

Integrated Report  
**2021**

## >> Vision

### Management Vision

**Our goal is to become a global company that delivers everyday happiness through our food value chain**

## >> Philosophy

### Management Philosophy

#### Be a Company with Which Customers Feel Fortunate to Do Business

We recognize that our mission is to fulfill our social responsibility to all stakeholders. We strive to increase customer satisfaction through a constant focus on helping customers grow and earning their trust.

#### Become a Company Where Our Employees Are Happy to Work

We are developing workplace environments and systems to ensure our people can continue working with us for many years with peace of mind. This is based on our recognition that enhancing the satisfaction of our employees, as our closest stakeholder, is essential for us to grow sustainably and to fulfill our social responsibilities to customers and other stakeholders.

#### Grow through Our Work

To remain a company deemed essential by society by consistently supplying safe and reliable products, we foster a workplace environment in which all employees enjoyably work to solve problems and personally grow through their jobs.

## >> History

Since its establishment in 1948, the Starzen Group has achieved steady growth as a leading meat supplier by responding to changes in the market environment, consumer needs and food culture.

Going forward, we will continue to embrace new challenges and contribute to enriching people's dietary lives while capitalizing on our track record and know-how amassed to date.

<b>1948</b> Established as Zenkoku-Chikusan Co., Ltd.	<b>1958</b> Commences Japan's first transport of pig carcasses using refrigerator trucks	<b>1972</b> Establishes Zenchiku (Australia) Pty. Ltd.
<b>1955</b> Begins importing frozen beef from Australia to address rising demand for meat	<b>1962</b> Establishes the Yokohama Factory, commences production of ham and sausage	<b>1984</b> Establishes the Matsuo Plant specializing in meat processing and prepackaging
<b>1957</b> Begins long-distance transport of pig carcasses using Japan's first ice-cooled trucks	<b>1971</b> Begins supplying beef patties to McDonald's Japan	<b>1989</b> Establishes the Meat Safety and Inspection Center to reinforce management systems for product safety and hygiene
	<b>1972</b> Establishes Chiba Frozen Foods Plant for manufacturing beef patties	<b>1995</b> Invests in Australian meatpacker G&K O'Connor Pty. Ltd.

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#### Editorial Policy

Integrated Report 2021 targets all of the Starzen Group's stakeholders, including its shareholders and other investors. This report communicates the management vision and philosophy of the Group, the details of each business, and other important matters. This report has been published with the purpose of deepening stakeholders' understanding of the Group and to create opportunities for new dialogue. From the fiscal year ended March 31, 2021, we have expanded content so that readers can gain a deeper understanding of our ESG initiatives and changed the name to Integrated Report. During the editorial process, we referenced the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of Japan's Ministry of Economy, Trade and Industry.

#### Cautionary Note Regarding Forward-Looking Statements

This integrated report includes forward-looking statements about the future performance of the Starzen Group. These statements are based on assumptions and beliefs that are judged from the information available at the time the report was published and involve risks and uncertainties related to economic trends, intensifying competition, laws and regulations, tax systems, and various other policies. Starzen therefore wishes to caution that actual results may differ materially from its expectations.

<b>1996</b> Begins adoption of HACCP (Hazard Analysis Critical Control Point), an international standard for food quality and safety control	<b>2004</b> Establishes production tracking information system for pork raised in Japan	<b>2017</b> Becomes the first in Japan to introduce HAMDAS-RX, an automated deboning machine for pork ham, at STARZEN MEAT PROCESSOR Co., Ltd.'s Aomori Plant Misawa Pork Center
<b>1998</b> Establishes Kawasaki packing center and expands our prepackaging business	<b>2004</b> Iwaki Sales Branch becomes first distribution business in Japan to acquire Safe Quality Food (SQF) certification	<b>2018</b> Establishes new Motomiya Plant dedicated to the production of baked hamburger steak
<b>1999</b> Company name changed to Starzen Co., Ltd.	<b>2010</b> Begins exporting Wagyu beef processed by the Group's plants	<b>2020</b> Establishes Starzen Co., Ltd. Bangkok Representative Office
<b>2000</b> Forms business and capital alliance with LM Foods Co., Ltd. (currently LOHMEYER CORPORATION), a long-established brand of ham and sausage	<b>2012</b> Turns LOHMEYER CORPORATION into a wholly owned subsidiary through share exchange	<b>2020</b> Completes the construction of Tagajo Processing Center and Sendai Sales Branch Tagajo Distribution Center
<b>2003</b> Establishes production information tracking system for beef raised in Japan. Begins disseminating information on our website	<b>2016</b> Forms capital alliance with Mitsui & Co., Ltd.	<b>2021</b> Forms an operating alliance with Fuji Global Kitchen Inc.

## CEO Message



### As President & CEO, I will dedicate myself to Starzen's further development by valuing various connections.

My name is Kazuhiko Yokota and I became President & CEO of Starzen on April 1, 2021. I have spent most of my career in sales and marketing, where I worked hard to develop strong relationships with customers. Going forward, I will be committed to making Starzen a company where employees are happy to work while valuing our relationships with customers who feel fortunate to do business with us.

#### Looking Back at Fiscal 2020

The fiscal year ended March 31, 2021 proved to be a difficult year for predicting the business environment due to the COVID-19 pandemic. As the General Manager of the Sales Division, I closely monitored trends in the meat market and consumption. Nevertheless, a very uncertain business environment prevailed. Despite these challenges, the Group fulfilled its mission as a food supplier and recorded net sales of ¥349.2 billion, operating income of ¥6.6 billion, ordinary income of ¥8.6 billion, and profit attributable to owners of parent of ¥6.9 billion, surpassing previous record-high profits. No matter the business environment, food is always an essential commodity. As stated in our Management Vision, "Our goal is to become a global company that delivers everyday happiness through our food value chain," I once again

recognized that Starzen is a company closely linked to people's lives. At the same time, these results also demonstrate that we were able to deliver food to customers in a reliable manner by addressing sudden changes in the business environment adeptly. I am very grateful for the hard work of all of our employees, from the frontlines of sales, logistics, breeding and fattening, processing and production to our administrative departments that support our operations in various ways.

I believe our localized direct sales system is what enabled us to provide a stable supply of products despite the rapid changes in the supply-demand situation. The Starzen Group operates around 50 sales offices across Japan, and we directly deliver products to customers using our company-owned fleet of around

500 sales vehicles. In spring 2020, Japan experienced hoarding of daily essentials mainly in regions under the government's first state of emergency. I believe images of empty store shelves at supermarkets and drugstores are still fresh in people's minds. There was also a shortage of foods. Even so, because of our network of sales offices and logistics functions mentioned above, we were able to quickly adapt and provide a stable supply of products. However, the food service industry was forced into sudden closures or reduced business hours, resulting in a loss of sales opportunities

#### Outlook for Fiscal 2021

In fiscal 2021, an uncertain business environment will persist. With the COVID-19 vaccination rollout progressing in Japan, we believed that consumers would return to restaurants and convenience stores in urban areas from the second half of fiscal 2021, but the spread of virus variants has become a serious problem. In addition, the future of the raw materials environment is also uncertain. In particular, prices for beef raised in Japan are soaring. Even when looking at imported beef, prices remain elevated due to the low utilization rates at local plants in North America from a shortage of workers at meatpackers and the rapid recovery in demand as more people get vaccinated. The shortage of workers at meatpackers is expected

in stark contrast to the retail industry. Some customers switched to takeout, but the volume of supply was just not there compared to before. At Starzen, our sales departments from different channels worked together cross-functionally to supply food service products to retailers. Meat is a fresh food, which requires a quick response given its expiration date. One of our greatest achievements this past year was preventing food waste and loss by using stopgap measures to sell all of our products.

to ease in the second half, but beef prices will likely continue to remain high because of the sharp uptick in meat demand in East Asia and the soaring cost of feed. Also, prices for pork raised in Japan had trended at relatively low levels, but increased sharply from June 2021 amid the impacts of classical swine fever (CSF). This trend is expected to continue for the time being. Since in many cases soaring meat purchase prices cannot be passed on to the final selling price, for fiscal 2021, the Group is forecasting consolidated net sales of ¥360.0 billion, but a downturn in profits with operating income of ¥5.0 billion, ordinary income of ¥6.5 billion, and profit attributable to owners of parent of ¥4.5 billion.

#### Aiming to Strengthen Earnings Power Unaffected by Market Prices

As indicated by this forecast, our business model centered on the sale of meat is susceptible to fluctuations in market prices. We will need to take this challenge to solidify our foundation in order to grow our business in the future and generate stable cash flow. As such, our theme for fiscal 2021 is to "strengthen earnings power unaffected by market prices." We will mainly focus on the development of high-value-added products and the diversification of sales channels to build a rock-solid business foundation.

First, I would like to talk about development of high-value-added products. Our five processing centers in Japan are tasked with prepacking of products, including packing sliced meat and processed meat products. We have already earned a strong reputation among customers for freshness and convenience, but we will now work toward further strengthening these functions and improving quality. Each of these processing centers are located close to major urban areas where consumption is high, making it possible for us to quickly deliver products tailored closely to various needs. At the same time, STARZEN MEAT PROCESSOR Co., Ltd. (SMP) is working to enhance the prepackaging functions of its plants with the aim of expanding packaging at those plants near the livestock production sites. SMP's plants are located near major livestock production sites of cattle and hogs in Japan and process carcasses

into parts (block meats). By having these plants also produce and package sliced meats, we will be able to deliver products to our customers with an even higher level of freshness. Pivoting around these processing centers located close to consumption areas and processing centers close to livestock production sites, we will increase the lineup of high-value-added products across the entire Starzen Group.

Second is diversification of sales channels. Stay-at-home consumption resulting from the COVID-19 pandemic has increased demand in the marketing channel including e-commerce and in the food delivery market. In fiscal 2020, we saw substantial sales growth on our e-commerce site for meal kits, roast beef and hamburger steak. Prior to COVID-19, we had positioned expansion of the e-commerce sales channel as a medium- to long-term strategy, but now we will prioritize and focus on this channel more. Also, department stores, volume sellers and customers in the food service industry are quickly launching or expanding their e-commerce sites, and they are developing products and enhancing proposals so that these new sales channels are chosen by consumers. Moreover, for retailers such as supermarkets, we will expand proposals for delicatessen items and frozen foods, going beyond raw meat with its already large transactional volume. In this case, the key will be

collaboration between manufacturing sectors and the sales sectors responsible for marketing and sales promotions. The sales sector can identify detailed needs with its close contact with customers, while the manufacturing sector is expert in delivering the taste and texture to satisfy these needs. Harnessing the know-how of those sectors, we will develop products more closely in tune with customer needs. For example, LOHMEYER CORPORATION is revamping a number of its products recently ahead of its 100th

### Eyeing Long-Term Growth

Furthermore, we established the new Logistics Division, and will now proceed with global expansion and address sustainability, with an eye toward long-term growth.

First, we recognize that logistics reforms are an urgent task. The logistics business must quickly address the approaching “2024 problem.” This refers to application of the Act on the Arrangement of Related Acts to Promote Work Style Reform to the transportation industry, which will introduce equal pay for equal work regardless of type of employment, both permanent and non-permanent positions, along with caps on working hours. The new Logistics Division was established in April 2021 to raise the Group’s competitiveness by controlling rising logistics costs while addressing the requirements of these new systems. The Starzen Group maintains the two logistics functions of mainline logistics connecting plants at livestock production sites to our nationwide network of sales offices and route-based shipping where products are delivered from sales offices directly to customers. The Logistics Division will explore the total optimization of our logistics as an independent division. For example, we are attempting to transform some of our around 50 sales offices across Japan into distribution centers with product storage capabilities. Our long-storied strength has been a sales style with shipping function, but with changing demographics, depending on the region, sales focusing solely on sales activities could be a new form of our localized direct sales system. In addition, logistics issues are a problem facing the entire industry, so we may also consider joint transport with peers. We plan to fully promote our logistics functions as our unique form of added value by utilizing in new ways our strengths of around 50 sales offices nationwide and a company-owned fleet of around 500 vehicles that can transport products from these sales offices. The Logistics Division of the Starzen Group will become an important function supporting our frontline operations within our future growth strategy.

Next is the strengthening of our global business. The shrinking domestic market caused by Japan’s declining population is a real concern for us. This is why we will focus on the global business to achieve sustainable growth in the future. Utilizing our meat processing and sales know-how amassed in Japan, first we will

anniversary in October 2021. The company has been able to revamp products tailored to consumer needs through product development involving both its sales department in Tokyo and its manufacturing plant. The revamped products have received rave reviews, and the number of stores carrying LOHMEYER’s processed products has risen substantially. Going forward, we will continue to use such collaboration across department lines to increase our products compatible with diverse sales channels.

expand sales of Japanese meats in the focus regions of the United States and China. Although the ban on meat imports from Japan to China remains in place, we continue to survey ways to quickly secure sales channels once this market reopens. The main meats eaten in China are pork and chicken, but based on the country’s hot pot culture, we believe there is a large latent market for beef. In the United States, our sales are predominantly geared toward steakhouses; thus, we believe there is much room to grow our sales channels and consumption. Since Japanese retailers are also actively expanding overseas, first we will supply these customers to steadily penetrate the market.

