2012 Annual Report

STARZEN CO., LTD.

Corporate Profile

As of March 31, 2012

Capital: ¥9,900 million

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

Issued .... 87,759,216 shares

Number of shareholders: 11,776

Number of employees: 142

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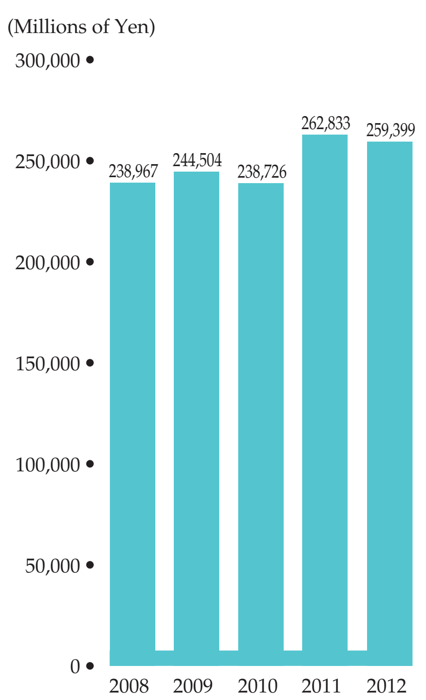
Financial Highlights

Years Ended March 31, 2011 and 2012

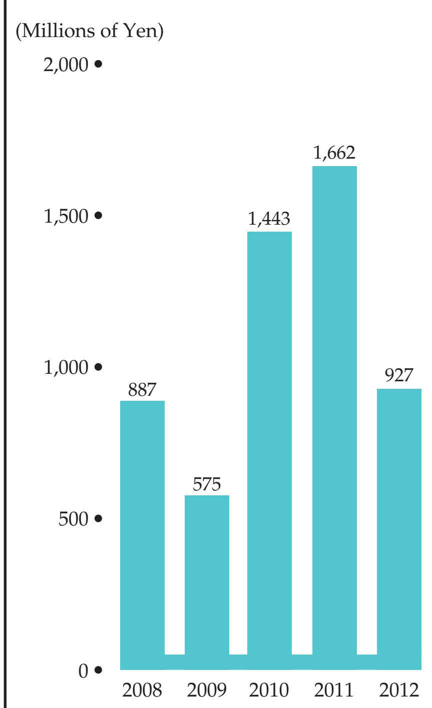
	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Net sales	¥262,833	**¥259,399**	**$3,158,395**
Income before income taxes and minority interests	2,155	**2,527**	**30,773**
Net income	1,662	**927**	**11,288**
Total assets	95,432	**94,023**	**1,144,811**
Property, plant and equipment	26,532	**27,335**	**332,833**
Net assets	25,199	**25,977**	**316,290**
	Japanese Yen		U.S. dollars
Amounts per share of Common Stock:			
Net Income-basic	¥ 22.25	**¥ 12.42**	**$0.15**
Net Assets	334.64	**346.20**	**4.22**
Cash Dividends	7.00	**7.00**	**0.09**

Note. U.S. dollar amounts are translated for convenience only at the rate of ¥82.13 to U.S. $1.

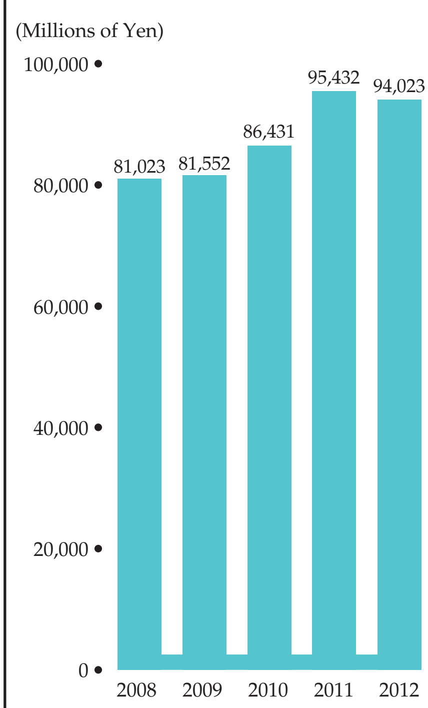
Net Sales



Net Income



Total Assets



To Our Shareholders

Tsuyoshi Nakatsuhama
President

REVIEW OF OPERATIONS

Summary of operating performance

The Japanese economy started to show signs of a pickup in this fiscal year on the back of a recovery in the world economy, mainly driven by domestic demand in Asia. However, owing to the impact of the Great East Japan Earthquake which occurred at the end of the previous fiscal year, corporate activities declined, making the future outlook uncertain.

Furthermore, given the possibility that the problems of stable power supply and a hike in electricity charges due to the shutdown of the nuclear power plants will cause a further decline in production in the future, the situation will remain unpredictable.

In the meat industry, a food poisoning case which broke out at the beginning of this fiscal year led to a downturn in demand for dining out, mainly at Korean BBQ restaurants. In addition, beef consumption slackened as a result of the radioactive contamination problem which occurred in July.

The radioactive contamination problem of beef triggered a downturn in the beef carcass market, and the effects of rumors caused enormous damage to domestic beef producers mainly in the Tohoku area. As a result of that, demand for domestic beef declined sharply.

Sales of domestic beef followed a recovery trend since the Company promptly established a system for inspecting radioactive substances as an initiative for ensuring safety and security ahead of other companies. As for pork, although prices were higher than in the previous year in the first half due to a decline in hog number, prices settled and sales stabilized as hog number recovered in the second half. With regard to chicken, the significant drop in the unit sales price of Brazilian chicken, etc., due to an increase in inventories caused a conspicuous decrease in overall gross profit.

Amid these circumstances, the continuation of the SQF2000, which forms the basis of “safe and secure food” and “stable quality,” led to trust of many customers. As a result of efforts by sales subsidiaries to expand sales of a wide range of products including domestic beef, pork, chicken, and processed meat, the volume of products we handled was mostly the same as the previous year but sales declined from the previous year.

As a result, net sales in this fiscal year was 259,399 million yen (down by 1.3% compared to last year), operating income was 2,677 million yen (down by 8.9% compared to last year) and ordinary income was 3,052 million yen (down by 9.2% compared to last year). Net income was 927 million yen (down by 44.2% compared to last year).

The operating results of segments are as follows.

<Meat business>

Sales of the meat business totaled 256,958 million yen (down by 1.1% compared to last year). The operating results by segment are as follows.

Meat

Although domestic beef consumption decreased substantially due to the radioactive contamination problem, such consumption followed a recovery trend with the establishment of a system for inspecting radioactive substances in each distribution stage from producers to consumers. Even though the Company strived to ensure the safety of domestic beef and expand sales by establishing an inspection system, the volume of products we handled decreased slightly.

Meanwhile, the sales situation of domestic pork was challenging due to higher prices resulting from a decline in hog shipment in the first half. In these circumstances, we worked to secure the volume of products we handle since prices have stabilized on the back of an increase in shipments since the third quarter. As for domestic chicken, although supply was unstable owing to damage caused by the earthquake to the Tohoku area, the principal production location, supply conditions improved and steady sales continued as restoration from the earthquake made progress.

