have "Trading securities" or "Held-to-maturity debt securities".

The equity securities of affiliates are accounted for by the equity method. "Other securities" whose quoted market prices are readily determinable, are carried at fair value with net unrealized gains or losses as a component of "Net assets", net of the related taxes. "Other securities" not practicable to fair value are stated at acquisition cost.

Cost of securities sold is determined on the moving average cost method and is reflected in the income statement.

(e) Allowance for doubtful accounts —

Allowance for doubtful accounts is provided for estimated future losses, by applying a percentage based on actual past bad debt experience to the general receivables balance, and then adding any additional amount deemed necessary in individual assessment for accounts that represent particularly high-risk.

(f) Property, plant and equipment and rented properties, except leases —

Property, plant and equipment and rented properties are carried at acquisition cost. For the most part, depreciation is computed using the declining-balance method, except for buildings acquired on and after April 1, 1998 and assets in the Chiba plant for which depreciation is computed using the straight-line method. The estimated useful lives of the respective assets are as follows:

Item	Estimated useful life
Buildings	Mainly 38 years
Machinery	Mainly 10 years
Rented Properties (Buildings)	Mainly 38 years

(g) Amortization —

Amortization of intangible assets is computed using the straight-line method. Bonds issuance expenses included in deferred charges are amortized using the straight-line method over bonds repayment period.

(h) Accrued bonuses —

Accrued bonuses to employees are provided for the estimated amounts which the Company and its domestic subsidiaries are obliged to pay to employees after the fiscal year-end, based on services provided during the current period.

(i) Accrued pension and severance costs —

The Company and certain domestic subsidiaries have defined contribution pension plans and retirement benefit plans which cover substantially all employees. Under most circumstances, employees whose service with the Company or its subsidiaries is terminated are entitled to lump-sum indemnities and pension payments. Generally, the amount of the benefit is based on the length of service, basic salary at the time of severance and the circumstances under which severance occurs. The Company and certain domestic subsidiaries have non-contributory funded defined benefit pension plans. These plans cover an additional portion of the severance indemnity benefits.

Accrued pension and severance costs as of March 31, 2010 and 2011 represent the estimated present value of projected benefit obligations in excess of the fair value of plan assets. The unrecognized actuarial differences are amortized on a straight-line basis over a period of 5 years from the following year in which they arise.

(j) Hedge accounting —

Since the Company operates internationally, it is exposed to market risks from fluctuations in foreign currency exchange. In the normal course of its risk management efforts, the Company employs a variety of derivative financial instruments, which are comprised of foreign exchange contracts and interest rate swap contracts to reduce its exposures. In accordance with the Company's policy, these financial instruments are utilized solely for hedging purposes and the Company does not hold financial instruments for trading or speculation.

The Company has entered into foreign exchange contracts with banks as hedges against receivables and payables denominated in foreign currencies. As these foreign exchange contracts are utilized solely for hedging purposes, the resulting gains or losses are offset against foreign exchange gains or losses on the underlying hedged assets and liability.

The Company does not anticipate any credit loss from nonperformance by the counter-parties in foreign exchange contracts and interest rate swap contracts.

Since the derivative financial instruments of the Company are solely for hedging purposes, gains or losses arising from changes in fair value are deferred as a revaluation and translation adjustments to be off-set against foreign exchange gains or losses on the underlying hedged assets and liability.

(k) Leases —

Non cancelable leases contracted on or before March 31, 2008 without options to transfer ownership of the leased assets to the lessee were accounted for as operating leases. Lease transactions contracted on or after April 1, 2008 are accounted for as finance leases.

(l) Foreign currency translation —

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Gains and losses resulted from such translation are included in net income for the period.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Net assets at the beginning of the year are translated into Japanese yen at the historical rate and profit and loss accounts for the year are translated using the average exchange rate during the year.

Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" as a separate component of "Net assets".

(m) Income taxes —

Income taxes payable, which include corporation, enterprise, and inhabitant taxes, are stated at the estimated amount payable. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

(n) Consumption taxes —

In Japan, the consumption tax system is designed so that all goods and services are taxed at a flat rate of 5% unless specifically provided otherwise. Profit and loss accounts were stated at amounts exclusive of consumption taxes.

(o) Appropriation of retained earnings —

The Corporation Law of Japan (the "Law") requires appropriations of retained earnings to be approved by the shareholders at the ordinary general meeting. Therefore, appropriations of retained earnings are not reflected in the consolidated financial statements in the period to which they relate, but are recorded in the subsequent accounting period after shareholder approval is obtained.

The Company's retained earnings consist of unappropriated retained earnings and a legal reserve as required by the Corporation Law of Japan. The Corporation Law of Japan provides that an amount equal to 10% of distributions from unappropriated retained earnings paid by the Company and its subsidiaries in Japan be appropriated to the legal reserve. Such appropriations are no longer required when the total amount of capital surplus and the legal reserve equals 25% of their respective stated capital.

(p) Net income, net assets and dividends per share —

Net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year. Net assets per share of common stock are based on the number of shares of common stock outstanding at end of year. The cash dividends per share figures are calculated based on the dividends declared for the respective periods.

(q) Asset retirement obligations —

An asset retirement obligation is recorded at the time of acquisition or construction of a tangible fixed asset and when there is a statutory or similar obligation associated with the removal of such tangible fixed asset. The asset retirement obligation is measured at the discounted value of the liability at the time the tangible fixed asset is acquired or constructed and the amount of the liability is added to the book value of the relevant tangible fixed asset. The cost component of the obligation is depreciated over the remaining useful life of the tangible fixed asset.

3. Accounting Changes:

Accounting standard for accrued pension and severance costs

Effective from the year ended March 31, 2010, the Companies adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008). This change had no effect on the consolidated statements of income.