We must also address sustainability in order to enhance our corporate value in a sustainable manner. As global standards continue to change, failure to keep pace with these changes will result in management risks. At the same time, adeptly addressing these changes will also present opportunities. In October 2020, we established the Sustainability Committee, and in January 2021 we signed the UN Global Compact. To fulfill our social responsibilities as a listed company, we will promote management across the Group that considers the sustainability of the environment, society and economy. The processing and manufacturing frontlines are working on thorough hygiene controls and extending expiration dates. They are actively incorporating new technologies such as gas exchange packaging. We are also working to reduce the driving time of vehicles by increasing transport efficiency. We have been focusing on cost reductions for some time, and increased transport efficiency contributes to lowering greenhouse gas (GHG) emissions. In terms of products, we are developing and selling Zero Meat, a plant-based meat, with Otsuka Foods Co., Ltd. We expect that there will be heightened awareness toward sustainability and a broader consumer base. On the frontline of livestock production, breeding and fattening, we recognize the importance of animal welfare. We are now implementing a number of initiatives to ensure that Starzen’s products are not only safe and secure but also praised by customers and consumers for contributing to sustainability.

Furthermore, we are in the process of formulating a new Medium-Term Management Plan based on these management policies. We plan to announce this plan in the second half of fiscal 2021.

### Maximizing Our People’s Strengths to Elevate the Capabilities of Team Starzen

My career began in 1986 at Zenchiku Co., Ltd., the predecessor of Starzen. I joined the Company after graduating from university without knowing much about its business lines. Initially, I was in charge of broilers. I remember receiving a strong shock when I first witnessed an animal’s life taken. It still remains deeply etched in my mind. At the same time, producers and others talked to me about how this reality is what makes their jobs extremely vital and that I should try my best. I was also told by my senior colleagues that I should never take an animal’s life a second time. This means the first time is as livestock and the second time would be wasting the meat by not consuming it. How can we reduce waste and loss of meat due to various reasons? How can we consume the meat deliciously without wasting the animal’s life? This mindset remains with me today and forever.

I often tell employees that there are limits to what a person can do on their own. Our various jobs are made possible by teamwork. This message is based on my experience of receiving assistance from a number of people since my days as a new employee. Every job involves people-to-people connections. These connections make it possible to accomplish large tasks and allow us to grow as people. While fulfilling my role as President & CEO, as a member of Team Starzen, I strive to take part in discussions with the same common ground as employees and talk casually. I believe that only a culture that embraces active communication regardless of seniority or position can produce products and services that move customers.

To create a strong team, we must enhance everyone’s skills and capabilities. Every person has an area where they excel. For this reason, human resources management that helps individuals find and grow their strengths is effective. In particular, I tell our management team that leads departments and teams to provide employees with a venue to utilize their strengths. It is easier to find and point out flaws for people in leadership positions. However, this

### Message to Stakeholders

Starzen is a company with a great deal of potential. Looking at meat sales, there are many untapped markets not only in Japan but also overseas as well. The ratio of processed products and processed foods to Starzen’s total sales remains somewhat low, presenting ample opportunity for future growth. Starzen wants to create products associated with memories and long remain in people’s



dilutes the meaning of working as a team. We will build workplaces where human resources with various values can utilize their uniqueness and strengths at work and continually generate new value.

We added “Become a company where our employees are happy to work” to our management philosophy to once again foster teamwork and clarify our commitment to valuing employee engagement and satisfaction amid a changing sense of belonging toward companies during the COVID-19 pandemic. Our team is comprised of many team members, including those on the frontline of sales, at our plants, and checking quality. This is why we can deliver delicious products to consumers. We can create new value because of our diverse workforce, allowed to work freely and openly. Being praised for accomplishments becomes the driving force behind the next step. In turn, employees feel a sense of becoming a company where they are happy to work. I hope to sustain this cycle indefinitely. Employee satisfaction empowers us to meet and exceed the expectations of all stakeholders including shareholders, investors and customers.

minds. As President & CEO, I will dedicate myself to Starzen’s further development. I would like to ask our stakeholders for your continued understanding and support.

September 2021

**Kazuhiko Yokota**  
Representative Director,  
President & CEO

# Starzen's Business Model

The Starzen Group has built a vertically integrated supply chain spanning from breeding and fattening/procurement to processing, production and sales.

We deliver everyday happiness through food to society by providing customers with a stable supply of safe and secure foods.



\*1 Annual net sales of ¥4 million or higher  
\*2 As of March 31, 2021

# Toward Greater Growth

The environment surrounding the meat industry is experiencing substantial changes.  
The Starzen Group will aim for greater growth by utilizing its long-standing strengths.

## Awareness of environment

### Supply-demand environment for meat

- Changes in meat supply-demand environment due to COVID-19
- Spreading African swine fever (ASF) cases around the world
- Unstable supply-demand environment worldwide due to the sharp decline in sows in China and subsequent sharp increase
- Spreading classical swine fever (CSF) cases in Japan
- Soaring market prices for all meats
- Growing meat demand in East Asia
- Growth of substitute meat market

### Domestic consumption

- Downturn in demand in food service and hotel industries
- Growing demand for home meal preparation
- Growth of e-commerce, home delivery and takeout
- Loss of in-bound tourism consumption
- Tougher competition between sales channels
- Polarization consumption trends (premium vs. saver)
- Declining wages

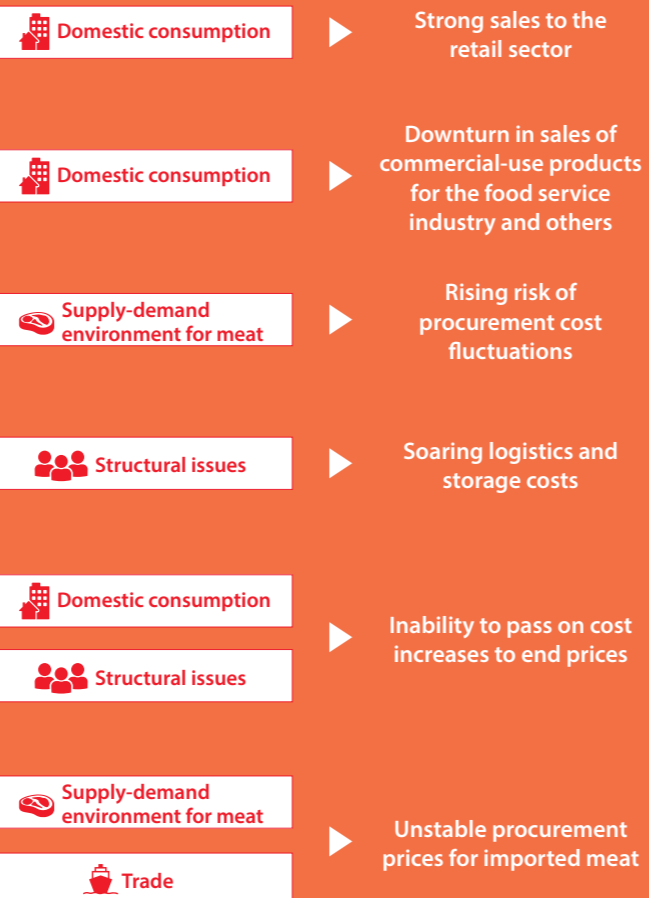
### Trade

- Reduced tariffs from TPP11, EPA and the U.S.–Japan Trade Agreement, etc.
- U.S.–China trade issues
- Australia–China trade issues

### Structural issues

- Declining birthrate and aging population
- Worker shortages
- Changes in lifestyles
- Large number of competitors
- “2024 problem” facing logistics

## Impacts on the Starzen Group



### Strength 1

#### Team Starzen's integrated model

The Starzen Group has built a vertically integrated model that encompasses every value-chain link from livestock farming to meat processing/manufacturing and sales. The Group's model enables it to provide high-value-added solutions as Team Starzen. With a network comprising over 540 allied livestock producers, 19 processing and production plants and around 50 sales offices, the Group stably supplies safe and reliable products that meet customers' needs and preferences.

### Strength 2

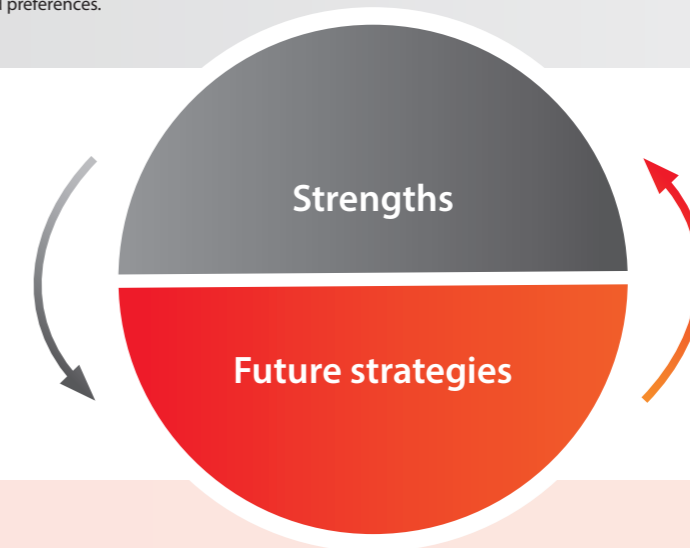
#### Ability to address customer needs

The Starzen Group places priority on delivering customized solutions to customers through a local sales system operating out of 50 sales offices throughout Japan. Sales personnel emphasize communication with customers, enabling them to deeply understand customer needs and quickly identify market trends. This knowledge is used to make even better product proposals that help resolve customer issues.

### Strength 3

#### Internationally certified quality assurance system

To supply products that consumers can enjoy with peace of mind, we strive to upgrade product quality in accord with the Starzen Group Quality Policy. Additionally, 56 of our facilities are certified as compliant with Safe Quality Food (SQF) international food safety management standards (as of March 31, 2021). We have the most SQF-certified sites of any company in Japan.



### Future strategy 1

#### Strengthening earnings through expansion of high-value-added products

Aiming to strengthen earnings power unaffected by market prices, we strive to not only supply products with a high degree of processing but also develop products that are unique to Starzen.

### Future strategy 2

#### Increasing productivity and cost-competitiveness

We will increase cost-competitiveness by promoting digital transformation (DX) and more efficient logistics.

### Future strategy 3

#### Strengthening overseas business

We are building a sales base overseas with emphasis on the United States and China markets.

For details, see the next page.

## Toward Greater Growth

Future strategy  
**1**

**Strengthening earnings through expansion of high-value-added products**

We will increase our number of high-value-added products unaffected by market prices to enhance our earnings power. Starzen's idea behind creating added-value products goes beyond simply increasing the number of products with a high degree of processing to focus foremost on products that are truly delicious and product specifications and packaging that are easy to use for customers and consumers alike. For example, we have already launched sales of sliced roast beef packages using patented technology for expiration date extension and seasoning kits that reduce the backyard work of retail stores. In addition, LOHMEYER CORPORATION, which will celebrate its 100th anniversary in October 2021, revamped products under the LOHMEYER brand. We continue to expand sales channels for Zero Meat, a plant-based meat co-developed with Otsuka Foods Co., Ltd.

Furthermore, in July 2021, we concluded a business partnership agreement with Fuji Global Kitchen Inc. regarding the processed foods business. We will combine Fuji Global Kitchen's high level of technical prowess with our know-how to tap into new markets.

Looking ahead, we will explore opportunities in e-commerce and the food delivery market in expanding our lineup of products with high added value that are unique to the Starzen Group.

Future strategy  
**2**

**Increasing productivity and cost-competitiveness**

While our strength is found in an integrated supply chain spanning from livestock production to sales, we are faced with the need to address logistics-related issues known as the "2024 problem." The logistics industry is facing stricter handling of labor management, which is expected to increase costs. For this reason, we are promoting low-cost management.

Specifically, we launched the Zeus DX project in 2019 and established the new Logistics Division in April 2021. The Zeus DX project comprises the two pillars of maximum utilization of ICT and business process reform for reviewing our approaches to work. In terms of enhancing logistics functions, we will seek to optimize the entire supply chain using ICT so that the strengths of our integrated system spanning from upstream (breeding and fattening) to downstream (sales) can be fully utilized. Also, we will promote streamlining through co-transportation arrangements with other food companies.



Future strategy  
**3**

**Strengthening overseas business**

As the Japanese market contracts due to a declining birthrate and aging population, we will further strengthen our meat sales business at our overseas business sites. Through collaboration with local partners, we are exploring ways to roll out our business model of delivering cut meats directly to customers in overseas markets.