With respect to imported beef, even though overseas prices rose, the sales environment was challenging as domestic prices continued falling. Amid these conditions, we focused our efforts on securing the volume of products we handle mainly for beef for raw materials for processed meat. We also strived to aggressively sell imported pork for both raw materials for processed meat and general household use. As for imported chicken, imported volume increased due to a sense of shortage of domestic chicken. However, the volume of products we handled declined slightly because the downturn in market prices continued as a result of the swift recovery in the domestic chicken supply. As a result, sales of the meat segment totaled 210,973 million yen (down by 2.3% compared to last year).

Processed Meat

Sales of products for the food service industry were weak owing to factors such as the atmosphere of self-restraint immediately after the earthquake. Nevertheless, sales of ready-made foods for households expanded on the strength of an increase in demand for processed meat.

In this environment, sales reached 32,295 million yen (up by 6.8% compared to last year) as a result of efforts to augment sales of processed meat, such as hamburgers.

Ham and Sausage

We struggled to sell processed beef products due to the radioactive contamination problem. However, as a result of aggressive sales mainly of ham and sausage, sales reached 10,495 million yen (up by 0.4% compared to last year).

Other

Sales from other products we handled totaled 3,193 million yen (down by 4.0% compared to last year).

<Other businesses>

Sales from other businesses, primarily consisting of the noodle-making business and the food service-related business, reached 2,440 million yen (down by 16.1% compared to last year).

Summary of Facility Investment

To respond to diversifying needs and tougher sales competition, the Company made facility investments of 4,904 million yen during this fiscal year, mainly in the meat business.

In the meat business, we made facility investments of 3,211 million yen mainly for the upgrade of the manufacturing facility of the Ishikari Plant of Starzen Meat Processor Co., Ltd.

In other business sections, facility investments of 1,693 million yen were made mainly for Aoki Foods Co., Ltd.'s relocation to a new plant.

No major facilities were retired or sold.

Issues for the future

Lately, consumers' interest in food safety and security has grown substantially. The Company, giving top priority to ensuring "food safety," will aggressively tackle the following issues and realize the management vision of becoming "a lifestyle company that makes people happy through food."

1. Establishment of a system for ensuring safety and security of products we handle

The Company promotes the introduction of the SQF2000 for the purpose of pursuing the safety and security of products we handle. The introduction of the system has markedly improved safety, security, and quality control at the time of product handling.

Furthermore, in order to enhance the safety of the products that we handle, we will work to ensure safety by improving the breeding environment through collaboration with producers, introducing a radioactive material detector in plants, and conducting chemical inspections such as the implementation of regular bacteria inspection.

2. Strengthening of governance

In order to cope with changes in the corporate environment and provide against various risks, we are being called on to develop an appropriate structure for corporate governance. The Company will establish an internal control system, elect outside directors, and will continue improving and strengthening the governance system for daily operation management to business management at all group companies.

3. Ensuring of continuity of group business by BCP (Business Continuity Plan)

Following the Great East Japan Earthquake which struck on March 11 of last year, the Company reviewed the crisis management program and conducted evacuation training and disaster drills, introduced a safety confirmation system, and undertook anti-seismic reinforcement work of buildings with top priority given to ensuring the safety of employees.

In view of the recent earthquake forecasts, we have decided to further strengthen measures. To this end, we will add more stored food and accept stranded people from nearby areas. We will establish a "useable BCP" with the recognition by all employees that "a disaster will certainly occur."

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 the 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 Company. 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 2012, we had received certifications for 53 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' meeting 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 corporate 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

Among matters concerning overview of operations and overview of accounting, etc., stated in the Annual Report, matters that may have a material impact on investors' decisions 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) Impact of disasters and power outages, etc.

The production, processing and transportation of meat, which the Group mainly handles, may be affected if a large earthquake, fire, a large-scale power outage, and other disasters occur. This may upset the balance of domestic supply and demand and lead to fluctuations of the meat market, and may significantly affect the Group's business results. Also, if radioactive contamination or a similar disaster resulting from a nuclear accident occurs, a decrease in sales volume and a decline in sales prices stemming from damage to meat caused by rumors, etc., may adversely affect the business results of the Group.

(2) Fluctuations of the meat market

The demand and supply of meat, our main product, 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 has the risk of leading to a decrease in the volume of products we handle and a decline in sales prices as a result of fluctuations in the domestic and overseas meat markets.

(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 types of influenza, 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. However, the activities of the Group may be restricted as a result of the enforcement of new regulations.

(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.

(5) Risks pertaining to food safety and security

In order to ensure "safety" and "quality" of food, facilities at 53 locations have currently obtained the SQF2000 and established a system for supplying safe and secure foods. We will strengthen the initiatives above as a means of ensuring safety and quality in the future as well. However, the occurrence of events beyond the scope of initiatives, such as quality problems concerning the public at large, may adversely influence the business result of the Group.

T. Nakatsuhama

Tsuyoshi Nakatsuhama
President

Consolidated Balance Sheets

As of March 31, 2011 and 2012

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2011	**2012**	**2012**
ASSETS			
Current assets:			
Cash and deposits (Notes 5, 6 and 9)	¥10,483	**¥ 7,510**	**$ 91,442**
Notes and accounts receivable-trade (Note 5)	29,108	**30,527**	**371,688**
Inventories (Note 13)	12,337	**12,238**	**149,013**
Deferred tax assets (Note 10)	1,130	**1,003**	**12,211**
Other	4,678	**4,225**	**51,438**
Allowance for doubtful accounts	(146)	**(165)**	**(2,009)**
Total current assets	57,590	**¥55,338**	**673,783**
Fixed assets:			
Property, plant and equipment (Notes 9 and 16)			
Buildings and structures	24,365	**24,384**	**296,895**
Machinery and vehicles	10,549	**11,571**	**140,883**
Land	10,129	**9,462**	**115,211**
Construction in progress	746	**715**	**8,711**
Lease assets (Note 15)	2,528	**3,222**	**39,235**
Other	1,212	**1,252**	**15,238**
Accumulated depreciation	(22,997)	**(23,271)**	**(283,340)**
Total property, plant and equipment	26,532	**27,335**	**332,833**
Intangible assets			
Goodwill	2	**118**	**1,428**
Lease assets (Note 15)	24	**13**	**163**
Other	188	**593**	**7,219**
Total intangible assets	214	**724**	**8,810**
Investments and other assets			
Investment securities (Notes 5, 7 and 9)	5,384	**6,124**	**74,569**
Real estate for rent (Note 12)	1,575	**1,625**	**19,793**
Long-term loans receivable	549	**376**	**4,578**
Deferred tax assets (Note 10)	1,556	**954**	**11,612**
Other	2,537	**2,121**	**25,824**
Allowance for doubtful accounts	(570)	**(614)**	**(7,479)**
Total investments and other assets	11,031	**10,586**	**128,897**
Total fixed assets	37,777	**38,645**	**470,540**
Deferred assets	65	**40**	**488**
Total assets	¥95,432	**¥94,023**	**$1,144,811**