Accounting standard for financial instruments

Effective from the year ended March 31, 2010, the Companies adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 (revised 2008) issued on March 10, 2008), and "Guidance on Accounting Standard for Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008).

Accounting standard for investment and rental property

Effective from the year ended March 31, 2010, the Companies adopted "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 issued on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008).

Accounting standard for asset retirement obligations

Effective from the year ended March 31, 2011, the Companies adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The effect of this change in accounting method was to decrease operating income by ¥59 million ($710 thousand), ordinary profit by ¥38 million ($461 thousand) and income before income taxes and minority interest by ¥321 million ($3,869 thousand). In addition, asset retirement obligations recognized due to the application of this standard was ¥478 million ($5,753 thousand).

Accounting standard for business combinations

Effective from the year ended March 31, 2011, the Companies adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 (Revised 2008) issued on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 (Revised 2008) issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 (Revised 2008) issued on December 26, 2008).

(Change in presentation method)

Effective from the year ended March 31, 2011, the Companies adopted "Cabinet Office Ordinance Regulation for Partial Amendments to Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance Regulation No. 5 issued on March 24, 2009) based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008). In accordance with this regulation, "Income before minority interests" is disclosed in the consolidated statements of income.

(Additional information)
Accounting standard for presentation of comprehensive income

Effective from the year ended March 31, 2011, the Companies adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). In accordance with this new standard, the consolidated statement of comprehensive income for the year ended March 31, 2010 is not presented. The comprehensive income for the year ended March 31, 2010 is disclosed in Note 24.

4. U.S. Dollar Amounts:

U. S. dollar amounts are presented in the accompanying consolidated financial statements solely for convenience of readers outside Japan. The rate of ¥83.15=U. S. $1, the approximate current rate prevailing at the end of March 2011, has been used for the purpose of translating yen amounts into U. S. dollars. These translations should not be construed as representation that the yen amounts actually represent, or have been or could be converted into U. S. dollars at this or any other rate.

5. Financial Instruments:

Overview

(1) Policy for financial instruments

The Companies operate funds in highly secure financial assets, and raise funds through bank loans and bonds. Derivatives are utilized solely to reduce risks mentioned below, and the Companies do not use them for speculation.

(2) Types of financial instruments, related risks and risk management

Notes and accounts receivable-trade are exposed to credit risk in relation to customers. In accordance with the Company's credit management policies, the Company monitors credit worthiness of main customers periodically, and monitors due dates and outstanding balance by individual customers. In addition, the Company makes efforts to identify and mitigate risk of bad debts from customers who have financial difficulties. The main consolidated subsidiaries conduct the same procedures in line with the Company's credit management policies.

Investment securities are exposed to market risk, but they are mostly the shares of common stock of companies with which the Companies have business relationships, and the fair market values are reported to the Board of Directors on a regular basis.

All notes payable and accounts payable-trade are due within one year.

The Companies intended to raise necessary funds for operation and facility investment through loans and bonds, and the maturity dates are up to 14 years from the balance sheet date. Several of these are related to import transactions and are exposed to foreign currency exchange risk, and the Companies hedge them using forward exchange contracts.

Regarding derivatives, the Companies enter into forward exchange contracts to reduce the foreign currency exchange risk arising from import transactions and short-term borrowings. Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in "(j) Hedge accounting" in Note 2, "Summary of Significant Accounting Policies." In conducting and managing derivative transactions, the department in charge of finance and accounting follows the internal rules approved by the Board of Directors. Monthly reports including actual transaction data are submitted to top management for its review. There is few risk of default by counterparties because the Companies deal with only highly rated financial institutions.

Operating payables and loans are exposed to liquidity risk. The finance department makes a funding plan based on reports from affiliated companies to manage the liquidity risk.

(3) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 8, "Derivative Transactions" are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying amount of financial instruments on the consolidated balance sheets as of March 31, 2010 and 2011 and estimated fair value are shown in the following table. The financial instruments which are extremely difficult to measure the fair value are not included in the following table. (Please refer to Note 2 below.)

Assets and liabilities	Millions of yen 2010 Carrying amount	Estimated fair value	Difference
(1) Cash and bank deposits	¥13,657	¥13,657	¥—
(2) Notes and accounts receivable-trade	25,236	25,236	—
(3) Investment securities Other securities	2,341	2,341	—
Total assets	¥41,234	¥41,234	¥—
(1) Notes and accounts payable-trade	¥13,364	¥13,364	¥—
(2) Short-term borrowings	18,400	18,400	—
(3) Long-term debt (including current portion)	20,069	20,060	9
Total liabilities	¥51,833	¥51,824	¥ 9
Derivative transactions(*)			
(1) Hedge accounting not applied	¥ —	¥ —	¥—
(2) Hedge accounting applied	103	103	—
Total derivative transactions	¥ 103	¥ 103	¥—

Assets and liabilities	Millions of yen 2011 Carrying amount	Estimated fair value	Difference
(1) Cash and bank deposits	¥10,483	¥10,483	¥ —
(2) Notes and accounts receivable-trade	29,108	29,108	—
(3) Investment securities Other securities	1,739	1,739	—
Total assets	¥41,330	¥41,330	¥ —
(1) Notes and accounts payable-trade	¥17,582	¥17,582	¥ —
(2) Short-term borrowings	18,077	18,077	—
(3) Long-term debt (including current portion)	22,687	22,567	120
Total liabilities	¥58,346	¥58,226	¥120
Derivative transactions(*)			
(1) Hedge accounting not applied	¥ —	¥ —	¥ —
(2) Hedge accounting applied	(636)	(636)	—
Total derivative transactions	(¥ 636)	(¥ 636)	¥ —

Assets and liabilities	Thousands of U.S. dollars 2011 Carrying amount	Estimated fair value	Difference
(1) Cash and bank deposits	$126,075	$126,075	$ —
(2) Notes and accounts receivable-trade	350,060	350,060	—
(3) Investment securities Other securities	20,914	20,914	—
Total assets	$497,049	$497,049	$ —
(1) Notes and accounts payable-trade	$211,448	$211,448	$ —
(2) Short-term borrowings	217,405	217,405	—
(3) Long-term debt (including current portion)	272,841	271,396	1,445
Total liabilities	$701,694	$700,249	$1,445
Derivative transactions(*)			
(1) Hedge accounting not applied	$ —	$ —	$ —
(2) Hedge accounting applied	(7,645)	(7,645)	—
Total derivative transactions	($ 7,645)	($ 7,645)	$ —

(*) The value of assets and liabilities arising from derivative transactions is shown at net value.