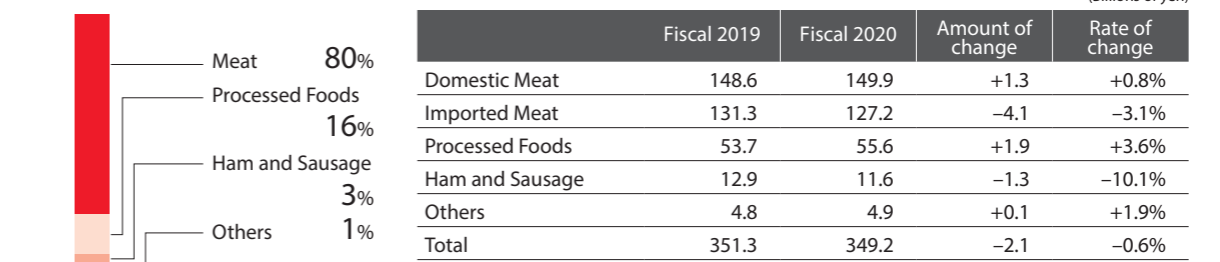
First, we plan to develop a sales base for Japanese-raised meats with a focus on Wagyu beef mainly in the United States and China. Although the ban on Japanese meat exports to China remains in effect today, we believe this market offers a great deal of latent demand. Thus, we will build a local network ahead of the lifting of this ban.

Additionally, in countries around the world, including China, there is rising meat demand amid the growth of the middle class driven by economic development. As a result, meat and feed prices have soared worldwide, and this trend is expected to continue going forward.

Nearly half of the meat consumed in Japan is imported. For this reason, it will be important to secure overseas supply sources in order to continue to provide a stable supply of meat in the future. We will further strengthen relationships with overseas meatpackers.

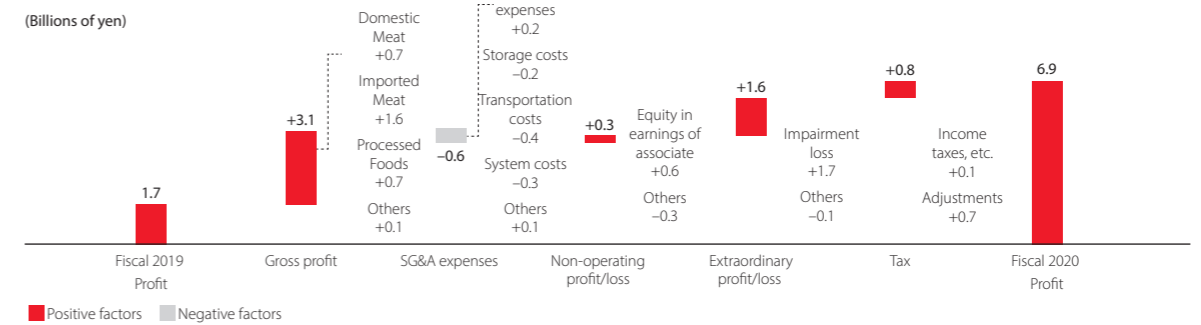
## Performance Highlights

### Net Sales (By product)



Net sales in fiscal 2020 were impacted by declining sales prices for domestic beef caused by the drop in restaurant demand, but domestic pork and chicken posted strong sales on rising at-home demand, offsetting the downturn in beef sales. Imported meat experienced a substantial decline in sales of chicken mainly for restaurant demand, but beef and pork sales were steady on at-home consumption. As a result, profits were up over fiscal 2019. Processed foods posted an increase in sales amid strong performance from convenient/ready-to-eat foods. Ham and sausage, which are mainly for commercial use, faced a difficult battle amid slumping restaurant demand.

### Factors Driving Change in Profit/Loss



Gross profit for fiscal 2020 increased by ¥3.1 billion year on year on improving profitability of domestic beef. SG&A expenses increased by only ¥600 million year on year due to reduced business travel costs, despite an increase in logistics spending including storage costs and transportation costs. Non-operating income rose by ¥300 million year on year amid a strong increase in equity in earnings of associate. Profit attributable to owners of parent reached a record high of ¥6.9 billion.

### Financial Indicators

	Fiscal 2019	Fiscal 2020	Change
Interest-bearing liabilities	¥41.6 billion	¥41.0 billion	-¥0.6 billion
D/E ratio	0.81 times	0.71 times	-0.1 times
Net assets	¥52.3 billion	¥59.1 billion	+¥6.8 billion
Net worth*/total assets	41.5%	44.9%	+3.4 pts

\* Net worth consists of shareholders' equity and accumulated other comprehensive income.

### Japan Credit Rating Agency (JCR) Rating

Long-term issuer rating	BBB+
Rating outlook	Stable

### Export Destinations

**30** countries and regions

#### Americas

United States, Canada, Mexico, Argentina, Uruguay

#### Asia

Taiwan, Hong Kong, Macao, Thailand, Myanmar, Vietnam, The Philippines, Malaysia, Singapore, Indonesia

#### Europe

EU, UK, Norway, Switzerland, Russia, Lichtenstein, Belarus, Kazakhstan, Kyrgyzstan, Armenia

#### Middle East

Qatar, UAE, Bahrain

#### Oceania

Australia, New Zealand

# Financial and Non-Financial Highlights

## Financial Highlights

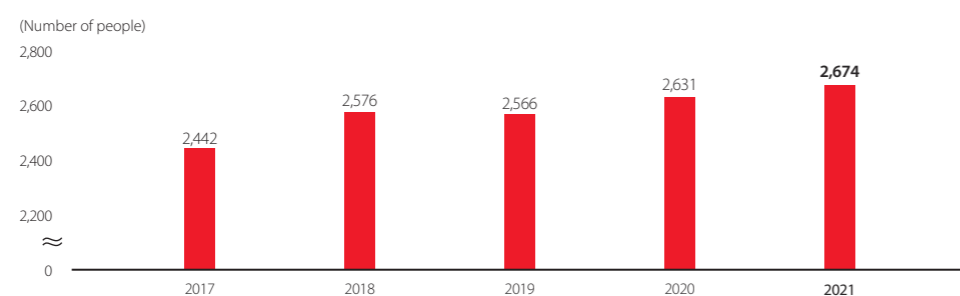
	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
<b>Operating Results (Consolidated)</b> (Billions of yen)											
Net sales	262.8	259.3	254.1	256.5	282.5	303.4	313.9	340.1	351.2	351.3	349.2
Operating income	2.9	2.6	1.8	1.9	3.8	3.9	5.5	5.8	4.7	4.2	6.6
Ordinary income	3.3	3.0	2.1	2.6	4.6	5.5	6.5	7.2	6.4	5.7	8.6
Profit attributable to owners of parent	1.6	0.9	0.8	1.7	2.8	3.7	4.5	5.1	4.5	1.7	6.9
<b>Financial Position (Consolidated)</b> (Billions of yen)											
Total assets	95.4	94.0	94.8	93.7	111.9	104.4	117.3	122.8	125.9	125.9	131.7
Net assets	25.1	25.9	28.3	29.4	32.8	34.9	43.3	47.8	52.2	52.3	59.1
<b>Cash Flows (Consolidated)</b> (Billions of yen)											
Cash flows from operating activities	1.0	1.0	4.9	4.6	(5.8)	13.3	1.8	1.1	7.0	1.4	11.0
Cash flows from investing activities	(5.4)	(4.4)	(2.8)	(3.2)	(2.0)	(1.3)	(1.7)	(4.4)	(4.0)	(3.4)	(3.4)
Cash flows from financing activities	1.1	0.6	(2.3)	(0.0)	9.2	(9.6)	3.3	(2.8)	(2.7)	0.8	(2.0)
<b>Management Indicators (Consolidated)</b> (%)											
ROE	6.8	3.6	3.2	6.0	9.1	11.2	11.7	11.2	9.1	3.3	12.4
ROA	3.7	3.2	2.3	2.8	4.5	5.1	5.9	6.1	5.2	4.6	6.7
Net worth <sup>*1</sup> /total assets	26.2	27.5	29.8	31.5	29.4	33.4	36.9	39.0	41.5	41.5	44.9
<b>Per Share Information (Consolidated)<sup>*2</sup></b> (Yen)											
Earnings per share	111.27	62.10	55.13	109.37	176.87	236.26	246.60	271.22	236.01	89.47	354.91
Net assets per share	1,673.19	1,731.00	1,770.36	1,846.39	2,049.12	2,168.55	2,303.44	2,525.56	2,681.72	2,680.00	3,031.43
Dividends per share	35	35	35	35	40	45	50	60	60	55	65

\*1 Net worth consists of shareholders' equity and accumulated other comprehensive income.

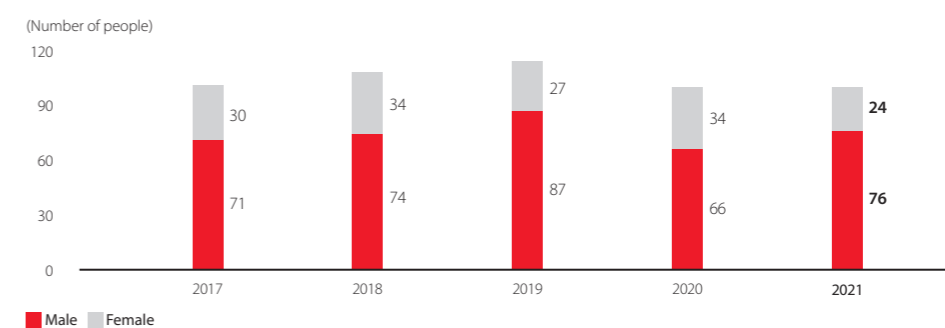
\*2 A share consolidation was implemented on common stock with a ratio of 10 shares to one share on October 1, 2015. In addition, a share split was implemented on common stock with a ratio of one share to two shares on April 1, 2021. Figures prior to the fiscal year ended March 31, 2021, have been retroactively adjusted for comparison purposes.

## Non-Financial Highlights

### Employees (Consolidated)



### Number of New Graduates Employed (Consolidated)





# Breeding and Fattening / Procurement

The Starzen Group uses its extensive sourcing network inside and outside of Japan to procure various meats and processed meat products in stable manner.

## Strengths

- Group-affiliated farms located at major production areas in Japan (Hokkaido, Tohoku, and Kyushu)
- Around 540 allied livestock producers in Japan (cattle and hogs)
- Starzen Fertilized Egg Laboratory for Wagyu Beef Cattle supports creation of new Wagyu beef cattle production base
- Extensive sourcing network overseas

## Assessment of Operating Environment and Challenges

- Declining number of domestic producers and large-scale consolidation
- Rising production costs due to soaring feed prices
- Growing worldwide demand for meat mainly in East Asia
- Livestock diseases such as African swine fever (ASF) and classical swine fever (CSF)
- Response to sustainability and animal welfare

## Key Targets

- Lower production costs of domestic meat
- Increase value of Starzen brand meats
- Further strengthen relationships with overseas meat packers
- Achieve sustainable production base

## Production and Procurement of Domestic Cattle and Hogs

### Domestic Cattle Breeding/Fattening Business

The domestic cattle breeding/fattening business began in full scale in 2016 following operating environment changes in the domestic production base including the declining number of farms due to a lack of successors.

The Wagyu beef cattle breeding business is working on breeding and research projects for black Wagyu beef cattle at Ashoro Asahigaoka Farm Co., Ltd., a Wagyu beef cattle breeding farm in Hokkaido; and at the Starzen Fertilized Egg Laboratory for Wagyu Beef Cattle in Kagoshima Prefecture.

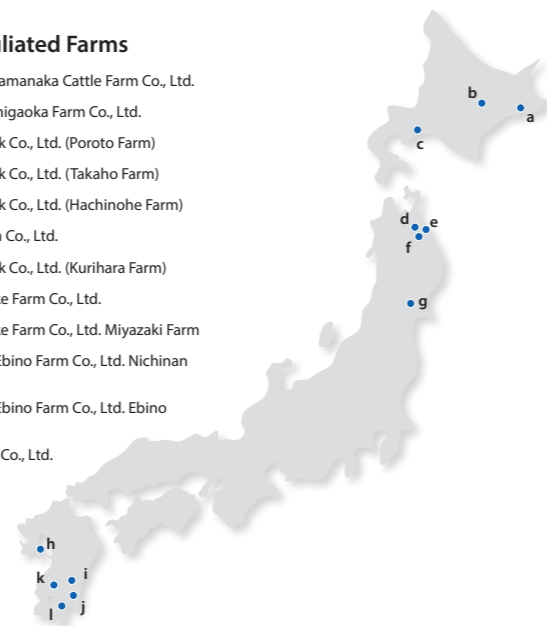
Ashoro Asahigaoka Farm Co., Ltd. is working to lower costs through more stable fertilization rates achieved using improvements in new breeding technologies that combine artificial insemination and natural conception/fertilized egg transplanting.

Hokkaido Hamanaka Cattle Farm Co., Ltd., a fattening farm in Hokkaido, is located within the area of the Japan Agricultural Co-operative in Hamanaka Town (JA Hamanaka Town), a prominent dairy cattle center in Eastern Hokkaido. The farm is also a member of JA Hamanaka Town. Engaging in the cattle fattening business in Hamanaka Town has resulted in an integrated dairy-cattle production system combining the dairy farming business and cattle business, a unique arrangement in Japan's livestock industry. This also contributes to the local economy through the utilization of both dairy and cattle resources.