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2011	**2012**	**2012**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable-trade (Note 5)	¥17,582	**¥14,975**	**$182,337**
Short-term loans payable (Notes 5,8,9 and 18)	18,077	**16,465**	**200,472**
Current portion of long-term debt (Notes 5 and 9)	5,277	**9,390**	**114,330**
Income taxes payable	616	**682**	**8,303**
Provision for bonuses	1,230	**1,191**	**14,504**
Lease obligations (Note 15)	527	**676**	**8,228**
Other	4,386	**5,083**	**61,888**
Total current liabilities	47,695	**48,462**	**590,062**
Noncurrent liabilities:			
Long-term debt (Notes 5 and 9)	17,410	**14,900**	**181,422**
Provision for retirement benefits (Note 11)	1,766	**1,702**	**20,729**
Lease obligations (Note 15)	1,316	**1,321**	**16,079**
Other	2,046	**1,661**	**20,229**
Total noncurrent liabilities	22,538	**19,584**	**238,459**
Net assets			
Shareholders' equity:			
Capital stock Authorized: 200,000,000 shares Issued: 87,759,216 shares	9,900	**9,900**	**120,538**
Capital surplus	10,620	**10,620**	**129,309**
Retained earnings	7,422	**7,827**	**95,300**
Treasury stock	(2,247)	**(2,250)**	**(27,399)**
Total shareholders' equity	25,695	**26,097**	**(317,748)**
Accumulated other comprehensive income:			
Valuation difference on securities	(77)	**159**	**1,938**
Deferred gains or losses on hedges	(424)	**(187)**	**(2,276)**
Foreign currency translation adjustment	(213)	**(229)**	**(2,788)**
Total accumulated other comprehensive income	(714)	**(257)**	**(3,126)**
Minority interests	218	**137**	**(1,668)**
Total net assets	25,199	**25,977**	**316,290**
Total liabilities and net assets	¥95,432	**¥94,023**	**$1,144,811**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

For the Years ended March 31, 2011 and 2012

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2011	**2012**	**2012**
Net sales	¥262,833	**¥259,399**	**$3,158,395**
Cost of sales (Note 13)	238,554	**235,364**	**2,865,747**
Gross profit	24,279	**24,035**	**292,648**
Selling, general and administrative expenses (Note 14)	21,341	**21,358**	**260,053**
Operating income	2,938	**2,677**	**32,595**
Non-operating income:			
Interest and dividends income	126	**111**	**1,348**
Real estate rent (Note 12)	655	**505**	**6,148**
Other	796	**701**	**8,538**
Total non-operating income	1,577	**1,317**	**16,034**
Non-operating expenses:			
Interest expenses	586	**519**	**6,318**
Rent expenses on real estate (Note 12)	276	**199**	**2,425**
Other	290	**223**	**2,715**
Total non-operating expenses	1,152	**941**	**11,458**
Ordinary income	3,363	**3,053**	**37,171**
Extraordinary income:			
Gain on sales of fixed assets	1	**—**	**—**
Gain on sales of investment securities (Note 7)	10	**—**	**—**
Gain on negative goodwill	156	**—**	**—**
Compensation income	—	**146**	**1,773**
Total extraordinary income	167	**146**	**1,773**
Extraordinary loss:			
Loss on sales of fixed assets	4	**—**	**—**
Loss on retirement of fixed assets	56	**153**	**1,858**
Impairment loss (Notes 12 and 16)	507	**310**	**3,769**
Loss on sales of investment securities (Note 7)	354	**3**	**32**
Loss on valuation of investment securities (Note 7)	19	**206**	**2,512**
Loss on adjustment for changes of accounting standard for asset retirement obligations	345	**—**	**—**
Loss on disaster	90	**—**	**—**
Total extraordinary losses	1,375	**672**	**8,171**
Income before income taxes and minority interests	2,155	**2,527**	**30,773**
Income taxes (Note 10)			
-Current	1,136	**1,277**	**15,557**
-Deferred	(479)	**408**	**4,965**
Total income taxes	657	**1,685**	**20,522**
Income before minority interests	1,498	**842**	**10,251**
Minority interests in loss	(164)	**(85)**	**(1,037)**
Net income	¥ 1,662	**¥ 927**	**$ 11,288**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the Years ended March 31, 2011 and 2012

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2011	2012	2012
Income before minority interests	¥1,498	**¥ 842**	**$10,251**
Other comprehensive income			
Valuation difference on securities	117	**235**	**2,859**
Deferred gains or losses on hedges	(296)	**235**	**2,862**
Foreign currency translation adjustment	(36)	**(16)**	**(190)**
Share of other comprehensive income of associates accounted for using equity method	6	**3**	**40**
Total other comprehensive income (Note 23)	(209)	**457**	**5,571**
Comprehensive income	¥1,289	**¥1,299**	**$15,822**
Comprehensive income attributable to:			
Owners of the parent	¥1,454	**¥1,384**	**$16,854**
Minority interests	(¥ 165)	**(¥ 85)**	**($ 1,032)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2011 and 2012

	Millions of Yen											
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total Accumulated other comprehensive income	Minority interests	Total net assets
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
Dividends from surplus				(523)		(523)						(523)
Net income				1,662		1,662						1,662
Purchase of treasury stock					(8)	(8)						(8)
Disposal of treasury stock			0		7	7						7
Change of scope of equity method				(20)		(20)						(20)
Net changes of items other than 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
Dividends from surplus				(522)		(522)						(522)
Net income				927		927						927
Purchase of treasury stock					(3)	(3)						(3)
Disposal of treasury stock			0		0	0						0
Net changes of items other than shareholders' equity							236	237	(16)	457	(81)	376
Balance at March 31, 2012	87,759,216	¥9,900	¥10,620	¥7,827	(¥2,250)	¥26,097	¥159	(¥187)	(¥229)	(¥257)	¥137	¥25,977

	Thousands of U.S. dollars (Note 4)										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total Accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2011	$120,538	$129,308	$90,375	($27,359)	$312,862	($ 936)	($5,157)	($2,598)	($8,691)	$2,658	$306,829
Dividends from surplus			(6,363)		(6,363)						(6,363)
Net income			11,288		11,288						11,288
Purchase of treasury stock				(41)	(41)						(41)
Disposal of treasury stock		1		1	2						2
Net changes of items other than shareholders' equity						2,874	2,881	(190)	5,565	(990)	4,575
Balance at March 31, 2012	$120,538	$129,309	$95,300	($27,399)	$317,748	$1,938	($2,276)	($2,788)	($3,126)	$1,668	$316,290

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the Years ended March 31, 2011 and 2012