Notes:

1. Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

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

Since these items are settled in a short period of time, their carrying amount approximates fair value.

(3) Investment securities

The fair value of stocks is based on quoted market prices. In addition, please refer to Note 7, "Investment Securities: 'Other securities' with available fair value" for the matter about the possession purpose of securities.

Liabilities

(1) Notes and accounts payable-trade and (2)Short-term borrowings

Since these items are settled in a short period of time, their carrying amount approximates fair value.

(3) Long-term debt (including current portion)

The fair value of bonds is based on the present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk. The fair value of long-term borrowings is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative transactions

See Note 8, "Derivative Transactions".

2. Financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen 2010	2011	Thousands of U.S. dollars 2011
Unlisted stocks	¥2,569	¥3,644	$43,829
Others	0	1	7
Total	¥2,569	¥3,645	$43,836

Because no quoted market price is available, it is impossible to estimate the future cash flows, and therefore it is extremely difficult to determine the fair value, the above financial instruments are not included in "(3) Investment securities".

3. Anticipated redemption schedule after the balance sheet date

Millions of yen 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bank deposits	¥12,676	¥—	¥—	¥—
Notes and accounts receivable-trade	25,236	—	—	—
Total	¥37,912	¥—	¥—	¥—

Millions of yen 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bank deposits	¥ 9,396	¥14	¥—	¥—
Notes and accounts receivable-trade	29,108	—	—	—
Total	¥38,504	¥14	¥—	¥—

Thousands of U.S. dollars 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bank deposits	$113,007	$170	$—	$—
Notes and accounts receivable-trade	350,060	—	—	—
Total	$463,067	$170	$—	$—

4. The redemption schedule for long-term debt is disclosed in Note 9, "Short-term Borrowings and Long-term Debt."

6. Cash and Cash Equivalents:

A reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and the amounts disclosed on the consolidated balance sheets at March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash and bank deposits	¥13,657	**¥10,483**	**$126,075**
Time deposits with deposit term of over 3 months	(219)	**(255)**	**(3,070)**
Cash and cash equivalents	¥13,438	**¥10,228**	**$123,005**

7. Investment Securities: "Other securities" with available quoted market price:

The acquisition cost, carrying amount (which is identical to fair value) and gross unrealized gains and losses in securities classified as "Other securities" whose fair value were available, at March 31, 2010 and 2011, are as follows:

	Millions of yen					
	2010			**2011**		
	Acquisition cost	Carrying amount	Unrealized gains (losses)	Acquisition cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains						
Stock	¥ 791	¥1,133	¥342	**¥ 695**	**¥ 914**	**¥219**
Bonds	—	—	—	**—**	**—**	**—**
Other	—	—	—	**—**	**—**	**—**
Total	791	1,133	342	**695**	**914**	**219**
Securities with unrealized losses						
Stock	1,883	1,208	(675)	**1,181**	**825**	**(356)**
Bonds	—	—	—	**—**	**—**	**—**
Other	—	—	—	**—**	**—**	**—**
Total	1,883	1,208	(675)	**1,181**	**825**	**(356)**
Total	¥2,674	¥2,341	(¥333)	**¥1,876**	**¥1,739**	**(¥137)**

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains			
Stock	**$ 8,353**	**$10,989**	**$2,636**
Bonds	**—**	**—**	**—**
Other	**—**	**—**	**—**
Total	**8,353**	**10,989**	**2,636**
Securities with unrealized losses			
Stock	**14,209**	**9,925**	**(4,284)**
Bonds	**—**	**—**	**—**
Other	**—**	**—**	**—**
Total	**14,209**	**9,925**	**(4,284)**
Total	**$22,562**	**$20,914**	**($1,648)**

Note: Unlisted stocks are not included in the above table because there are no quoted market prices and it is extremely difficult to determine the fair value.

Realized gains and losses on sales of "Other securities" during the year ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Selling amount	¥6	**¥508**	**$6,111**
Gains on sale	1	**10**	**119**
Losses on sale	—	**354**	**4,259**

Impairment of investment securities
Impairment loss on other securities with available quoted market prices were ¥15 million and ¥19 million ($234 thousand) for the years ended March 31, 2010 and 2011.
The Companies synthetically judge an impairment of investment securities whose fair value have fallen 30% to 50% by grasping the levels of fair values of securities such as the gap between the highest or the lowest fair value of each security and its carrying value. At the same time, the Companies evaluate credit risks by studying external credit ratings and various financial ratios based on the published financial statements of the issuer.

8. Derivative Transactions:

(1) There are no derivative transactions outstanding at March 31, 2010 and 2011 for which hedged accounting has not been applied.

(2) Summarized below are the notional amounts and the estimated fair value of derivative transactions outstanding at March 31, 2010 and 2011 for which hedged accounting has been applied.