Specifically, the Company collaborate with local dairy farmers that are members of JA Hamanaka Town for the impregnation of local dairy farmers' cows with fertilized eggs from the Starzen Fertilized Egg Laboratory for Wagyu Beef Cattle. We are also working to expand production of the local variety of black Wagyu beef cattle and on community recycling-oriented agriculture by spreading the use of compost fertilizer across Hokkaido's vast grazing grounds which serve as a carbon sink.

### List of Affiliated Farms

- a Hokkaido Hamanaka Cattle Farm Co., Ltd.
- b Ashoro Asahigaoka Farm Co., Ltd.
- c Mihono Pork Co., Ltd. (Poroto Farm)
- d Mihono Pork Co., Ltd. (Takaho Farm)
- e Mihono Pork Co., Ltd. (Hachinohe Farm)
- f Nanbu Farm Co., Ltd.
- g Mihono Pork Co., Ltd. (Kurihara Farm)
- h Unzen Ariake Farm Co., Ltd.
- i Unzen Ariake Farm Co., Ltd. Miyazaki Farm
- j Hokusatsu Ebino Farm Co., Ltd. Nichinan Farm
- k Hokusatsu Ebino Farm Co., Ltd. Ebino Farm., Ltd.
- l CREA FARM Co., Ltd.



## Domestic Hog Production Business

Starzen has 12 affiliated hog farms across Japan.

In fiscal 2020, domestic pork market prices were strong amid rising demand for stay-at-home consumption attributed to the COVID-19 pandemic, which offset rising production costs from soaring feed prices including corn and grains, along with livestock disease countermeasures including vaccinations for CSF.

To stop the spread of CSF, we are implementing thorough epidemiological controls including requiring showers and uniform changes when entering and leaving a farm. However, our inability to relocate high-quality sows due to the ban on movements of livestock between regions with CSF-free status and vaccinated regions is becoming a hurdle to our business operations.

Amid rising worldwide demand for imported pork and unstable supply due to the impacts of ASF, we recognize that it is important to continue strengthening our domestic production base capable of producing safe and secure meats in a stable manner. In addition, we will strive to further lower production costs ahead of the future reduction in import tariffs.

As a new initiative, we have begun the development of original brands in coordination with the sales department. Our aim is to foster pork brands focused on quality beginning with feed in order to overcome price competition. Also, we are working to mitigate our environmental impacts by using eco-friendly feed (recycled feed) with an eye toward achieving the Sustainable Development Goals (SDGs).

## Domestic Procurement Network

In addition to our own affiliated farms, STARZEN MEAT PROCESSOR Co., Ltd. (SMP), responsible for procuring domestic beef and pork, has established solid partnerships with around 330 cattle farms and around 210 hog farms in Japan. SMP's plants are located in major production areas throughout Japan, and with its broad sourcing network it has established a system that can maintain stable supplies even during such contingencies as disease or natural disaster.

## Procurement of Imported Meats and Processed Meat Products

### Review of Fiscal 2020

The Starzen Group imports beef, pork, chicken, mutton, byproducts and processed meat products from 15 countries around the world. In fiscal 2020, supply instability emerged amid the shutdown of overseas meat packers due to the COVID-19 pandemic, but our long-term efforts to build relationships with overseas suppliers has proven successful and enabled us to maintain our supply volume.

In terms of profits, despite challenges faced by imported broilers mainly for commercial use, rising at-home demand drove sales of imported chilled beef, chilled pork and offal higher, offsetting the downturn in broilers in the overall imports sector.

### Future Initiatives

The overseas meat market in 2021 will continue to see worker shortages at meat packers despite growing consumption following the increased uptake of COVID-19 vaccinations. One factor behind this is delays in the unemployed returning to work. We believe that worker shortages will be alleviated in the second half of 2021 and thereafter. Additionally, we recognize that countermeasures against volatile international meat prices following purchasing trends in China will continue to be a challenge.

Going forward, as changes in the procurement environment are expected to become larger, we will deepen relationships with overseas production areas and consider acquiring our own farms there in order to further solidify our procurement base overseas. From the perspective of production area diversification, we will increase the procurement rate of beef and pork from South America and byproducts from Europe.

One tailwind driving the meat imports business is tariff reductions owing to various trade agreements. As we expand high-value-added products unaffected by market prices, we will explore increasing imported processed meat products and outsourcing production of our own processed meat products to overseas processors. In October 2020, we opened our Bangkok Representative Office. The aim is to increase imports of meats and processed foods produced in Thailand. We are now working on market research locally, building relationships with local companies, and conducting factory audits.

## Starzen Group's Overseas Procurement Network



\* Suppliers of beef, pork, chicken, mutton, byproducts, processed meat products

# Meat Processing

We have processing plants in proximity to slaughterhouses in major livestock producing regions. We ship high quality meat under our stringent hygiene controls and advanced processing technologies.

## Strengths

- Industry-leading processing technologies
- SQF-certified plants
- Approved meat export facilities
- Actively working toward automation
- Value-added functions including *hyokan* cold storage aging and localized packaging, etc.

## Assessment of Operating Environment and Challenges

- Worker shortages due to declining population near plants
- Soaring meat prices
- Response to sustainability

## Key Targets

- Expand localized packaging functions
- Strengthen connections with local communities
- Promote further automation
- Reinforce plant functions to expand exports
- Response to sustainability and promotion of animal welfare

## Overview of Meat Processing Business

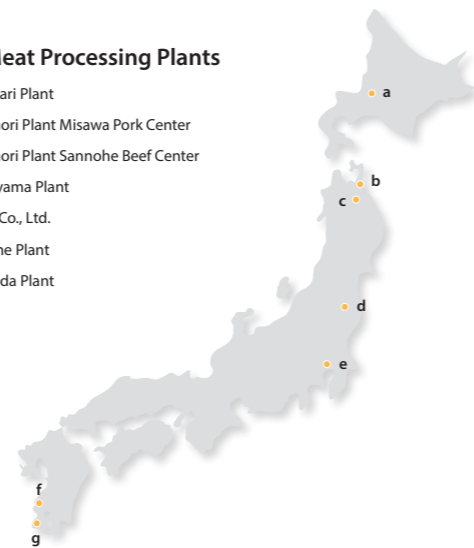
The Starzen Group has meat processing plants in proximity to slaughterhouses. At our meat processing plants, we process meat carcasses into individual pieces for distribution. Some plants also function as processing centers packaging meats raised locally.

All our plants are certified as compliant with SQF international food safety and quality standards, and we are working to extend expiration dates utilizing facilities with stringent hygiene controls.

Our meat processing plants are also certified to export to 25 countries and regions overseas including the United States and European Union. This enables us to ship Japanese beef and pork to markets around the world.

### List of Meat Processing Plants

- a SMP Ishikari Plant
- b SMP Aomori Plant Misawa Pork Center
- c SMP Aomori Plant Sannohe Beef Center
- d SMP Koriyama Plant
- e Maruzen Co., Ltd.
- f SMP Akune Plant
- g SMP Kaseda Plant



## Initiatives for Offering Higher Added Value

### Meat Packaging near Livestock Production Areas

The Starzen Group's prepackaging business has primarily been led by our processing centers located close to consumption areas. However, we are now looking to expand prepackaging functions at the meat processing plants of STARZEN MEAT PROCESSOR Co., Ltd. (SMP) that are located close to livestock production areas. The benefit of packaging meats near livestock production areas is that all processes including cuts and packaging up to final sales format can be completed at the same facility, minimizing the growth of bacteria from meat processing and further improving quality. Avoiding packaging of subprimal cuts also effectively reduces waste plastic by reducing packaging materials.

In addition, the SMP Akune Plant is developing vacuum seal packaging for export. Because our proprietary technology is needed, there is strong demand for vacuum seal packaging for sliced Wagyu beef meat cuts and currently the plant is verifying its processes for commercialization.

▶ For details about vacuum seal packaging, see page 29, "Initiatives to Reduce Food Loss and Waste."

## Hyokan Cold Storage Aging

SMP's Sannohe Beef Center and Kaseda Plant introduced warehouses for *hyokan* cold storage aging from 2017 and 2018, respectively.

Dry aging technology, which is the most common way to cure meat, involves exposing the carcass or meat cuts to air for an extended period of time. Extending the aging period increases flavor components, but it also causes the surface of meat to discolor or form mold, resulting in substantially lower yield. Furthermore, dry aged meat has a short shelf life after being sliced and packaged, which results in a higher price and also leads to waste and loss.

*Hyokan* cold storage aging, however, using electrical energy inside a special warehouse to age meat that has been sliced and vacuum packaged in subzero temperatures without it actually freezing. This process increases the meat's flavor and depth while controlling yield loss and extending expiration dates because our highly fresh meats minimize the growth of bacteria.

*Hyokan* cold storage aged products have received rave reviews from customers for their soft and delicious taste. We plan to add specialized warehouses at the Sannohe Beef Center and Kaseda Plant in response to growing volumes. We are also exploring other meats to use this technology in the future for other meats besides pork.



## Promoting Plant Automation

We are actively implementing a mechanization and automation program for reducing costs, addressing worker shortages, and improving employee satisfaction.

In 2017, the Misawa Pork Center became the first facility in Japan to introduce HAMDAS-RX, an automated deboning machine for pork ham. Since then, we have introduced the WANDAS Mini Mark II automated pork shoulder deboning machine at our pork processing plants.

At our beef processing plants, we plan to introduce automated packaging machines for subprimal cuts. We have already introduced automated packaging machines at all of our pork processing plants, but automation for beef was difficult because of its different cuts and grades. By introducing automated packaging machines at our beef plants, we expect to reduce labor while also increasing quality, because automation reduces the number



HAMDAS-RX automated pork ham deboning machine



WANDAS Mini Mark II automated pork shoulder deboning machine

of processes with human contact.

In addition, we have introduced automated knife sharpening machines at all of our plants to mechanize and reduce labor related to daily sharpening work.

### Main Exmppls of Automation Introduction

#### Aomori Plant Misawa Pork Center

April 2014	Introduction of automated conveyance cold storage to automate products entering and leaving the warehouse prior to shipment
January 2017	Introduction of HAMDAS-RX automated pork ham deboning machine for the first time in Japan
October 2018	Introduction of WANDAS Mini Mark II automated pork shoulder deboning machine

#### Akune Plant

January 2018	Introduction of HAMDAS-RX automated pork ham deboning machine, the second in Japan
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#### Kaseda Plant

September 2019	Introduction of Japan's second WANDAS Mini Mark II
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#### Ishikari Plant

July 2020	Introduction of Japan's third WANDAS Mini Mark II
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## Human Resource Development and Community Engagement

The communities surrounding SMP's meat processing plants are faced with the demographic challenges of an aging society with a declining birthrate, and declining population. To support community revitalization, the Starzen Group provides ingredients for school lunches, supports school sports and club activities, hosts plant tours, and actively supports education through the provision of a meat-related curriculum. We also participate in Japan's *furusato* tax program (which allows rural municipalities to offer gifts in exchange for monetary donations on which the donor can claim a tax credit), where SMP products are quite popular as gifts.

To increase employee comfort and morale at our plants, we are promoting automation as noted above and supporting employees to pass beef and pork portioning Meister Certification exams to further boost motivation and foster technicians. Japan's meat processing technologies are among the finest in the world, and fostering human resources is vital to maintaining these technologies. We actively support women in the workplace. Two female employees plan to take the pork portioning Meister Certification exam to be held in January 2022, with the aim of becoming the first women to become certified.

### Beef and Pork Portioning Meister Certification Exams\* (As of May 31, 2021)

Certified employees (beef):  
20

Certified employees (pork):  
40

\* Test taking was canceled in fiscal 2020 due to the COVID-19 pandemic.

# Production

The Starzen Group manufactures an array of products using diverse raw materials from its procurement network as well as its advanced product development capabilities.