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2011	**2012**	**2012**
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥2,155	**¥2,527**	**$30,773**
Adjustments:			
Depreciation and amortization	2,473	**2,639**	**32,132**
Impairment loss	507	**310**	**3,769**
Increase (decrease) in provision for bonuses	(109)	**(41)**	**(496)**
Increase (decrease) in provision for retirement benefits	(10)	**12**	**143**
Gain on negative goodwill	(156)	**—**	**—**
Increase (decrease) in allowance for doubtful accounts	239	**63**	**763**
Interest and dividends income	(126)	**(111)**	**(1,348)**
Equity in earnings of affiliates	(104)	**(106)**	**(1,296)**
Loss on valuation of investment securities	19	**206**	**2,512**
Loss on sales of investment securities	344	**3**	**32**
Interest expenses	586	**519**	**6,318**
Loss on sales or retirement of fixed assets	59	**153**	**1,858**
Loss on adjustment for changes of accounting standard for asset retirement obligations	345	**—**	**—**
Decrease (increase) in notes and accounts receivable-trade	(3,234)	**(2,480)**	**(30,192)**
Decrease (increase) in inventories	(3,103)	**(626)**	**(7,617)**
Compensation income	—	**(146)**	**(1,773)**
Decrease (increase) in advance payments	(708)	**375**	**4,560**
Increase (decrease) in notes and accounts payable-trade	3,885	**(1,782)**	**(21,692)**
Other, net	(654)	**585**	**7,119**
Subtotal	2,408	**2,100**	**25,565**
Proceeds from compensation	—	**531**	**6,468**
Interest and dividends income received	143	**161**	**1,958**
Interest expenses paid	(593)	**(507)**	**(6,170)**
Income taxes paid	(896)	**(1,231)**	**(14,982)**
Net cash provided by (used in) operating activities	1,062	**1,054**	**12,839**
Net cash provided by (used in) investing activities:			
Payments into time deposits	(278)	**(271)**	**(3,304)**
Proceeds from withdrawal of time deposits	252	**301**	**3,662**
Purchase of investment securities	(1,054)	**(547)**	**(6,655)**
Proceeds from sales of investment securities	508	**23**	**282**
Purchase of fixed assets	(3,636)	**(4,055)**	**(49,377)**
Proceeds from sales of fixed assets	34	**63**	**769**
Net decrease (increase)in short-term loans receivable	70	**(327)**	**(3,979)**
Payment of long-term loans receivable	(389)	**(138)**	**(1,685)**
Collection of long-term loans receivable	508	**465**	**5,663**
Purchase of investments in subsidiaries	(1,191)	**(212)**	**(2,585)**
Other, net	(235)	**199**	**2,429**
Net cash provided by (used in) investing activities	(5,411)	**(4,499)**	**(54,780)**
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(75)	**(340)**	**(4,144)**
Proceeds from long-term loans payable	7,957	**7,920**	**96,433**
Repayments of long-term loans payable	(4,706)	**(5,045)**	**(61,428)**
Repayment of lease obligations	(497)	**(574)**	**(6,987)**
Redemption of bonds	(980)	**(800)**	**(9,741)**
Purchases of treasury stock	(8)	**(3)**	**(41)**
Proceeds from sales of treasury stock	7	**0**	**1**
Cash dividends paid	(523)	**(522)**	**(6,363)**
Other, net	(2)	**(2)**	**(12)**
Net cash provided by (used in) financing activities	1,173	**634**	**7,718**
Effect of exchange rate changes on cash and cash equivalents	(34)	**(15)**	**(184)**
Net increase (decrease) in cash and cash equivalents	(3,210)	**(2,826)**	**(34,407)**
Cash and cash equivalents at beginning of period	13,438	**10,228**	**124,533**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	**(160)**	**(1,949)**
Cash and cash equivalents at end of period (Note 6)	¥10,228	**¥7,242**	**$88,177**

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 associates —

The consolidated financial statements consist of the accounts of the Company and its 28 subsidiaries, 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.). System Service Center Co., Ltd. was newly included in the scope of consolidation by purchase. Mihono Pork Co., Ltd. was excluded from the scope of consolidation during the year ended March 31, 2012 due to the decrease in the shareholding ratio.

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, 2012, Hokusatsu Ebino Farm Co., Ltd. has changed its fiscal year-end 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, 2012, there were 7 companies to which the equity method was applied.

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 goods 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 associates" and "Other securities". At March 31, 2011 and 2012, the Company did not have "Trading securities" or "Held-to-maturity debt securities".

The equity securities of associates 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 real estate for rent, except leases —

Property, plant and equipment and real estate for rent 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
Real estate for rent (Buildings)	Mainly 38 years

(g) Amortization —

Amortization of intangible assets is computed using the straight-line method. Bond issuance cost included in deferred assets is amortized using the straight-line method over bonds repayment period.

(h) Provision for bonuses —

Provision for 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) Provision for retirement benefits —

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.

Provision for retirement benefits as of March 31, 2011 and 2012 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 foreign exchange 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 payables denominated in foreign currencies. As these foreign exchange contracts are utilized solely for hedging purposes, the resulting gains or losses arising from changes in fair value are deferred as a revaluation and translation adjustments to be offset against foreign exchange gains or losses on the underlying hedged assets and liabilities.

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

(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 current or noncurrent, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Gains and losses resulting 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 adjustment" 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 that all goods and services are subject to 5% flat rate taxation unless special tax rate is provided. 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 Law. The Law 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 until 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 capital stock is based on the weighted average number of shares of capital stock outstanding during each year. Net assets per share of capital stock are based on the number of shares of capital stock outstanding at end of year. The cash dividends per share 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 if 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. Additional Information:

Accounting Standard for Accounting Changes and Error Corrections

Effective from the year ended March 31, 2012, the Companies adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

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 ¥82.13=U. S. $1, the approximate current rate prevailing at the end of March 2012, 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 due dates and outstanding balances by individual customer. In addition, the Company makes efforts to identify and mitigate risk of bad debts from customers who have financial difficulties by monitoring credit worthiness of main customers periodically.

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 10 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 by 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 loans payable. 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, 2011 and 2012 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.)

	Millions of yen		
	2011		
Assets and liabilities	Carrying amount	Estimated fair value	Difference
(1) Cash and 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 loans payable	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)	¥ —

	Millions of yen		
	2012		
Assets and liabilities	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	¥ 7,510	¥ 7,510	¥ —
(2) Notes and accounts receivable-trade	30,527	30,527	—
(3) Investment securities Other securities	2,329	2,329	—
Total assets	¥40,366	¥40,366	¥ —
(1) Notes and accounts payable- trade	¥14,975	¥14,975	¥ —
(2) Short-term loans payable	16,465	16,465	—
(3) Long-term debt (including current portion)	24,290	24,228	62
Total liabilities	¥55,730	¥55,668	¥ 62
Derivative transactions(*)			
(1) Hedge accounting not applied	¥ —	¥ —	¥ —
(2) Hedge accounting applied	(314)	(314)	—
Total derivative transactions	(¥ 314)	(¥ 314)	¥ —

	Thousands of U.S. dollars		
	2012		
Assets and liabilities	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	$ 91,442	$ 91,442	$ —
(2) Notes and accounts receivable-trade	371,688	371,688	—
(3) Investment securities Other securities	28,358	28,358	—
Total assets	$491,488	$491,488	$ —
(1) Notes and accounts payable- trade	$182,337	$182,337	$ —
(2) Short-term loans payable	200,472	200,472	—
(3) Long-term debt (including current portion)	295,752	295,000	752
Total liabilities	$678,561	$677,809	$752
Derivative transactions(*)			
(1) Hedge accounting not applied	$ —	$ —	$ —
(2) Hedge accounting applied	(3,819)	(3,819)	—
Total derivative transactions	($ 3,819)	($ 3,819)	$ —