Millions of yen

2010

Method of hedge accounting	Type of derivative transactions	Hedged items	Notional amount: Total	Notional amount: Maturing after one year	Fair value	Method of calculating the fair value
Principle method	Forward exchange contracts - U.S. dollars	Import transactions and short-term borrowings	¥5,369	¥1,851	¥103	Price indicated by financial institutions
Interest rate swaps that meet specific matching criteria	Interest rate swaps	Long-term debt	50	—	(*2)	—
Allocation method	Forward exchange contracts - U.S. dollars	Import transactions and short-term borrowings	3,751	—	(*1)	—
Total			¥9,170	¥1,851	¥103	—

Millions of yen

2011

Method of hedge accounting	Type of derivative transactions	Hedged items	Notional amount: Total	Notional amount: Maturing after one year	Fair value	Method of calculating the fair value
Principle method	Forward exchange contracts - U.S. dollars	Import transactions and short-term borrowings	**¥15,553**	**¥9,255**	**(¥636)**	Price indicated by financial institutions
Allocation method	Forward exchange contracts - U.S. dollars	Import transactions and short-term borrowings	**4,868**	—	(*1)	—
Total			**¥20,421**	**¥9,255**	**(¥636)**	—

Thousands of U.S. dollars

2011

Method of hedge accounting	Type of derivative transactions	Hedged items	Notional amount: Total	Notional amount: Maturing after one year	Fair value	Method of calculating the fair value
Principle method	Forward exchange contracts - U.S. dollars	Import transactions and short-term borrowings	**$187,043**	**$111,305**	**($7,645)**	Price indicated by financial institutions
Allocation method	Forward exchange contracts - U.S. dollars	Import transactions and short-term borrowings	**58,551**	—	(*1)	—
Total			**$245,594**	**$111,305**	**($7,645)**	—

(*1) Fair value of these derivative transactions is included in the fair value of short-term borrowings which are hedged items.
(*2) Fair value of these derivative transactions is included in the fair value of long-term debt which is hedged item.

9. Short-term Borrowings and Long-term Debt:

"Short-term borrowings" at March 31, 2010 and 2011 bore interest at annual rates ranging from 0.75% to 2.17% and from 0.63% to 2.25% respectively, and were represented generally by bank overdrafts or short-term notes maturing at various dates within 1 year.

"Long-term debt" at March 31, 2010 and 2011 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Loans, principally from banks due between 2011 and 2024, with interest rates ranging from 0.3% to 2.7%:			
Secured	¥ 3,255	**¥ 3,792**	**$ 45,598**
Unsecured	9,934	**12,995**	**156,287**
Unsecured bonds due from September 2011 to March 2015, with interest rates ranging from 0.62% to 1.04%:	6,880	**5,900**	**70,956**
	20,069	**22,687**	**272,841**
Less: portion due within 1 year	(5,083)	**(5,277)**	**(63,467)**
Total long-term debt	¥14,986	**¥17,410**	**$209,374**

Aggregate annual maturities of long-term debt subsequent to March 31, 2011 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 5,277	$ 63,467
2013	7,953	95,651
2014	3,655	43,956
2015	2,896	34,823
2016 and thereafter	2,906	34,944
	¥22,687	$272,841

A summary of assets pledged as collateral against "Short-term borrowings" and "Long-term debt" at March 31, 2010 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash and bank deposits	¥ 66	**¥ 64**	**$ 770**
Property, plant and equipment	4,585	**5,421**	**65,200**
Investment securities	175	**181**	**2,177**

10. Taxes:

Significant components of deferred tax assets and liabilities at March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Tax loss carryforwards	¥1,811	**¥2,077**	**$24,982**
Accrued pension and severance costs	714	**716**	**8,606**
Accrued bonuses	545	**512**	**6,160**
Impairment loss on fixed assets	325	**375**	**4,507**
Loss on deferred hedges	59	**308**	**3,702**
Unrealized profit on sale of property, plant and equipment	210	**197**	**2,368**
Asset retirement obligations	—	**192**	**2,309**
Allowance for doubtful accounts	90	**173**	**2,077**
Accrued retirement benefits for directors and corporate auditors	172	**164**	**1,968**
Accrued social insurance expense	71	**62**	**750**
Amount exceeding the limit of depreciation	36	**58**	**702**
Unrealized loss on securities	136	**54**	**645**
Devaluation loss on golf membership	39	**50**	**606**
Accrued enterprise taxes	65	**45**	**536**
Devaluation loss on inventories	30	**39**	**470**
Software	14	**23**	**276**
Unrealized profit on sale of inventories	40	**21**	**254**
Devaluation loss on investment securities	30	**20**	**239**
Other	20	**71**	**858**
	4,407	**5,157**	**62,015**
Less: valuation allowance	(2,455)	**(2,405)**	**(28,923)**
Total deferred tax assets	1,952	**2,752**	**33,092**
Deferred tax liabilities:			
Unrealized gain on securities	(1)	**(0)**	**(0)**
Asset retirement costs	—	**(61)**	**(729)**
Accrued enterprise taxes	—	**(10)**	**(121)**
Reserve for advancement depreciation of noncurrent assets	—	**(7)**	**(78)**
Other	(28)	**(14)**	**(172)**
Total deferred tax liabilities	(29)	**(92)**	**(1,100)**
Net deferred tax assets	¥1,923	**¥2,660**	**$31,992**

The Company and its domestic subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate a statutory tax rate if approximately 40.6%.