## Strengths

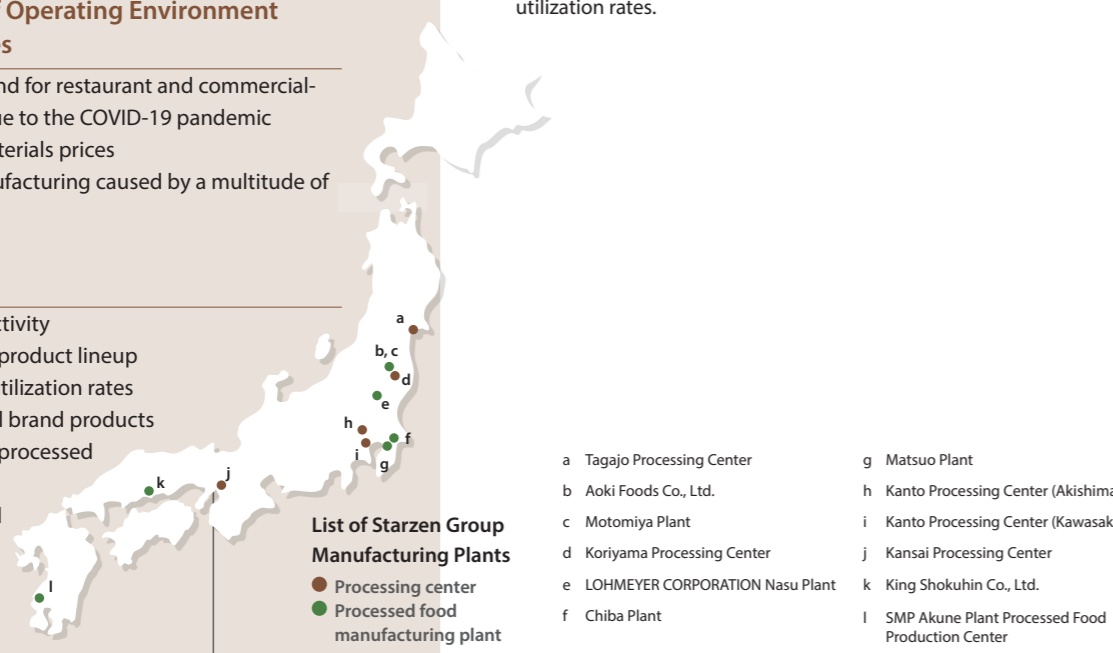
- Able to manufacture an array of products using long-standing technologies and know-how
- Able to respond meticulously to customer needs using the strengths of our own plants
- Able to provide stable supplies using the Group's extensive procurement network

## Assessment of Operating Environment and Challenges

- Stagnant demand for restaurant and commercial-use products due to the COVID-19 pandemic
- Soaring raw materials prices
- Inefficient manufacturing caused by a multitude of product types

## Key Targets

- Improve productivity
- Reorganize the product lineup
- Stabilize plant utilization rates
- Expand national brand products
- Increase highly processed products
- Reduce loss and waste



## Hamburg Steak Manufacturing Business

### Business Overview

The Starzen Group manufactures hamburg steaks for its own national brands and the private brands of customers at the Matsuo Plant in Chiba Prefecture and the Motomiya Plant in Fukushima Prefecture.

Our hamburg steak manufacturing business has been in operation for more than three decades. Using our strengths of long-standing know-how and cutting-edge manufacturing equipment, we produce an array of products including cheese-in hamburg steaks, raw hamburg steaks, baked hamburg steaks, sauce-filled hamburg steaks, and tofu hamburg steaks.

All of our plants are SQF certified and have established a strong reputation for quality and safety. We supply products to major convenience store chains and restaurant chains.

### Review of Fiscal 2020 and Future Initiatives

In the first half of fiscal 2020, sales of commercial-use products declined substantially due to the COVID-19 pandemic. Sales of consumer-use hamburg steaks grew on the back of rising stock demand but failed to offset the downturn in commercial-use sales.

In the second half, people returned to office buildings in cities, which drove a recovery in sales of commercial-use products for convenience stores. Higher-quality products made with a focus on raw materials captured demand among consumers looking for more of a premium experience, posting particularly strong sales.

We also lowered costs by narrowing the number of items manufactured. While one of our strengths is the ability to manufacture products with a variety of specifications, the production line downtime incurred when switching to products was a factor behind declining production efficiency; therefore, we reorganized the items we manufacture, improving productivity. Moreover, from fiscal 2021, we have begun a two-plant production system at the Matsuo and Motomiya plants, producing the same products in an effort to stabilize costs by leveling plant utilization rates.

## Hamburger Patty Manufacturing for McDonald's Japan

### Business Overview

Starzen has built a strong partnership with McDonald's Japan for many years since McDonald's opened its first location in Japan back in 1971. Today, we manufacture beef patties for McDonald's Japan at our Chiba Plant. The Chiba Plant makes daily efforts to ensure that it delivers the highest-quality beef patties in a stable manner. The beef used in these patties is imported from overseas, and utilizing our long-standing know-how and network for meat imports, we are able to provide stable supplies of even safer, more secure beef.

### Review of Fiscal 2020 and Future Initiatives

In fiscal 2020, there was an uptick in demand for beef patties. In response, we increased the number of plant operating days while implementing thorough infection controls against COVID-19 and boosted production by making daily efforts to raise production efficiency.

In fiscal 2021, we expect demand for beef patties to remain strong. We will ensure sufficient staffing to sustain the stable operations of our plants and increase production while minimizing the workload of employees. In terms of sustainability initiatives, we are supporting the sustainability activities of overseas beef industry groups. Also, we will reduce one-way plastics by narrowing the width of carton sealing tape and explore the upcycling of plastics used to package raw materials. We will continue working to streamline the transport of raw materials, and in fiscal 2020, we achieved a further 2% increase in efficiency.

## Processed Meats (Ham and Sausage, etc.) Manufacturing

### Business Overview

We manufacture processed meats for both consumer and commercial use including ham, sausage, bacon, roast beef and roast pork.

All of our manufacturing plants are SQF certified, ensuring high reliability in terms of safety and security for our many customers.

### Review of Fiscal 2020 and Future Initiatives

Consumer-use products and gifts recorded strong sales on the back of stay-at-home demand and increased demand for gift giving amid people refraining from going out. On the other hand, given the high sales ratio of commercial-use products, consumer-use product sales could not offset the downturn in commercial-use sales caused by weak restaurant demand. We will strive to expand consumer-use products and increase cost-competitiveness by improving production efficiency.

## 100th Anniversary of LOHMEYER CORPORATION

LOHMEYER CORPORATION is a manufacturer of processed meats founded in 1921. Founder August Lohmeyer was the first person in Japan to make loin ham. Today the company manufactures high-quality ham, sausage, bacon, roast beef, roast pork and other processed meat products while upholding its traditions. The company has earned a strong reputation for its gifts for Japan's *Chugen* and *Seibo*, midyear and year-end gift-giving occasions and its products used in Western-style *Osechi*, foods served during New Year's holidays.

In October 2021, the company will mark its 100th anniversary. Ahead of this milestone, the company revamped its mainstay Black Label product lineup of ham and sausage in 2020. The revamped products generated a large number of repeat purchasers and now the company is working with the sales department to expand sales further.

## Processing Center Business

### Business Overview

The Starzen Group owns and operates five processing centers close to consumption areas in the Tohoku, Kanto and Kansai regions. Processing centers engage in the prepackaging business slicing subprimal cuts for store shelves.

In addition to sliced raw meat, processing centers also make meal kits comprising meat and vegetables, vacuum sealed seasoned meats, and delicatessen items such as roast beef salad. Processing centers have also introduced vacuum seal packaging and gas exchange packaging that extend expiration dates as a value-added function.

By having our SQF certified processing centers slice meats and prepackage products, we are able to reduce customers' backyard operations and further improve quality.

### Review of Fiscal 2020 and Future Initiatives

The processing center business in fiscal 2020 saw an increase in sales of chilled and frozen sliced meats, deep-drawn products that make meal preparation simpler, seasoned meats and snacks. Our lineup of ready-to-eat foods, such as hors d'oeuvres, also recorded strong sales.

As a new initiative in fiscal 2021, we concluded an operating alliance agreement with Fuji Global Kitchen Inc. in July 2021. We have outsourced production to Fuji Global Kitchen Inc. in the past, and now we will increase collaboration aimed at strengthening our processed foods business. Together we will enhance product development unique to a food professional pursuing both simplicity and deliciousness.

# Sales

Starzen has earned a high degree of trust from its various customers worldwide for its unique solutions capabilities and responsiveness as a meat professional.



## Strength

### Domestic Sales Business

- Highly diverse product lineup and customized responsiveness
- Face-to-face localized direct sales systems
- Quick product deliveries from around 50 sales offices nationwide
- Unique solutions capabilities as a meat professional

### Overseas Sales Business

- Able to export to 30 countries and regions
- Trilateral trade using overseas procurement network and export functions

## Assessment of Operating Environment and Challenges

- Reducing costs to boost competitiveness
- Differentiation through high-value-added products
- Future uncertainty over commercial-use demand due to the COVID-19 pandemic
- Growth of the e-commerce market
- Declining population in Japan
- Latent demand for Japanese meat overseas

## Key Targets

- Streamline sales by promoting separation of sales and deliveries
- Grow e-commerce sales
- Expand overseas business focused on the United States and China

## Domestic Sales Business

### Review of Fiscal 2020

Starzen maintains various sales channels including retailers, grocery stores, restaurants, industrial cafeterias, and food manufacturers, which it supplies with products from its around 50 sales offices nationwide in Japan.

In fiscal 2020, the market environment experienced major changes including a sharp uptick in demand for eating at home and weaker demand for commercial-use products due to the COVID-19 pandemic. During Japan's first State of Emergency in 2020, we were able to fulfill our supply responsibilities by utilizing our in-house delivery functions amid panic buying in stores and interruptions in supply chains. We were able to minimize the impacts from the downturn in commercial-use products because of the merger of our sales companies in April 2020. Fiscal 2020 also saw a sharp increase in sales for the e-commerce channel owing to people refraining from going out during the pandemic.

### Future Outlook

We anticipated that the social impacts of the COVID-19 pandemic would ease somewhat in the second half of fiscal 2021 with the rollout of vaccines, but the spread of the delta variant and other mutations continues to cast a shadow on the future. With the protraction of the pandemic, the polarization in consumption trends of premium and cost saving is expected to become even more evident.

One trend in the consumption of food has been growing demand for convenience with the protraction of people staying at home. We have seen an increase in inquiries for our processing center products amid strong demand among our customers who face worker shortages. Demand is also growing for frozen meats, frozen meal kits, and seasoned products that can be stored for a long period of time. Since frozen products can be stored for a long period of time, they are less susceptible to market prices and contribute to stable earnings. In July 2021, we concluded an operating alliance agreement with Fuji Global Kitchen Inc. Fuji Global Kitchen Inc. possesses long-standing know-how in in-flight meal production. We intend to enhance our meal kit offerings by combining the strengths of both companies.

To support customers in the restaurant industry, we are jointly developing products for e-commerce and takeout and selling customers' unique products for retailers through our own sales channels.

Food purchases through e-commerce and food delivery services have become firmly established during the pandemic and demand is expected to remain strong even after COVID-19. For this reason, we are looking to further strengthen our presence in these areas.

## Streamlining Sales

We have begun working on streamlining operations to boost earnings power. In fiscal 2020, we transformed some sales offices into distribution centers and promoted separation of sales and delivery in the Hokkaido and Tohoku regions, which are experiencing marked declines in population. We are also reorganizing delivery routes, using outside transport companies, and engaging in joint deliveries with peers. Since joint transport partners are limited because the temperature required for raw meats is under 4 degrees Celsius, which differs from conventional cold chain logistics, improving delivery efficiency is an issue facing the entire industry and an area we are actively addressing.

These initiatives will result in cost savings. Business offices turned into distribution centers have successfully reduced expenses per volume handled. By separating delivery and sales, sales representatives can focus on providing better proposals, allocating more time for market research and business meetings. Furthermore, the introduction of inside sales will help us to achieve work style reforms and diversification of the salesforce.

The Starzen Group has grown using the strength of face-to-face sales through localized direct sales systems where sales representatives delivered products directly. Today, we require more advanced sales solutions following the diversification of sales channels and tougher competition. Since the suitability of separating sales and deliveries varies by region, we are taking a cautious stance toward rolling out this approach everywhere. Nevertheless, we will pursue new face-to-face solutions to reinforce our sales capabilities.

Also, we have introduced a trial program for online orders in the Hokkaido and Tohoku regions. This has allowed customers to order at a time that best suits them, compared to before when we received orders mainly by telephone or fax. In addition, we are moving ahead with various initiatives to lower costs and streamline operations while gaining the understanding of customers.

## Overseas Sales Business

### Review of Fiscal 2020

The Starzen Group is able to export meats to 30 countries and regions through its own plants and outside partners.

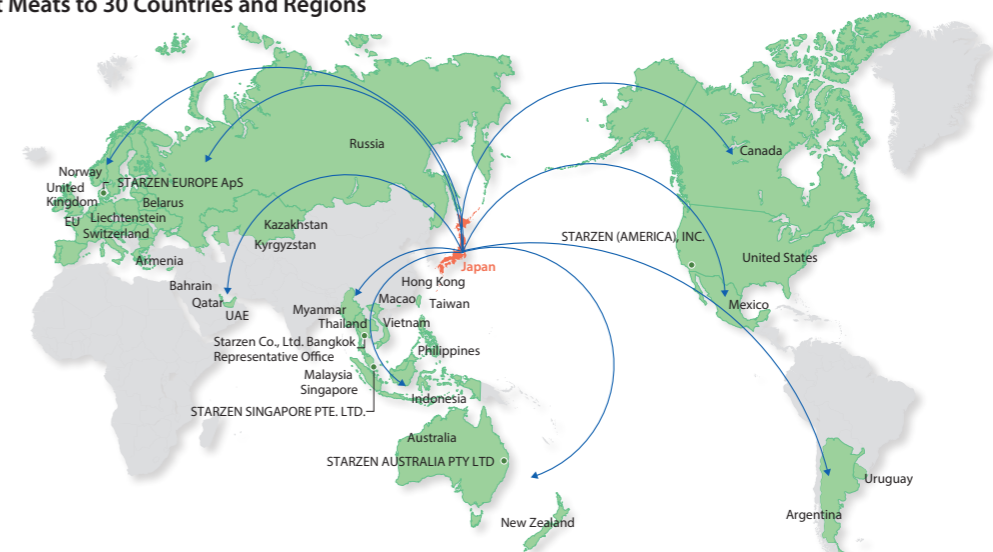
In fiscal 2020, exports grew by 30% year on year amid the downturn in restaurant demand worldwide caused by the COVID-19 pandemic. Japanese meat is considered a premium item and while the main sales route was restaurants overseas, e-commerce and retail have become new sales channels to capture consumer demand of wanting to eat high-quality meat at home since restaurants are closed. In a region with large numbers of tourists visiting Japan, such as Thailand, Singapore and Taiwan, more consumers want to eat authentic Wagyu beef from Japan because they have been unable to travel. Another positive factor is that more and more Japanese retailers are making inroads in overseas markets. This has made it easier to establish sales channels for Japanese meats.