(*)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 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 loans payable

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 loans payable 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		Thousands of U.S. dollars
	2011	**2012**	**2012**
Unlisted stocks	¥3,644	**$3,795**	**$46,205**
Others	1	**0**	**6**
Total	¥3,645	**$3,795**	**$46,211**

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 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
Deposits	¥9,396	¥14	¥—	¥—
Notes and accounts receivable-trade	29,108	—	—	—
Total	¥38,504	¥14	¥—	¥—

	Millions of yen **2012**			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	**¥ 6,566**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable-trade	**30,527**	**—**	**—**	**—**
Total	**¥37,093**	**¥—**	**¥—**	**¥—**

	Thousands of U.S. dollars **2012**			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	**$ 79,952**	**$—**	**$—**	**$—**
Notes and accounts receivable-trade	**371,688**	**—**	**—**	**—**
Total	**$451,640**	**$—**	**$—**	**$—**

4. The redemption schedule for long-term debt is disclosed in Note 9, "Short-term Loans Payable 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, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Cash and deposits	¥10,483	**¥7,510**	**$91,442**
Deposits with deposit term of over 3 months	(255)	**(268)**	**(3,265)**
Cash and cash equivalents	¥10,228	**¥7,242**	**$88,177**

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 values were available, at March 31, 2011 and 2012, are as follows:

	Millions of yen 2011			**2012**		
	Acquisition cost	Carrying amount	Unrealized gains (losses)	Acquisition cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains						
Stock	¥ 695	¥ 914	¥219	**¥1,114**	**¥1,452**	**¥338**
Bonds	—	—	—	**—**	**—**	**—**
Other	—	—	—	**—**	**—**	**—**
Total	695	914	219	**1,114**	**1,452**	**338**
Securities with unrealized losses						
Stock	1,181	825	(356)	**979**	**877**	**(102)**
Bonds	—	—	—	**—**	**—**	**—**
Other	—	—	—	**—**	**—**	**—**
Total	1,181	825	(356)	**979**	**877**	**(102)**
Total	¥1,876	¥1,739	(¥137)	**¥2,093**	**¥2,329**	**¥236**

	Thousands of U.S. dollars **2012**		
	Acquisition cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains			
Stock	**$13,571**	**$17,682**	**$4,111**
Bonds	**—**	**—**	**—**
Other	**—**	**—**	**—**
Total	**13,571**	**17,682**	**4,111**
Securities with unrealized losses			
Stock	**11,915**	**10,676**	**(1,239)**
Bonds	**—**	**—**	**—**
Other	**—**	**—**	**—**
Total	**11,915**	**10,676**	**(1,239)**
Total	**$25,486**	**$28,358**	**$2,872**

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 years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Selling amount	¥508	**¥23**	**$282**
Gains on sale	10	**—**	**—**
Losses on sale	354	**3**	**32**

Impairment of investment securities
Impairment loss on other securities with available quoted market prices were ¥19 million and ¥206 million ($2,512 thousand) for the years ended March 31, 2011 and 2012, respectively.
The Companies synthetically judge an impairment of investment securities whose fair value have fallen by 30% to 50% by understanding the levels of fair values of securities through grasping the gap between the highest or the lowest fair value of each security during the financial year and its carrying value. At the same time, the Companies evaluate credit risk 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, 2011 and 2012 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, 2011 and 2012 for which hedged accounting has been applied.

Millions of yen						
2011						
			Notional amount			
Method of hedge accounting	Type of derivative transactions	Hedged items	Total	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 loans payable	¥15,553	¥9,255	(¥636)	Price indicated by financial institutions
Allocation method	Forward exchange contracts - U.S. dollars	Import transactions and short-term loans payable	4,868	—	(*)	—
Total			¥20,421	¥9,255	(¥636)	—

Millions of yen						
2012						
			Notional amount			
Method of hedge accounting	Type of derivative transactions	Hedged items	Total	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 loans payable	**¥ 9,975**	**¥3,875**	**(¥314)**	Price indicated by financial institutions
Allocation method	Forward exchange contracts - U.S. dollars	Import transactions and short-term loans payable	**3,485**	**—**	(*)	**—**
Total			**¥13,460**	**¥3,875**	**(¥314)**	**—**

Thousands of U.S. dollars						
2012						
			Notional amount			
Method of hedge accounting	Type of derivative transactions	Hedged items	Total	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 loans payable	**$121,454**	**$47,186**	**($3,819)**	Price indicated by financial institutions
Allocation method	Forward exchange contracts - U.S. dollars	Import transactions and short-term loans payable	**42,429**	**—**	(*)	**—**
Total			**$163,883**	**$47,186**	**($3,819)**	**—**

(*) Fair value of these derivative transactions is included in the fair value of short-term loans payable which are hedged items.

9. Short-term Loans Payable and Long-term Debt:

"Short-term loans payable" at March 31, 2011 and 2012 bore interest at annual rates ranging from 0.63% to 2.25% and from 0.58% to 1.475% 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, 2011 and 2012 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Loans, principally from banks due between 2012 and 2022, with interest rates ranging from 0.62% to 2.05%:			
Secured	¥ 3,792	**¥ 4,905**	**$ 59,728**
Unsecured	12,995	**14,285**	**173,927**
Unsecured bonds due from September 2012 to March 2015, with interest rates ranging from 0.62% to 1.04%:	5,900	**5,100**	**62,097**
	22,687	**24,290**	**295,752**
Less: portion due within 1 year	(5,277)	**(9,390)**	**(114,330)**
Total long-term debt	¥17,410	**¥14,900**	**$181,422**

Aggregate annual maturities of long-term debt subsequent to March 31, 2012 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 9,390	$ 114,330
2013	5,026	61,201
2014	4,281	52,119
2015	2,456	29,901
2016 and thereafter	3,137	38,201
	¥24,290	$295,752

A summary of assets pledged as collateral against "Short-term loans payable" and "Long-term debt" at March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Cash and deposits	¥ 64	**¥ 61**	**$ 743**
Property, plant and equipment	5,421	**6,553**	**79,788**
Investment securities	181	**308**	**3,744**