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2010 and 2011 is as follows:

	%	
	2010	**2011**
Statutory tax rate	40.6	**40.6**
Add (deduct):		
Non-deductible expenses	2.3	**3.6**
Inhabitant per capita	3.0	**3.8**
Effect due to liquidation of a consolidated subsidiary	—	**(14.5)**
Gains on negative goodwill	—	**(2.9)**
Goodwill	2.2	**—**
Equity in earnings of affiliated companies	(0.2)	**(2.0)**
Valuation allowance	7.9	**0.3**
Other	(0.5)	**1.6**
Effective tax rate	55.3	**30.5**

11. Accrued Pension and Severance Costs:

"Accrued pension and severance costs" at March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Projected benefit obligations	¥1,830	**¥1,961**	**$23,578**
Fair value of plan assets	106	**200**	**2,398**
Funded status	1,724	**1,761**	**21,180**
Unrecognized actuarial differences	(40)	**(5)**	**(63)**
Accrued pension and severance costs	¥1,764	**¥1,766**	**$21,243**

The net periodic pension costs relating to retirement benefits for the years ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Service cost	¥104	**¥105**	**$1,263**
Interest cost	23	**25**	**296**
Amortization of actuarial differences	(26)	**(27)**	**(321)**
Net periodic pension costs	101	**103**	**1,238**
Contribution to defined benefit pension plan	441	**450**	**5,406**
	¥542	**¥553**	**$6,644**

Assumptions used in calculation of the above information are as follows:

	2010	**2011**
Discount rate	1.7 %-1.8 %	**1.7 %-1.8 %**
Method of attributing projected benefits to periods of service	Straight-line basis	**Straight-line basis**
Amortization period of actuarial differences	5 years	**5 years**

12. Investment and Rental Property:

The Company and its certain consolidated subsidiaries own office buildings for rent (including land) in Tokyo and other areas. Profit associated with the investment and rental property for the years ended March 31, 2010 and 2011 were ¥ 348 million and ¥ 375 million ($4,508 thousand) (with income from rent recorded as non-operating income, and main expenses for rent recorded as non-operating expenses), and impairment loss were ¥ 10 million and ¥ 3 million ($33 thousand) (recorded as extraordinary loss).

The amount recorded on the consolidated balance sheets at March 31, 2010, the fair value and its method of calculation, and the major changes during the year are as follows.

Millions of yen			
2010			
Carrying amount			
Balance at beginning of year	Increase (decrease) during the year	Balance at end of year	Fair value
¥4,301	¥204	¥4,505	¥8,254

Notes:
1. Carrying amount is determined by deducting accumulated depreciation from acquisition costs.
2. Major changes
   Increase resulting from the acquisition of buildings for rent is ¥232 million.
   Increase resulting from the acquisition of land for rent is ¥98 million.
   Decrease resulting from the depreciation is ¥116 million.
   Decrease resulting from impairment loss on idle property is ¥10 million.
3. Methods of calculating the fair value
   Fair value on the balance sheet date is determined based mainly on real estate appraisal reports by external appraisers.

The amount recorded on the consolidated balance sheets at March 31, 2011, the fair value and its method of calculation, and the major changes during the year are as follows:

Millions of yen			
2011			
Carrying amount			
Balance at beginning of year	Increase (decrease) during the year	Balance at end of year	Fair value
¥4,505	**¥489**	**¥4,994**	**¥8,040**

Thousands of U.S. dollars			
2011			
Carrying amount			
Balance at beginning of year	Increase (decrease) during the year	Balance at end of year	Fair value
$54,175	**$5,890**	**$60,065**	**$96,690**

Notes:
1. Carrying amount is determined by deducting accumulated depreciation from acquisition costs.
2. Major changes
   Increase resulting from the acquisition of buildings for rent is ¥393 million ($ 4,728 thousand).
   Increase resulting from the acquisition of land for rent is ¥ 40 million ($ 480 thousand).
   Increase resulting from the change in the purpose of owning buildings from the Companies' own use to for rent is ¥152 million ($ 1,824 thousand).
   Decrease resulting from depreciation is ¥128 million ($ 1,540 thousand).
   Decrease resulting from impairment loss on idle property is ¥3 million ($ 33 thousand).

3. Methods of calculating the fair value
Fair value on the balance sheet date is calculated based mainly on real estate appraisal standards and includes the amounts adjusted by using index.

13. Cost of Sales:

The amount of the devaluation on inventories incurred for the years ended March 31, 2010 and 2011 were a gain of ¥413 million and a loss of ¥46 million ($557 thousand), respectively, and were included in cost of sales.

14. Selling, General and Administrative Expenses:

Major components of "Selling, general and administrative expenses" for the years ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Salaries	¥6,405	**¥6,305**	**$75,826**
Freight	3,141	**3,481**	**41,867**
Provision for bonuses	791	**836**	**10,054**
Pension and severance costs	358	**343**	**4,127**
Provision of allowance for doubtful accounts	117	**299**	**3,598**

The aggregate amounts of research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2010 and 2011 were ¥76 million and ¥79 million ($951 thousand), respectively.

15. Leases:

Finance leases where the lessor retains ownership of the leased assets are capitalized from the year ended March 31, 2009. Finance leases contracted on or before March 31, 2008 are continuously accounted for as operating leases. The Companies charge periodic lease payments to income, which amounted to ¥581 million and ¥495 million ($5,956 thousand) for the years ended March 31, 2010 and 2011, respectively. If such leases had been capitalized, the cost of the leased assets and the related accumulated depreciation at March 31, 2010 and 2011 would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Machinery and vehicles	¥2,143	**¥1,767**	**$21,250**
Other assets	843	**631**	**7,594**
Accumulated depreciation	(2,045)	**(1,897)**	**(22,820)**
Accumulated impairment loss	(22)	**(46)**	**(558)**
Total	¥ 919	**¥ 455**	**$ 5,466**

If finance lease accounting had been applied to the finance leases currently accounted for as operating leases, depreciation of the such leased assets, computed on a straight-line basis over the period of the lease contract, would have been ¥517 million and ¥436 million ($5,241 thousand) for the years ended March 31, 2010 and 2011, respectively.