### Future Outlook

Meat exports will likely continue to see ample room for growth. Our target markets focus on the United States and China. In Asia, we are waiting for the ban on Japanese beef exports to China to be lifted. We have already sold Australian Wagyu beef to China, and once the export ban is lifted, we plan to effectively utilize sales routes cultivated through trilateral trade.

In Europe and North America, we will propose new ways of eating beef outside of steak and spur greater demand for eating at home. Given that Wagyu beef requires different cutting techniques that other beef produced in overseas markets, we are exploring ways to export Wagyu beef in the final selling format using vacuum packaging technology. This will not only increase freshness and quality but also result in differentiation with specifications, leading to stable sales channels, and allow us to sell products unaffected by market prices.

## Able to Export Meats to 30 Countries and Regions



# Logistics

The Starzen Group's network is connected with our logistics networks spanning from upstream to downstream.



## Strengths

- Our own logistics functions spanning from upstream to downstream
- Fleet of around 500 company-owned sales vehicles
- Nationwide network of around 50 sales offices with refrigerated and freezer storage functions

## Assessment of Operating Environment and Challenges

- Soaring logistics expenses
- "2024 problem" facing logistics
- Lack of temporary collection/storage sites in major urban centers
- Response to sustainability and climate change

## Key Targets

- Streamline logistics linked with DX
- Site strategy based on a logistics point of view
- Reduce GHG emissions

## Overview of Logistics Division

The Starzen Group has established its own nationwide logistics network connecting its plants close to production areas, ports and production bases with customers' stores.

Starzen Logistics Co., Ltd., which engages in mainline logistics services connecting plants near production areas and ports along with production bases and sales offices, owns large refrigerated and freezer vehicles and warehouse facilities. The fixed-route deliveries adopted by each sales office connect them directly with customer distribution centers and stores. Our nationwide network of around 50 sales offices features refrigerated and freezer storage along with around 500 sales vehicles. As a result, sales offices also play a role as logistics hubs in their respective regions.

In April 2021, we established the Logistics Division in order to optimize the Group's logistics functions. The Logistics Division manages the Group's entire logistics functions and is implementing logistics reforms linked to the Zeus DX Project. These reforms are expected to have a number of positive effects, including boosting earnings and competitiveness as well as promoting work style reforms and reducing GHG emissions.

The Starzen Group's logistics functions helped to maintain a stable supply of products even during the COVID-19 pandemic, when there was a sudden and sharp increase in transport volume from stay-at-home consumption. Having storage functions at our sales offices has also resulted in responsiveness that enables us to deliver products to customers in a stable manner.

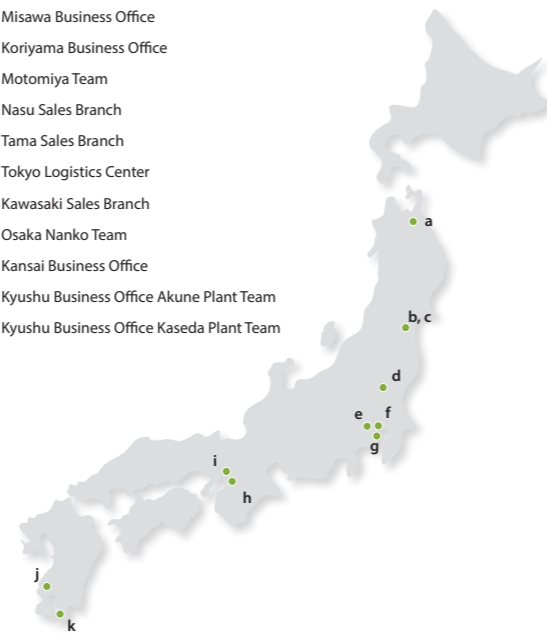
Nevertheless, we recognize that sustaining our current approach to logistics could eventually see a time when we no longer can transport cargo ourselves. As indicated by the "2024 problem" facing logistics in Japan, improving the working environment for logistics workers is an urgent task that we will need to balance with efforts to streamline logistics. To enhance earnings power while capitalizing on our in-house logistics as a strength, we will need to successfully roll out logistics reforms to control future increases in logistics expenses.



Refrigerated storage at a sales office

## List of Starzen Logistics Co., Ltd. Sites

- a Misawa Business Office
- b Koriyama Business Office
- c Motomiya Team
- d Nasu Sales Branch
- e Tama Sales Branch
- f Tokyo Logistics Center
- g Kawasaki Sales Branch
- h Osaka Nanko Team
- i Kansai Business Office
- j Kyushu Business Office Akune Plant Team
- k Kyushu Business Office Kaseda Plant Team



## Logistics Division's Challenges and Outlook

Logistics expenses continue to soar across Japan due to the worker shortage in the logistics industry and increases in transport and storage volumes. Starzen, too, has experienced an increase in logistics expenses in proportion to the increase in handling weight, but in recent years the rate of increase in logistics expenses exceeds the rate in handling weight.

## Main Future Initiatives

### Optimizing Logistics Routes Linked to the Zeus DX Project

The Starzen Group has an integrated supply chain that extends from livestock production to sales. Yet, we have faced operational challenges because of the lack of system integration across our supply chain.

To resolve these challenges, under the Zeus DX Project we are developing an IT system that integrates all of the Group's business divisions and business offices. This project is a long-term endeavor because of the expansive nature of our office and division networks, but the introduction of this new system is expected to greatly improve logistics efficiency.

### Optimized Site Strategy Based on Logistics

We plan to examine the new establishment or relocation of processing centers, production plants and sales offices, including their consolidation, with consideration given to logistics convenience more so than before, based on traffic volume and proximity to major customers.

In fiscal 2020, we closed the Ichikawa Logistics Center of Starzen Logistics Co., Ltd. By temporarily consolidating our logistics bases in the Greater Tokyo Area at the Tokyo Logistics Center, Kawasaki Sales Branch and Tama Sales Branch, and reducing movements between

the logistics bases, we were able to lower diesel fuel usage by 6% year on year.

### Exploring a Modal Shift

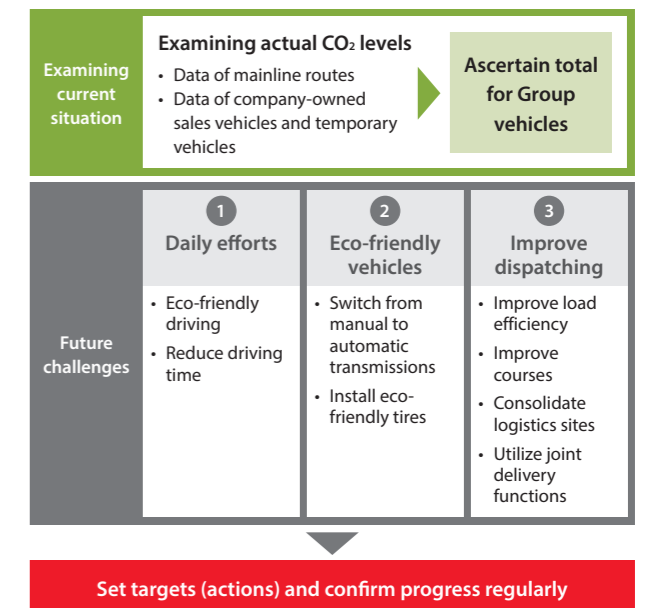
We are exploring a modal shift to railway and marine shipping as new routes in our mainline logistics. As these new routes will substitute for long haul truck transport, they will help to improve the working environment of drivers and curtail GHG emissions.

### Reviewing Joint Deliveries

One of our main initiatives for streamlining logistics is joint deliveries with other companies. Joint deliveries offer the benefits of improved load efficiency and reduced shipping fees. We are already conducting joint deliveries at some of our sales offices in the Tohoku region because of their close proximity to Prifoods Co., Ltd., an equity-method affiliate.

Although many food companies face logistics challenges, the temperature required for raw meats is under 4 degrees Celsius compared to under 10 degrees Celsius for other foods. Although operational challenges remain, we plan to actively expand joint deliveries while stepping up engagement with other companies, recognizing that these initiatives are necessary for the growth of the entire industry.

## Measures to Reduce GHG Emissions from the Logistics Business



# Quality Assurance System

The Starzen Group has put into place fundamental and stringent quality management practices and aims to further enhance quality and increase added value in order for customers to enjoy our delicious products with peace of mind.

## Starzen Group Quality Policy

### 1 Legal and regulatory compliance

The Starzen Group complies with all legal and regulatory requirements pertaining to food.

### 2 Groupwide quality assurance regime

The Starzen Group continuously upgrades its quality assurance regime on a coordinated Groupwide basis to ensure that its food products are safe and reliable.

### 3 Customer first

The Starzen Group earnestly listens to customer feedback and strives to provide complete, accurate information to customers.

## Safety and Quality Assurance System

The Starzen Group focuses first and foremost on making safe and secure products. With “customer first” as a constant motto, one of the Starzen Group’s most important missions is to deliver delicious products that customers can enjoy with peace of mind.

We have made improvements to our quality assurance system so that the Quality Assurance Division reporting directly to the President will be responsible for Groupwide quality assurance starting in fiscal 2021. The Quality Assurance Division regularly instructs quality control managers of each subsidiary and business site on making improvements to maintain a high degree of quality assurance within the Group.

The Quality Assurance Division will also be involved in the production business of upstream meat distribution in the future, which will enable us to pursue even greater quality and deliciousness.

## Quality Audits and Product Audits

### Quality Audits

The Starzen Group encourages all of its business offices to obtain SQF certification for HACCP. As of March 31, 2021, 56 business offices have been certified. These business offices regularly undergo third-party audits for SQF along with our own audits to ensure consistent levels of product safety and stable quality verified by both internal and external parties.

In June 2021, Japan’s revised Food Sanitation Act took full effect requiring HACCP implementation. The Starzen Group was able to comply with these changes smoothly because most of its business offices had already been SQF certified.

### Product Audits

Product audits stringently check whether a product’s specifications and label meet the legal and regulatory requirements pertaining to food.

In addition, we conduct audits of product suppliers and provide only products that meet our stringent quality control standards. We are also transitioning to new labels to ensure timely compliance with the requirement for labeling of food ingredient origin that takes effect in April 2022.

## Safety Measures

We monitor all processes from processing and production to distribution and sales to ensure compliance with relevant laws including the Food Sanitation Act and the Starzen Group’s proprietary safety standards. We also conduct periodic sampling inspections of raw materials and products to verify and maintain the standards.

In terms of food defense at our plants, we have put into place SQF-compliant access controls, restrictions on personal items on the production floor, and strict management of chemical storage rooms.

To ensure that unlabeled allergens do not mistakenly contaminate products, we thoroughly clean the production line at the time of any changeovers and conduct allergy inspections at all of our production plants.

## Traceability

As one of our initiatives for supplying trusted products in terms of safety, reliability and quality, we disseminate information on the production history of domestic beef and domestic pork. This information includes data provided by the National Livestock Breeding Center and data of consenting producers.

## Increasing Added Value

### Quality Guidance for Suppliers and Production Partners in Japan and Overseas

We have seen an increase in the number of products whose production we outsource to outside partners following the uptick in volume of highly processed products. We have developed manuals and provide guidance to share our know-how to ensure that the production processes of contract producers meet the same stringent quality standards of the Starzen Group.

## TOPICS Development of Uncured Ham and Bacon

Typically, the production of processed meats such as ham and bacon involves a process called salt curing, in which meat is cured in nitrite in order to improve the color and taste, control the growth of bacteria, and stabilize product quality. Our processed products also undergo salt curing.

Following customer requests for uncured products, we began developing products involving close collaboration between the

production sector and Quality Assurance Division. The most difficult aspect of uncured products is hygiene controls and extending expiration dates. Our production plants are now working to develop uncured products utilizing their stringent hygiene controls under their SQF-certified management systems.