10. Taxes:

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Deferred tax assets:			
Tax loss carry forwards	¥2,077	**¥1,566**	**$19,062**
Provision for retirement benefits	716	**611**	**7,434**
Provision for bonuses	512	**458**	**5,582**
Impairment loss on fixed assets	375	**248**	**3,025**
Allowance for doubtful accounts	173	**202**	**2,458**
Unrealized profit on sale of property, plant and equipment	197	**191**	**2,331**
Provision for retirement benefits for directors and corporate auditors	164	**144**	**1,748**
Asset retirement obligations	192	**138**	**1,679**
Loss on deferred hedges	308	**124**	**1,504**
Loss on valuation of investment securities	20	**92**	**1,127**
Enterprise taxes payable	45	**74**	**907**
Accrued social insurance expenses	62	**63**	**768**
Amount exceeding the limit of depreciation	58	**48**	**589**
Loss on valuation of inventories	39	**47**	**573**
Loss on valuation of golf membership	50	**44**	**541**
Software	23	**29**	**356**
Unrealized profit on sale of inventories	21	**13**	**154**
Valuation difference on securities	54	**1**	**7**
Other	71	**51**	**617**
	5,157	**4,144**	**50,462**
Less: valuation allowance	(2,405)	**(2,063)**	**(25,121)**
Total deferred tax assets	2,752	**2,081**	**25,341**
Deferred tax liabilities			
Valuation difference on securities	(0)	**(82)**	**(1,005)**
Asset retirement costs	(61)	**(31)**	**(380)**
Enterprise taxes receivable	(10)	**(6)**	**(70)**
Reserve for advancement depreciation of fixed assets	(7)	**(6)**	**(69)**
Other	(14)	**(46)**	**(558)**
Total deferred tax liabilities	(92)	**(171)**	**(2,082)**
Net deferred tax assets	¥2,660	**¥1,910**	**$23,259**

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 of approximately 40.6%.

A reconciliation of the differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2011 and 2012 are as follows:

	%	
	2011	**2012**
Statutory tax rate:	40.6	**40.6**
Add (deduct):		
Valuation allowance	0.3	**15.0**
Decrease in deferred tax assets due to the change in tax rate	—	**6.4**
Non-deductible expenses	3.6	**3.2**
Inhabitant per capita	3.8	**3.1**
Effect due to liquidation of a consolidated subsidiary	(14.5)	**—**
Gains on negative goodwill	(2.9)	**—**
Equity in earnings of affiliates	(2.0)	**(1.7)**
Other	1.6	**0.1**
Effective tax rate	30.5	**66.7**

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated on December 2, 2011 and the reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective for fiscal years beginning on or after April 1, 2012.
As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.6% to 38.0% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015 and from 40.6% to 35.6% for the temporary differences expected to be realized or settled from the fiscal years beginning April 1, 2015.
The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, net by ¥158 million ($1,925 thousand) and deferred gains from hedging instruments by ¥8 million ($99 thousand) and to increase income taxes-deferred arising during the year by ¥161 million ($1,959 thousand) and valuation difference on securities by ¥11 million ($133 thousand) as of and for the year ended March 31, 2012.

11. Provision for retirement benefits

"Provision for retirement benefits" at March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Projected benefit obligations	¥1,961	**¥1,817**	**$22,120**
Fair value of plan assets	200	**103**	**1,245**
Unrecognized actuarial differences	(5)	**(12)**	**(146)**
Provision for retirement benefits	¥1,766	**¥1,702**	**$20,729**

The net periodic pension costs relating to retirement benefits for the years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Service cost	¥105	**¥112**	**$1,369**
Interest cost	25	**26**	**311**
Amortization of actuarial differences	(27)	**(11)**	**(139)**
Net periodic pension costs	103	**127**	**1,541**
Contribution to defined benefit pension plan	450	**429**	**5,218**
	¥553	**¥556**	**$6,759**

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

	2011	**2012**
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 Real Estate for Rent

The Company and its certain consolidated subsidiaries own real estate for rent such as office buildings and land in Tokyo and other areas. Profit associated with the investment and real estate for rent for the years ended March 31, 2011 and 2012 were ¥375 million and ¥302 million ($3,681 thousand) (with income from rent recorded as non-operating income, and main expenses for rent recorded as non-operating expenses).

The amount recorded on the consolidated balance sheets at March 31, 2011 and 2012, 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

Millions of yen

2012

Carrying amount			
Balance at beginning of year	Increase (decrease) during the year	Balance at end of year	Fair value
¥4,994	**(¥346)**	**¥4,648**	**¥7,224**

Thousands of U.S. dollars

2012

Carrying amount			
Balance at beginning of year	Increase (decrease) during the year	Balance at end of year	Fair value
$60,811	**($4,213)**	**$56,598**	**$87,956**

Notes:
1. Carrying amount is determined by deducting accumulated depreciation from acquisition costs.
2. Major changes
   For the year ended March 31, 2011:
   Increase resulting from the acquisition of buildings for rent is ¥393 million.
   Increase resulting from the acquisition of land for rent is ¥ 40 million.
   Increase resulting from the change in the purpose of owning buildings from the Companies' own use to for rent is ¥152 million.
   Decrease resulting from depreciation is ¥128 million.
   Decrease resulting from impairment loss on idle property is ¥3 million.
   For the year ended March 31, 2012:
   Increase resulting from the increase in idle real estate is ¥259 million ($ 3,160 thousand).
   Increase resulting from the renovation of the building for rent is ¥111 million ($1,350 thousand).
   Decrease resulting from the exclusion of a consolidated subsidiary from consolidation is ¥550 million ($6,700 thousand).
   Decrease resulting from depreciation is ¥122 million ($1,485 thousand).
   Decrease resulting from the sale of real estate for rent is ¥39 million ($477 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, 2011 and 2012 were a loss of ¥46 million and ¥24 million ($289 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, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Salaries	¥6,305	**¥6,257**	**$76,184**
Freightage expenses	3,481	**3,613**	**43,987**
Provision for bonuses	836	**780**	**9,501**
Retirement benefit expenses	343	**342**	**4,164**
Provision of allowance for doubtful accounts	299	**82**	**999**

The aggregate amounts of research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2011 and 2012 were ¥79 million and ¥47 million ($574 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 ¥495 million and ¥325 million ($3,954 thousand) for the years ended March 31, 2011 and 2012, respectively. If such leases had been capitalized, the cost of the leased assets and the related accumulated depreciation at March 31, 2011 and 2012 would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Machinery and vehicles	¥1,767	**¥1,376**	**$16,751**
Other assets	631	**41**	**503**
Accumulated depreciation	(1,897)	**(1,191)**	**(14,500)**
Accumulated impairment loss	(46)	**(46)**	**(563)**
Total	¥ 455	**¥ 180**	**$ 2,191**

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 ¥436 million and ¥266 million ($3,243 thousand) for the years ended March 31, 2011 and 2012, respectively.

Future lease payments under the Companies' finance leases at March 31, 2011 and 2012 can be summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Lease payments —			
Due within 1 year	¥305	**¥153**	**$1,865**
Due after 1 year	212	**58**	**709**
Total	¥517	**¥211**	**$2,574**

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Future lease payments			
Due within 1 year	¥ 9	**¥ 4**	**$ 47**
Due after 1 year	11	**8**	**94**
Total	¥20	**¥12**	**$141**

16. Impairment Loss on Fixed Assets:

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
Plant	Land, etc.	Lohmeyer Corporation Kumagaya-shi, Saitama, Japan	¥351
Idle asset	Buildings and structures, etc.	Starzen Co., Ltd. Funabashi-shi, Chiba, Japan, etc.	104
Plant	Buildings and structures, etc.	King Shokuhin Co., Ltd. Fukuyama-shi, Hiroshima, Japan	33
Shop	Buildings and structures, etc.	Starzen Meat Processor Co., Ltd. Setagaya-ku, Tokyo, Japan	16
Shop	Other (equipment, etc.)	Lohmeyer Sales Co., Ltd. Minato-ku, Tokyo, Japan, etc.	2
Shop	Other (equipment, etc.)	Star Dining System Corporation Chuo-ku, Tokyo, Japan	1
Total			¥507

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 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, machinery, equipment and vehicles of ¥51 million, land of ¥80 million, and other fixed assets of ¥66 million. 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.