Future lease payments under the Companies' finance leases at March 31, 2010 and 2011 can be summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Lease payments —			
Due within 1 year	¥436	**¥305**	**$3,671**
Due after 1 year	539	**212**	**2,547**
Total	¥975	**¥517**	**$6,218**

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Future lease payments			
Due within 1 year	¥15	**¥ 9**	**$106**
Due after 1 year	29	**11**	**139**
Total	¥44	**¥20**	**$245**

16. Impairment Loss on Fixed Assets:

For the year ended March 31, 2010, the Companies recognized impairment loss on the following group of assets.

Use	Category	Location	Impairment loss
			Millions of yen
Shop	Goodwill, etc.	Food Design Co., Ltd. Shinjuku-ku, Tokyo, Japan, etc.	**¥427**
Idle asset	Buildings and structures, etc.	Starzen Co., Ltd. Tatebayashi-shi, Gunma, Japan, etc.	**84**
Shop	Buildings and structures, etc.	Star Dining System Co., Ltd. Chu-o-ku, Tokyo, Japan	**64**
Shop	Lease assets, etc.	San-ei Co., Ltd. Minato-ku, Tokyo, Japan, etc.	**8**
Idle asset	Land	Starzen Meat Group Co., Ltd. Ebetsu-shi, Hokkaido, Japan	**8**
Shop	Other (equipment, etc.)	Lohmeyer Sales Co., Ltd. Minato-ku, Tokyo, Japan, etc.	**1**
Total			**¥592**

In the Companies, fixed assets were grouped by segments of management accounting. Assets used for rent and non-operating assets were assessed individually in principle. For the year ended March 31, 2010, the Companies recognized impairment losses of ¥592 million on impaired fixed assets, which were accounted for as extraordinary loss. They were primarily related to the overall deterioration of their business environment.

For the year ended March 31, 2011, the Companies recognized impairment loss on the following group of assets.

Use	Category	Location	Impairment loss Millions of yen	Thousands of U.S. dollars
Plant	Land, etc.	Lohmeyer Co., Ltd. Kumagaya-shi, Saitama, Japan	**¥351**	**$4,227**
Idle asset	Buildings and structures, etc.	Starzen Co., Ltd. Funabashi-shi, Chiba, Japan, etc.	**104**	**1,244**
Plant	Buildings and structures, etc.	King Shokuhin Co., Ltd. Fukuyama-shi, Hiroshima, Japan	**33**	**400**
Shop	Buildings and structures, etc.	Starzen Meat Processor Co., Ltd. Setagaya-ku, Tokyo, Japan	**16**	**188**
Shop	Other (equipment, etc.)	Lohmeyer Sales Co., Ltd. Minato-ku, Tokyo, Japan, etc.	**2**	**27**
Shop	Other (equipment, etc.)	Star Dining System Co., Ltd. Chu-o-ku, Tokyo, Japan	**1**	**6**
Total			**¥507**	**$6,092**

The Companies grouped fixed assets by segments of management accounting. Assets used for rent and idle assets were assessed individually in principle. For the year ended March 31, 2011, the Companies recognized impairment losses of ¥507 million ($6,092 thousand) on impaired fixed assets, which were accounted for as extraordinary loss. The impairment loss for the year ended March 31, 2011 consisted of losses on buildings and structures of ¥310 million ($3,725 thousand), machinery, equipment and vehicles of ¥51 million ($616 thousand), land of ¥80 million ($955 thousand), and other fixed assets of ¥66 million ($796 thousand). The recoverable value of operation assets was the larger of their net selling price or value in use. Net selling price was used for the recoverable value of idle assets. Net selling price was calculated by making reasonable adjustments to real estate appraisal value or assessed value for fixed asset tax. The value in use was measured based on residual value because the estimated future cash flows were negative.

17. Contingent Liabilities:

Contingent liabilities for loans guaranteed at March 31, 2010 and 2011 were ¥4,078 million and ¥4,885 million ($58,753 thousand), respectively.

18. Loan Commitment Agreements:

(1) Borrower

In order to procure operating fund efficiently, the Company entered into contracts for overdraft and commitment with 16 banks. These contracts at March 31, 2010 and 2011 are summarized as follows:

	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Limit of overdraft and loan commitment	¥35,190	**¥35,990**	**$432,832**
Used portion of credit line	10,142	**8,520**	**102,465**
Remaining portion of credit line	¥25,048	**¥27,470**	**$330,367**

(2) Lender

The Company entered into master agreements for the Starzen Cash Management Service ("CMS") that have set out the availability granted among non-consolidated subsidiaries. These contracts at March 31, 2010 and 2011 are summarized as follows:

	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Total availability granted	¥30	**¥30**	**$361**
Used portion of credit line	—	**—**	**—**
Remaining portion of credit line	¥30	**¥30**	**$361**

19. Supplementary Information for Consolidated Statements of Changes in Net Assets:

(a) Type and number of outstanding shares

For the year ended March 31,2010 (Number of shares)

Type of shares	Balance at Beginning of year	Increase during the year	Decrease during the year	Balance at end of year
Issued stock:				
Common stock	87,759,216	—	—	87,759,216
Treasury stock:				
Common stock	13,130,226	10,460	28,000	13,112,686

Treasury stock increased by 10,460 shares due to the repurchase of shares less than one unit.
Treasury stock decreased by 28,000 shares due to transfer upon the exercise of stock options.

For the year ended March 31,2011 (Number of shares)

Type of shares	Balance at Beginning of year	Increase during the year	Decrease during the year	Balance at end of year
Issued stock:				
Common stock	**87,759,216**	**—**	**—**	**87,759,216**
Treasury stock:				
Common stock	**13,112,686**	**33,152**	**39,000**	**13,106,838**

Treasury stock increased by 33,152 shares due to the repurchase of shares less than one unit.
Treasury stock decreased by 39,000 shares due to transfer upon the exercise of stock options.