### Industry-Academia Collaboration

Today, efforts to ensure food safety and reliability have become a fundamental tenet and second nature in the food industry.

To support our efforts to strengthen earnings power unaffected by market prices, we need to enhance functions based on scientific evidence. As such, we are working on industry-academia collaboration with the research labs of universities.

Our gas exchange packaging approved by the Ministry of Health, Labour and Welfare was jointly developed with Tokyo Kasei University. Gas exchange packaging is a technology that enables the extension of meat expiration dates.

### Quality Management Training

We provide various types of training on quality management to constantly improve Groupwide quality control standards. In 2020, we held online training and distributed training materials because in-person training was not possible due to the COVID-19 pandemic.

For plant quality control managers, training involved operation of internal audits, how to control allergens, cleaning methods, operations under SQF and HACCP, and explanation of quality control manuals. Based on our policy to expand processed foods, we are preparing video training materials on food labeling for sales representatives.

# Sustainability

Starzen engages in sustainability management with the aim of contributing to a sustainable society and a sustainable meat industry.

## Sustainability Management

### Sustainability Committee

In October 2020, Starzen established the Sustainability Committee. Chaired by the President & CEO, the committee is comprised of members including directors, executive officers, division general managers and outside experts. The committee meets three times per year, when it receives reports on sustainability from each sector and holds discussions. Currently, Sustainability Committee members are a focal point of discussions on the formulation of material issues linked to the Medium-Term Management Plan. These material issues will be announced in the second half of fiscal 2021 at the same time as our new Medium-Term Management Plan.


### Signatory to the UN Global Compact


The Starzen Group signed the UN Global Compact, a worldwide initiative advocated by the UN, in January 2021. The UN Global Compact is a voluntary initiative where companies and organizations participate in the creation of a worldwide framework for achieving sustainable growth as good corporate citizens through their own responsible and creative leadership. The UN Global Compact was advocated by former UN Secretary-General Kofi Annan at the World Economic Forum held in 1999. It was officially established at the UN headquarters in New York in July 2000.

### Establishment of the Fundamental Policy on the Environment, Fundamental Policy on Human Rights, and Fundamental Policy on Industrial Safety and Health, and Environmental Reporting

Starzen supports the 10 principles of the UN Global Compact covering the four areas of human rights, labor, environment and anti-corruption, and engages in corporate activities following these principles. In May 2021, Starzen established its own the Fundamental Policy on the Environment, Fundamental Policy on Human Rights, and Fundamental Policy on Industrial Safety and Health.

We also publish data on our corporate website about energy usage and workforce.

 Energy Usage  
[https://www.starzen.co.jp/sustainability/amount\\_used.html](https://www.starzen.co.jp/sustainability/amount_used.html)

 Workforce  
<https://www.starzen.co.jp/sustainability/sociality.html>

### Raising Awareness among Employees

Starzen believes that sustainability should be linked to corporate management and implemented proactively by raising awareness among each and every employee. As part of these efforts, we regularly disseminate the Sustainability Report through our corporate portal. We encourage all of our people, as consumers, to be mindful of sustainability during the course of their actions.

#### Fundamental Policy on the Environment

- 1 Environmentally friendly products and services
- 2 Improve our environmental performance
- 3 Continuous improvement of the environmental management system
- 4 Compliance with relevant laws and regulations
- 5 Cooperation with local communities

#### Fundamental Policy on Human Rights

- 1 Respect for human rights
- 2 Compliance with relevant laws and regulations
- 3 Scope of application
- 4 Freedom of association and right to collective bargaining
- 5 Prohibition of forced or child labor
- 6 Healthy and rewarding workplaces
- 7 Respect for diversity

#### Fundamental Policy on Industrial Safety and Health

- 1 Management system for safety and health
- 2 Compliance with relevant laws and regulations
- 3 Education for safety awareness
- 4 Continuous improvement of the work environment
- 5 Health and wellbeing

## Examples of the Starzen Group's Sustainability Initiatives

### 1 Initiatives at Plants

Starzen has a large number of plant facilities, each of which are implementing sustainability initiatives suited to their own operations.

In 2020, the Akune Plant and Kaseda Plant of STARZEN MEAT PROCESSOR Co., Ltd. installed solar panels. The company's Aomori Plant Misawa Pork Center introduced a new freezer automated control system from the end of May 2021 in an effort to lower CO<sub>2</sub> emissions. The company has also decided to install solar panels at its Akune Plant Processed Food Production Center.

The Chiba Plant of the McDonald's Division has reviewed the packaging materials it uses for products. It is now examining whether it can upcycle packaging raw materials. Additionally, the Chiba Plant is working continuously to increase the efficiency of raw materials delivery aimed at streamlining

logistics. As a result, in fiscal 2020, the plant was able to further increase efficiency by 2% year over year.



Solar panels at the Akune Plant of STARZEN MEAT PROCESSOR Co., Ltd.



### 2 Contract Production of Zero Meat for Otsuka Foods Co., Ltd.

Since 2019, we have been producing Zero Meat hamburger steak, along with ham and sausage types, for Otsuka Foods Co., Ltd. Zero Meat is a plant-based food with similar texture and taste as meat. We anticipate that the plant-based meats market will continue to grow going forward because of the shortage of animal protein amid rising worldwide demand for meats, diversification of lifestyles, and rising environmental consciousness.

Demand for plant-based meats in Japan has increased substantially as more and more restaurants adopted these products from 2020 to 2021 amid the growing health and environmental awareness of consumers. The number of customers in the retail industry adopting plant-based meats is

also on the rise.

We will work with Otsuka Foods Co., Ltd. to jointly develop new products other than hamburger steak and ham and sausage types to capture further growth in the market.



### 3 Initiatives to Reduce GHG Emissions of Sales Vehicles

We are promoting initiatives to reduce greenhouse gas emissions together with logistics reforms aimed at cost savings. The pursuit of logistics efficiencies also contributes to improved work environments and reduced use of diesel fuel. We will continue to reduce our GHG emissions by training drivers to

drive in an eco-friendly manner as recommended by the Ministry of the Environment, introducing eco-friendly tires, switching from manual to automatic transmission vehicles, improving logistics efficiency, and promoting a modal shift.

▶ For details, see page 24.



## Sustainability

### 4 Initiatives to Reduce Food Loss and Waste

The Starzen Group is working on extending meat's shelf life, capitalizing on its processing and production facilities' high hygiene standards as a strength. Vacuum seal packaging of meat with special film maintains freshness and extends shelf life by slowing degradation due to oxygen and ameliorating drip (moisture occurring from products during storage). We have also introduced packaging that reduces plastic waste by shifting plastic trays to paper trays laminated with barrier film. Our vacuum seal packaging for raw meat products received the Japan Federation of Printing Industries Chairman's Award at the 60th Japan Packaging Contest 2021.

In addition, our gas exchange packaging co-developed with Tokyo Kasei University and approved by the Ministry of Health, Labour and Welfare is a technology that helps to extend shelf life and control food deterioration by exchanging the air inside food

packaging with an inert gas such as CO<sub>2</sub> or nitrogen. Going forward, we will strive to spread and expand these packaging technologies to reduce food loss and waste.



Vacuum seal packaged product using a paper tray laminated with barrier film (paper-based Green Flat by Toppan Inc.)



### 5 Initiatives for Eco-Friendly Hog Farming and Recycling-Oriented Agriculture

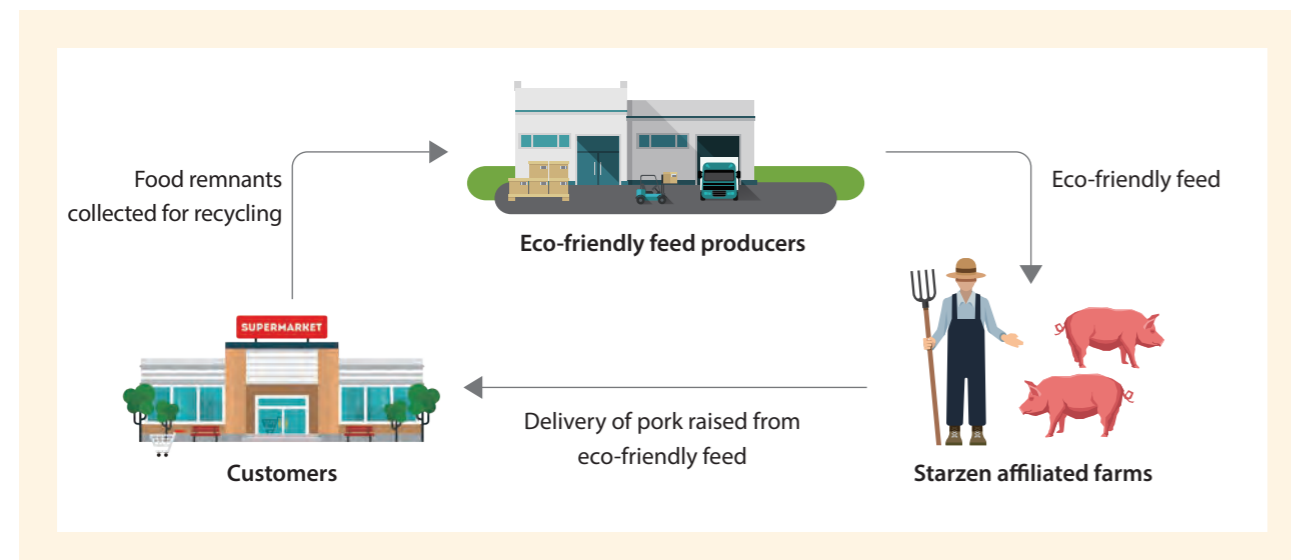
We recycle customers' food remnants into feed (eco-friendly feed) that we use to feed hogs at our affiliated farms. In turn, pork raised from this eco-friendly feed is sold to customers, forming a positive recycling loop.

In addition, as a production site initiative, we are engaged in recycling-oriented agriculture, such as reprocessing livestock

feces and urine from our farms into fertilizer for use in grassland or rice paddies, and feeding the harvested grass and rice to livestock. The use of this fertilizer helps eliminate or reduce the use of chemical fertilizers, and feeding Japanese-grown rice to livestock increases the country's food self-sufficiency rate.



#### Initiatives with Customers for Eco-Friendly Hog Farming



## HR Management

### Basic Policy

In April 2021, the Starzen Group established a new tenet of its Management Philosophy: "Become a company where our employees are happy to work."

We are developing workplace environments and systems to ensure that our people can continue working with us for many years with peace of mind. This is based on our recognition that enhancing the satisfaction of our employees, as our closest stakeholder, is essential for us to grow sustainably and to fulfill our social responsibilities to customers and other stakeholders.

### Developing Human Resources

#### Training Regime

Human resources are an important management resource for Starzen. We offer a host of training options for employees, including rank-specific training and select training for qualified employees, in order to support career aspirations through work and to foster human resources trusted by customers and business partners.

Rank-based training includes new employee orientation, on-the-job training, third-year training, fifth-year training, and new manager training. These training programs aim to promote understanding of the roles expected of each rank and to foster the mindset of working while maintaining one's own point of view.

Select training for qualified employees is based on position and responsibility, and includes training of next-generation managers as future executive candidates with an international eye and business leader training. These training programs seek to foster human resources with the management skills and business execution skills needed for corporate management.

In fiscal 2021, we introduced online training to replace in-person group training. After the end of the COVID-19 pandemic,

we will use a mix of in-person and online training to administer programs in accordance with our HR development strategy so that employees understand their roles and contribute with their individual skill sets.

#### Cultivation of Expertise

In addition to training, we support employees in their acquisition of various professional accreditations.

▶ <b>Oniku Kentei meat exams</b> (cumulative totals for first through eighth annual exams)			
Successful level-1 examinees:	<b>1,390</b>	Successful level-2 examinees:	<b>235</b>
▶ <b>Level-1 beef/pork portioning Meister Certification exams</b> (As of May 31, 2021)			
Certified beef butchers:	<b>20</b>	Certified pork butchers:	<b>40</b>
▶ <b>Ham, sausage and bacon production skill certification exams</b> (As of July 31, 2021)			
Level-1:	<b>19</b>	Level-2:	<b>25</b>
▶ <b>Ready-made meal certifications (As of June 30, 2021)</b>			
Ready-made Meal Master:	<b>7</b>	Ready-made Meal Senior:	<b>2</b>
		Ready-made Meal Junior:	<b>25</b>
▶ <b>Food labeling exam (As of July 31, 2021)</b>			
Advanced:	<b>2</b>	Intermediate:	<b>36</b>
		Introductory:	<b>34</b>

### Promotion of Workforce Dynamism

#### HR Regime Balancing Job Satisfaction and Employee-Friendly Working Environment

In April 2020, we introduced a career-track based HR regime. Employees can select the career track that best suits their own career aspirations or lifestyle, such as the area-specific general career track.

From April 2021, we revamped our personnel evaluation regime to further motivate employees using fastidious target management and to increase transparency. We also made changes to our reemployment regime after mandatory retirement, with the pay system given more balance based on the reemployed person's position and skills. Reemployed persons are allowed to create their own work schedule and can work a second job, providing flexible working styles based on a person's life plan after retirement. This aims to increase motivation and job satisfaction.