For the year ended March 31, 2012, the Companies recognized impairment loss on the following group of assets.

Use	Category	Location	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Farm	Land	Omitama Farm Co., Ltd. Omitama-shi, Ibaraki, Japan	**¥167**	**$2,030**
Office	Land, etc.	Starzen Nishinihon Sales Co., Ltd. Handa-shi, Aichi, Japan	**113**	**1,382**
Plant	Buildings and structures, etc.	Lohmeyer Corporation. Kumagaya-shi, Saitama, Japan	**21**	**250**
Shop	Other (equipment, etc.)	Lohmeyer Sales Co., Ltd. Chuo-ku, Tokyo, Japan, etc.	**5**	**59**
Shop	Buildings and structures	Star Dining System Corporation Chuo-ku, Tokyo, Japan	**4**	**48**
Total			**¥310**	**$3,769**

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, 2012, the Companies recognized impairment losses of ¥310 million ($3,769 thousand) on impaired fixed assets, which were accounted for as extraordinary loss. The impairment loss for the year ended March 31, 2012 consisted of losses on buildings and structures of ¥21 million ($252 thousand), machinery, equipment and vehicles of ¥5 million ($62 thousand), land of ¥260 million ($3,168 thousand), leased assets of ¥19 million ($223 thousand), and other fixed assets of ¥5 million ($64 thousand). The recoverable value of operation assets was the larger of their net selling price or value in use. 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 determined by discounted future cash flows applying a discount rate of 3.01%.

17. Contingent Liabilities:

Contingent liabilities for loans guaranteed at March 31, 2011 and 2012 were ¥4,885 million and ¥5,669 million ($69,021 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 17 banks. These contracts at March 31, 2011 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Limit of overdraft and loan commitment	¥35,990	**¥40,590**	**$494,217**
Used portion of credit line	8,520	**12,836**	**156,289**
Remaining portion of credit line	¥27,470	**¥27,754**	**$337,928**

(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, 2011 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Total availability granted	¥30	**¥30**	**$365**
Used portion of credit line	—	**—**	**—**
Remaining portion of credit line	¥30	**¥30**	**$365**

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

(a) Type and number of outstanding shares

	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.

	For the year ended March 31,2012			
	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	**13,106,838**	**14,151**	**320**	**13,120,669**

Treasury stock increased by 14,151 shares due to the repurchase of shares less than one unit.
Treasury stock decreased by 320 shares due to the sale of shares less than one unit.

(b) Dividends

(1) Dividends paid to shareholders

For the year ended March 31, 2011:

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, 2012:

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	**¥522**	**$6,363**	**¥7.00**	**$0.09**	**March 31 2011**	**June 30 2011**

(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, 2011:

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 2011	Annual general meeting of shareholders	Common stock	¥522	¥7.00	March 31 2011	June 30 2011

For the year ended March 31, 2012:

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 28 2012	Annual general meeting of shareholders	Common stock	**¥522**	**$6,361**	**¥7.00**	**$0.09**	**March 31 2012**	**June 29 2012**

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.

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
	2011	**2012**	**2012**
Per share of common stock:			
Net income – basic	¥ 22.25	**¥ 12.42**	**$0.15**
Net assets	334.64	**346.20**	**4.22**
Cash dividends	7.00	**7.00**	**0.09**

Diluted net income per share is not presented because there is no dilutive stock.

21. 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.

(Related information)

Information by products and services is as follows:
For the year ended March 31, 2011:

	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

For the year ended March 31, 2012:

	Meat	Processed Meat	Ham and Sausage	Other	Total
Sales to external customers (Millions of yen)	**¥210,974**	**¥32,296**	**¥10,495**	**¥5,634**	**¥259,399**
Sales to external customers (Thousands of U.S. dollars)	**$2,568,777**	**$393,228**	**$127,789**	**$68,601**	**$3,158,395**

Geographical information
The disclosure is omitted because sales in Japan accounted for over 90% of net sales on the consolidated statements of income and fixed assets in Japan accounted for over 90% of fixed assets on the consolidated balance sheets.

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

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

	Meat business	Reportable segment total	Other businesses	Adjustments and eliminations	Total
Millions of yen	¥506	¥506	¥1	—	¥507

For the year ended March 31, 2012:

	Meat business	Reportable segment total	Other businesses	Adjustments and eliminations	Total
Millions of yen	**¥306**	**¥306**	**¥4**	**—**	**¥310**
Thousands of U.S. dollars	**$3,721**	**$3,721**	**$48**	**—**	**$3,769**

Amortization and balance of goodwill by a reportable segment are as follows:
As of and for the year ended March 31, 2011:

	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

As of and for the year ended March 31, 2012:

	Meat business	Reportable segment total (Millions of yen)	Other businesses	Adjustments and eliminations	Total
Amortization	**¥0**	**¥0**	**¥ 8**	**—**	**¥ 8**
Balance as of March 31	**—**	**—**	**118**	**—**	**¥118**

	Meat business	Reportable segment total (Thousands of U.S. dollars)	Other businesses	Adjustments and eliminations	Total
Amortization	**$3**	**$3**	**$ 97**	**—**	**$ 100**
Balance as of March 31	**—**	**—**	**1,428**	**—**	**$1,428**

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 for the year ended March 31, 2011.

22. 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, 2011 and 2012 are as follows:

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen 2011	Account	Millions of yen 2011
Affiliate	Akune meat distribution center Co., Ltd.	Business consignment	Guarantee of obligation	¥1,894	—	—
	Prifoods Co., Ltd.	Purchase and sales of goods	Subscription for shares	1,000	—	—
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 noncurrent liabilities	¥96
			Office rent	77	—	—

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen 2012	Thousands of U.S. dollars 2012	Account	Millions of yen 2012	Thousands of U.S. dollars 2012
Affiliate	Akune meat distribution center Co., Ltd.	Business consignment	Guarantee of obligation	**¥1,689**	**$20,559**	**—**	**—**	**—**
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 noncurrent liabilities**	**¥96**	**$1,169**

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, 2011 and 2012 are as follows:

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen 2011	Account	Millions of yen 2011
Affiliate	Orange Bay Foods Co., Ltd.	Sales of goods	Sale of meat	¥4,181	Accounts receivable-trade	¥1,029
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	Accounts payable-other	98
	Daiichi Reizo Co., Ltd.	Concurrent holding of positions by director	Office rent	44	Other noncurrent liabilities	18
			Warehousing	56	Accounts payable-other	4