(b) Dividends

(1) Dividends paid to shareholders

For the year ended March 31, 2010:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 26 2009	Annual General meeting of shareholders	Common stock	¥522	¥7.00	March 31 2009	June 29 2009

For the year ended March 31, 2011:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 29 2010	Annual General meeting of shareholders	Common stock	**¥523**	**$6,284**	**¥7.00**	**$0.08**	**March 31 2010**	**June 30 2010**

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

For the year ended March 31, 2010:

Date of approval	Resolution approved by	Type of shares	Amount (millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 29 2010	Annual General meeting of shareholders	Common stock	¥523	¥7.00	March 31 2010	June 30 2010

For the year ended March 31, 2011:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 29 2011	Annual General meeting of shareholders	Common stock	**¥523**	**$6,285**	**¥7.00**	**$0.08**	**March 31 2011**	**June 30 2011**

20. Amounts Per Share:

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each period after giving effect to the dilutive potential of the common stock to be issued upon the conversion of convertible bonds, if any.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

Cash dividends per share represent the cash dividends declared as applicable to the respective period.

	yen		U.S. dollars
	2010	**2011**	**2011**
Per share of common stock:			
Net income - basic	¥ 19.33	**¥ 22.25**	**$0.27**
- diluted	19.33	**—**	**—**
Net assets	322.46	**334.64**	**4.02**
Cash dividends	7.00	**7.00**	**0.08**

21. Stock Option Plans:

At March 31, 2011, the Company has the following stock option plans approved by the shareholders in accordance with the Law:

	2003 plan
Date of approval by shareholders	June 27, 2003
Grantees	78 employees of the Company
Type of stock	Common stock
Number of shares granted	200,000
Date of issue	August 5, 2003
Condition for settlement of rights	Grantees must be in continued employment of the Company from the date of grant (August 5, 2003) through the date of the settlement of rights. (June 30, 2005)
Period for service	From August 5, 2003 to June 30, 2005
Period for execution of rights	From July 1, 2005 to June 30, 2010

The number of outstanding stock options and the movements during the year ended March 31, 2011 were as follows:

Non-vested (number of shares)	
Outstanding at the beginning of the year	—
Granted during the year	—
Forfeited during the year	—
Vested during the year	—
Outstanding at the end of the year	—
Vested (number of shares)	
Outstanding at the beginning of the year	78,000
Vested during the year	—
Exercised during the year	39,000
Forfeited during the year	39,000
Outstanding at the end of the year	—
Exercise price (yen)	¥190
Exercise price (U.S. dollars)	$2.29
Weighted-average market price (yen)	¥268
Weighted-average market price (U.S. dollars)	$3.22

22. Segment Information:

The disclosure of segment information is omitted because the Companies are primarily engaged in one industry, the meat business in Japan which includes breeding, processing, manufacturing and sale, and the reportable segment is "meat business" only.

(Additional information)
Effective from the year ended March 31, 2011, the Companies adopted "Accounting Standards for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17 issued on March 21, 2008) and "Guidance on the Accounting Standards for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No. 20 issued on March 21, 2008).

(Related information)
Information by products and services is as follows:

	Meat	Processed Meat	Ham and Sausage	Other	Total
Sales to external customers (Millions of yen)	¥215,916	¥30,229	¥10,455	¥6,233	¥262,833
Sales to external customers (Thousands of U.S. dollars)	$2,596,703	$363,545	$125,732	$74,968	$3,160,948

Geographical information
The disclosure is omitted because sales in Japan accounted for over 90% of consolidated net sales and fixed assets in Japan accounted for over 90% of consolidated fixed assets.

Information by significant customers
The disclosure is omitted because there was no external customer to whom sales accounted for over 10% of consolidated net sales.

Impairment loss on fixed assets by a reportable segment for the year ended March 31, 2011 is summarized as follows:

	Meat business	Reportable segment total	Other businesses	Adjustments and eliminations	Total
Millions of yen	¥506	506	1	—	¥507
Thousands of U.S. dollars	$6,086	6,086	6	—	$6,092

The following table presents the amortization and balance of goodwill as of and for the year ended March 31, 2011 by a reportable segment:

	Meat business	Reportable segment total (Millions of yen)	Other businesses	Adjustments and eliminations	Total
Amortization	¥6	¥6	¥2	—	¥8
Balance as of March 31	—	—	2	—	2

	Meat business	Reportable segment total (Thousands of U.S. dollars)	Other businesses	Adjustments and eliminations	Total
Amortization	$71	$71	$32	—	$103
Balance as of March 31	—	—	21	—	21

Gains on negative goodwill by a reportable segment
In the meat business, the Companies acquired all shares in King Shokuhin Co., Ltd. during the fiscal year ended March 31, 2011. As a result, the Companies recognized gains on negative goodwill of ¥156 million ($1,872 thousand).

Segment information for the years ended March 31, 2010 under the previous accounting standard:
The disclosure of segment information is omitted because the Companies are primarily engaged in one industry, the meat business in Japan which includes breeding, proceeding, manufacturing and sale. The amount of other business sales is immaterial. Export sales and operations outside Japan are also insignificant.