Category	Name of company	Relationship with the Companies	Nature of transaction	Millions of yen 2012	Thousands of U.S. dollars 2012	Account	Millions of yen 2012	Thousands of U.S. dollars 2012
Affiliate	Orange Bay Foods Co., Ltd.	Sales of goods	Sale of meat	**¥5,551**	**$67,591**	**Accounts receivable-trade**	**¥515**	**$6,266**
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	**780**	**9,500**	**Accounts payable-other**	**89**	**1,083**
	Daiichi Reizo Co., Ltd.	Concurrent holding of positions by director	Office rent	**44**	**531**	**Other noncurrent liabilities**	**15**	**183**
			Warehousing	**63**	**761**	**Accounts payable-other**	**6**	**72**

23. Other Comprehensive Income:

The following table presents reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012:

	Millions of yen	Thousands of U.S. dollars
Valuation difference on securities:		
Amount arising during the year	¥162	$1,968
Reclassification adjustments for gains and losses included in net income	209	2,542
Amount before tax effect	371	4,510
Tax effect	(136)	(1,651)
Valuation difference on securities	235	2,859
Deferred gains or losses on hedges:		
Amount arising during the year	322	3,921
Reclassification adjustments for gains and losses included in net income	97	1,184
Amount before tax effect	419	5,105
Tax effect	(184)	(2,243)
Deferred gains or losses on hedges	235	2,862
Foreign currency translation adjustment:		
Amount arising during the year	(16)	(190)
Reclassification adjustments for gains and losses included in net income	—	—
Amount before tax effect	(16)	(190)
Tax effect	—	—
Foreign currency translation adjustment	(16)	(190)
Share of other comprehensive income of associates accounted for using equity method:		
Amount arising during the year	3	32
Reclassification adjustments for gains and losses included in net income	0	8
Share of other comprehensive income of associates accounted for using equity method	3	40
Total other comprehensive income	¥457	$5,571

24. Subsequent Events:

The Company and Lohmeyer Corporation, a consolidated subsidiary, resolved to execute share exchange at meetings of the Board of directors of each company held on May 11, 2012 and entered into a contract for it. This contract was approved at the shareholders' meeting of Starzen Co., Ltd. held on June 28, 2012 and the shareholders' meeting of Lohmeyer Corporation held on June 27, 2012

(Business description of combined parties)
Acquiring company: Starzen Co., Ltd.
Description of the business: Processing of meat, manufacturing and sale of ham, sausage and processed meat products, breeding of beef and pork

Acquired company: Lohmeyer Corporation.
Description of the business: Manufacturing and sale of ham, sausage, processed meat products and delicatessen

(Legal form of the business combination)
Share exchange

(Date of the share exchange)
August 1, 2012 (Effective date)

(Name of company following the share exchange)
No change is made.

(Overview of the transaction including purpose)
The Company and Lohmeyer Corporation decided to conduct share exchange in order to carry out quick decision-making on management, establish a firm structure to put management resources more effectively and efficiently and improve the corporate value of both companies.

(Outline of accounting treatment)
This share exchange will be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, dated December 26, 2008)" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, dated December 26, 2008).

(Acquisition cost and details)
Not determined
(Exchange ratio and calculation method of the ratio)
Type of stock: Common stock
Exchange ratio:

Company	Exchange ratio
Starzen Co.,Ltd.	1
Lohmeyer Corporation	0.405

Calculation method of the ratio
The Company and Lohmeyer Corporation individually assigned third party valuation providers to calculate the share exchange ratio. Then both companies resolved the share exchange ratio by negotiation and discussion based on the reports by the third party valuation providers.
Number of stocks to be issued: 5,357,745
For the common stock of Lohmeyer Corporation owned by the Company (Ownership interests of 57.78%), the Company will not issue any stock. Treasury stock owned by the Company will be allotted in the transaction and the Company will not issue new stocks.

(Goodwill)
Amount of goodwill: Not determined
Reason for recognizing goodwill: Not determined
Amortization method: Not determined

Independent Auditor's Report

The Board of Directors
Starzen Company Limited

We have audited the accompanying consolidated financial statements of Starzen Company Limited and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Starzen Company Limited and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

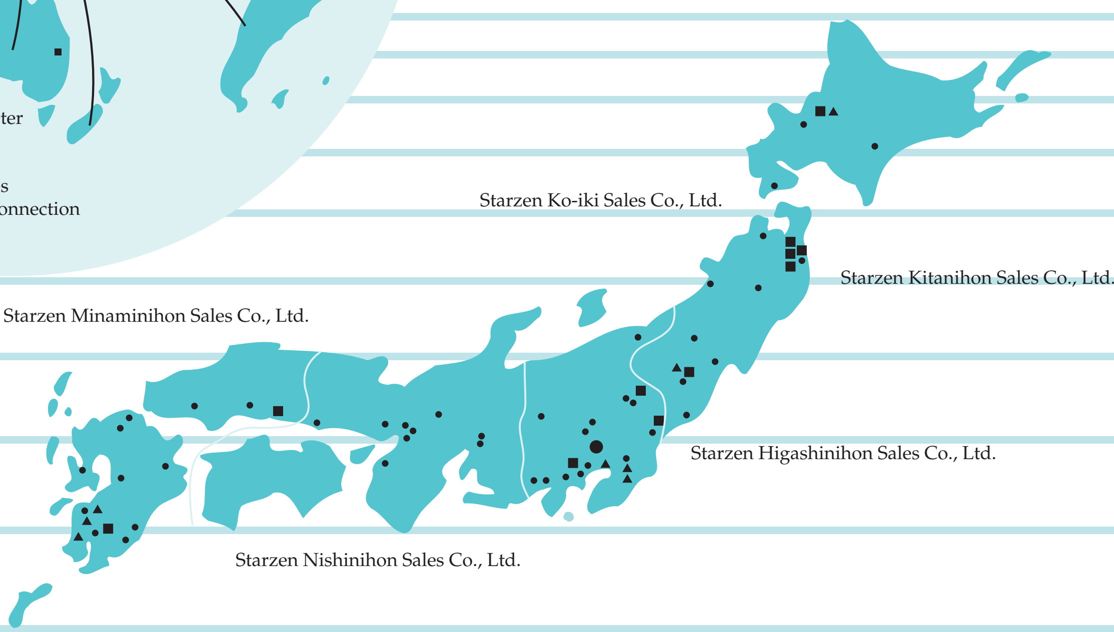
Ernst & Young
Shin Nihon LLC

June 28, 2012
Tokyo, Japan

Board of Directors

Chairman	Seiichi Uzurahashi
President	Tsuyoshi Nakatsuhama
Director	Akira Nagano
Director	Toshio Nakai
Director	Fumio Miyasaka
Director	Koichi Terashi
Director	Hiroshi Suzuki
Director	Taisuke Ota
Director	Eiichi Motohashi
Standing Corporate Auditor	Manabu Katayama
Standing Corporate Auditor	Hideki Hojo
Corporate Auditor	Terukazu Sugishima
Corporate Auditor	Daikichi Yoshihara

Starzen Network



STARZEN CO.,LTD.

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