23. Related Party Transactions:

The material transactions and related balances of the Company with affiliates and a company for which the Company's directors and their close relatives have the majority of voting rights for the year ended March 31, 2010 and 2011 are as follows:

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen 2010	Account	Millions of yen 2010
Affiliate	Akune meat distribution center Co., Ltd.	Business consignment	Guarantee of obligation	¥1,874		—
Company for which the Company's directors and their close relatives have the majority of voting rights	Kounan shoji Co., Ltd.	Office rent	Deposit of office rental	1	Other long-term liabilities	¥96

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen 2011	Thousands of U.S. dollars 2011	Account	Millions of yen 2011	Thousands of U.S. dollars 2011
Affiliate	Akune meat distribution center Co., Ltd.	Business consignment	Guarantee of obligation	**¥1,894**	**$22,777**	**—**	**—**	**—**
	Prifoods Co., Ltd.	Purchase and sales of goods	Subscription for shares	**1,000**	**12,026**	**—**	**—**	**—**
Company for which the Company's directors and their close relatives have the majority of voting rights	Kounan shoji Co., Ltd.	Office rent	Deposit of office rental	**—**	**—**	**Other long-term liabilities**	**¥96**	**$1,154**
			Office rent	**77**	**931**	**—**	**—**	**—**

The material transactions and related balances of the Company's consolidated subsidiaries with an affiliate and companies for which the Company's directors and their close relatives have the majority of voting rights for the year ended March 31, 2010 and 2011 are as follows:

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen	Account	Millions of yen
				2010		2010
Company for which the Company's directors and their close relatives have the majority voting rights	Futaba Corporation	Import clearance, Storage of products, Office rent	Freight forwarder	¥511	Accrued expense	¥75
			Office rent	44	Other long-term liabilities	18
	Daiichi Reizo Co., Ltd.	Storage of products	Warehousing	42	Accrued expense	4

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen	Thousands of U.S. dollars	Account	Millions of yen	Thousands of U.S. dollars
				2011			**2011**	
Affiliate	Orange Bay Foods Co., Ltd.	Sales of goods	Sale of meat	**¥4,181**	**$50,278**	**Accounts receivable**	**¥1,029**	**$12,375**
Company for which the Company's directors and their close relatives have the majority voting rights	Futaba Corporation	Import clearance, Storage of products, Office rent, Concurrent holding of positions by director	Freight forwarder	**627**	**7,542**	**Accrued expense**	**98**	**1,177**
	Daiichi Reizo Co., Ltd.	Concurrent holding of positions by director	Office rent	**44**	**524**	**Other long-term liabilities**	**18**	**214**
			Warehousing	**56**	**674**	**Accrued expense**	**4**	**46**

24. Other Comprehensive Income:

The following table presents components of other comprehensive income for the year ended March 31, 2010:

	Millions of yen
	2010
Unrealized gain (loss) on securities	¥ 89
Loss on deferred hedges	115
Foreign currency translation adjustments	13
Total other comprehensive income	¥217
Comprehensive income attributable to:	
Shareholders of the parent	¥1,660
Minority interests	27

25. Loss on disaster:

Loss on disaster resulted from the Great East Japan Earthquake consisted of the followings:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Loss on disposal of products	**¥45**	**$ 537**
Repair expense	**35**	**421**
Other	**10**	**123**
Total	**¥90**	**$1,081**

Report of Independent Auditors

The Board of Directors
Starzen Company Limited

We have audited the accompanying consolidated balance sheets of Starzen Company Limited and consolidated subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Starzen Company Limited and consolidated subsidiaries at March 31, 2010 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

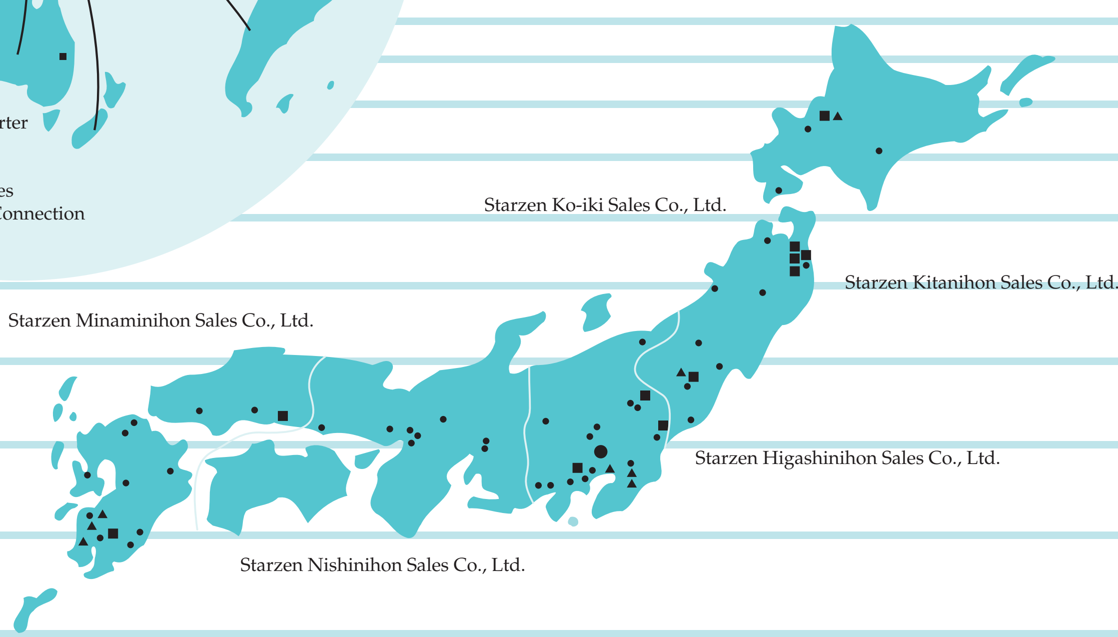
Ernst & Young
Shin Nihon LLC

June 29, 2011

Board of Directors

Chairman	Seiichi Uzurahashi
President	Ritsu Akiyama
Director	Tsuyoshi Nakatsuhama
Director	Akira Nagano
Director	Toshio Nakai
Director	Fumio Miyasaka
Director	Koichi Terashi
Director	Hiroshi Suzuki
Director	Taisuke Ota
Director	Eiichi Motohashi
Standing Statutory Auditor	Toshiro Takao
Standing Statutory Auditor	Yoshio Usuki
Statutory Auditor	Yusuke Komatsu
Statutory Auditor	Terukazu Sugishima

Starzen Network



STARZEN CO.,LTD.

Printed in Japan