#### Health and Productivity Management

Starzen is working to become a company with excellent organizational health practices to improve employees' health and increase their productivity. In September 2020, we received "Silver" certification as an Excellent Enterprise of Health and

Productivity Management.

Our health exam and stress check uptake rates are close to 100% and we are stepping up support through specified health guidance, in addition to comprehensive health exams and secondary follow-up exams.

We also actively support in-house team and club activities for building health through sports and communication.

#### Promotion of Career Opportunities for Women

The Company offers various accommodations to help female employees to continue working and/or build a career even after becoming a parent. In addition to paid maternity leave and child sick leave legally required to be provided, many such accommodations go beyond minimum legal requirements, including shortened work schedules for parents of children who have yet to enter fourth grade of elementary school. Over the past three years, close to 100% of the Company's employees who took childcare leave returned to work.

Also, we have established a target for female manager representation to be at 5% by the end of fiscal 2021. Toward this end, we are working to foster human resources ahead of this expansion in management positions.



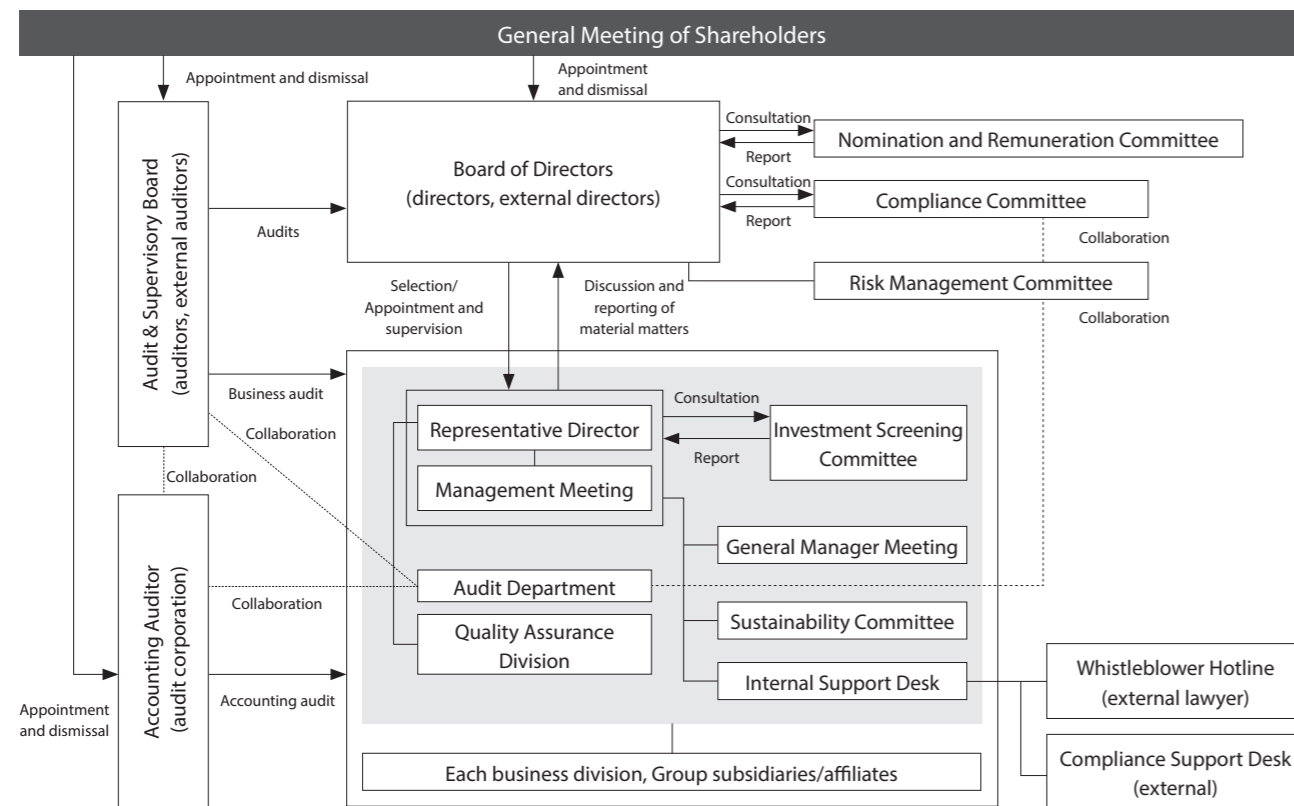
# Corporate Governance

## Basic Policy

The Starzen Group has embraced a management vision of “Becoming a global company that delivers everyday happiness through our food value chain” in order to enhance corporate value over the medium to long term. To realize this vision, it has adopted a management philosophy with three tenets: “Be a company with which customers feel fortunate to do business,” “Become a company where our employees are happy to work” and “Grow through our work.” The Company will strengthen its corporate governance in full accord with the principles of Japan’s Corporate Governance Code. By doing so, it aims to strike a proper balance between management oversight and business execution and make decisions transparently, fairly, swiftly and decisively.

Additionally, the Company has instituted a Code of Conduct and Corporate Behavior Guidelines, along with Compliance Regulations, Fundamental Policy on the Environment, Fundamental Policy on Human Rights, and Fundamental Policy on Industrial Safety and Health, and endeavors to enforce strict compliance to ensure that its corporate activities are conducted transparently, fairly and, most importantly, ethically.

## Corporate Governance Structure (As of July 31, 2021)



Organizational structure	Company with Audit and Supervisory Board
Number of directors	15
Number of external directors	5
Directors' term of office under Articles of Incorporation	1 year
Number of Audit & Supervisory Board members	4
Number of external Audit & Supervisory Board members	3
Accounting auditor	Ernst & Young ShinNihon LLC

## Explanation of Structure and Instructional Design

### Board of Directors and Directors

#### Role of the Board of Directors

The Board of Directors formulates business strategies and plans and is also responsible for important management decision-making and the supervision of business execution as required by laws and regulations, the Articles of Incorporation, and Company rules. Aside from these tasks, in an effort to enhance the speed of decision-making related to business execution, the Board of Directors has delegated authority over all other matters pertaining to business execution to the executive officers in charge of each business division.

#### Overall composition

The Board of Directors comprises a maximum of 20 directors, in accord with the Articles of Incorporation. Directors are required to possess a wide range of knowledge, experience and skills, and they are appointed from among candidates capable of performing the duties required of directors. The Company appoints multiple external directors (at least two of whom must meet Independence Criteria for Independent External Directors) and selects independent external directors to comply with the provisions of Japan’s Corporate Governance Code.

#### Role of external directors

External directors (including independent external directors) participate in important decision-making at the Board of Directors and monitor the decision-making process. They also offer advice based on their own experience and insight regarding reports on management progress at Board meetings.

From an independent standpoint, the independent external directors ensure that there are no conflicts of interest between the Company’s management and its shareholders. At the same time, they monitor the Company’s management from the perspective of general shareholders to protect the rights of these shareholders and ensure that profits are shared with them.

#### Appointment and dismissal

- The Company appoints persons to the position of director who possess knowledge and experience that enable them to engage in management in an appropriate, fair and efficient manner, in addition to possessing a sufficient amount of social trust. In regard to candidates for external directors, as a general rule, the Company appoints persons who fulfill the following requirements to ensure that the Board of Directors can sufficiently leverage its supervisory functions.
  - Persons who have a high level of expertise and an abundance of experience in areas such as corporate management, risk management, internal controls (including adherence to laws), corporate ethics, management quality and macroeconomics
- For executive officerships, the Board of Directors appoints individuals highly knowledgeable about the Company’s operations and capable of fulfilling the position’s duties. The number of executive officerships is determined as appropriate based on the most effective and efficient use of business execution functions following the decision-making of the Board of Directors. The term of office of executive officerships runs

from April 1 to March 31 the following year per the provisions in the Company’s regulations.

- The Board of Directors approves of director candidate appointments based on the report of the Nomination and Remuneration Committee and discloses the rationale behind them. The Board of Directors approves of executive officership appointments similarly based on the report of the Nomination and Remuneration Committee.
- If, during a director’s term of office, the Board of Directors deems the director to be insufficiently qualified in terms of executive capabilities or societal credibility or in any other respect, the Board shall refer the matter to the Nomination and Remuneration Committee and may pass a resolution to dismiss the director pending shareholder approval at a General Meeting of Shareholders.

#### Term of office

As specified under the Articles of Incorporation, the term of office for directors shall be until the close of the General Meeting of Shareholders relating to the fiscal year ending within one year after election. As a general rule, the term of office for external directors shall not exceed eight years in consideration of ensuring independence.

### Audit & Supervisory Board and Audit & Supervisory Board Members

Assuming responsibility on behalf of the shareholders, the Audit & Supervisory Board functions as an organization independent from the Board of Directors. As such an organization, the Audit & Supervisory Board has the authority to request business reports from the Company or its subsidiaries according to law. In addition, the Audit & Supervisory Board has control over audits of business and financial performance and the appointment and dismissal of accounting auditors. The Company endeavors to provide sufficient staffing to ensure effective oversight by Audit & Supervisory Board members.

#### Overall composition

Audit & Supervisory Board members include individuals with appropriate expertise in finance and accounting. Members are limited by the Articles of Incorporation to a maximum of six, at least half of whom must be external members.

#### Appointment

- For inside Audit & Supervisory Board member candidates, the Company appoints persons who possess knowledge and experience that enable them to engage in auditing activities in an appropriate, fair and efficient manner, in addition to possessing a sufficient amount of social trust. For external Audit & Supervisory Board member candidates, as a general rule, the Company appoints persons who fulfill the following requirements to ensure that the Audit & Supervisory Board can sufficiently leverage its auditing functions.
  - Persons who have a high level of expertise and an abundance of experience in areas such as corporate management, risk management, internal controls (including adherence to laws), corporate ethics, management quality and macroeconomics

## Corporate Governance

**2** In regard to the appointment of Audit & Supervisory Board member candidates, the Board of Directors decides on appointment after receiving the consent of the Audit & Supervisory Board relating to the proposal for appointment at the General Meeting of Shareholders. The reasons for appointment are disclosed appropriately.

### Term of office

Audit & Supervisory Board members' term of office expires at the conclusion of the annual General Meeting of Shareholders for the last fiscal year ending within four years of the director's appointment per the provisions of the Articles of Incorporation. External Audit & Supervisory Board members are limited to serving a maximum of eight years in total from the standpoint of ensuring their independence.

### Advisors and Counselors

Leveraging their knowledge and experience, the Company's advisors and counselors offer advice from the standpoint of not being legally involved in the Company's management. This advice is only offered when solicited by the representative director. Additionally, advisors and counselors indirectly contribute to the Company's business performance in such ways as engaging in industrial and financial circle activities, local contribution activities, and activities to maintain relationships with business partners.

Advisors are strictly selected from individuals who have previously held a director position at the Company, while counselors are chosen from experts in various fields. The Board of Directors approves the appointment of advisors and counselors.

### Nomination and Remuneration Committee

Serving as an advisory body for the Board of Directors, the Nomination and Remuneration Committee deliberates and reports to the Board of Directors regarding the following matters.

- 1 The appointment and dismissal of directors and executive officers, and management succession plans
- 2 Remuneration systems for directors, executive officers, and advisors

The Nomination and Remuneration Committee is chaired by an independent committee member. As a general rule, the Nomination and Remuneration Committee is made up of a majority of independent members in order to ensure the independence of the committee itself.

### Training

The Company provides newly appointed directors and Audit & Supervisory Board members, including external ones, with opportunities to gain requisite basic knowledge of its operations, finances and organization and to fully understand the roles and duties they will be called upon to fulfill as directors or Audit & Supervisory Board members. During their term of office, the Company regularly conducts training sessions tailored to individual directors and Audit & Supervisory Board members with the aim of continually updating their knowledge and skills.

## Evaluation of Effectiveness

### Evaluation of the Effectiveness of the Board of Directors

Based on the Company's Basic Policy on Corporate Governance, the Company annually analyzes and evaluates the efficiency of Board of Directors' meetings and the effectiveness of Board decisions through self-checks and other methods in order to ensure effective decision-making by the Board. The method and results of these evaluations in the fiscal year ended March 31, 2021, are as follows.

#### Evaluation Method

The Company held a survey of directors and Audit & Supervisory Board members. Based on survey answers, the Company conducted an analysis and evaluation of the effectiveness of the Board of Directors. In addition, the Company identified issues to be addressed going forward.

Content of Survey Questions	
1 Composition of the Board of Directors	5 Relationship with shareholders and other investors
2 Operational status of the Board of Directors	6 Training
3 Support structure for external directors	7 Governance structure and overall effectiveness of the Board of Directors
4 Roles and expectations for Audit & Supervisory Board members	8 Other

#### Evaluation Result

The survey responses for fiscal 2020 included a call for improvement in the Board of Directors' and Audit & Supervisory Board's composition and, similar to fiscal 2019, positive feedback on improvements in how Board of Directors' meetings are run, including distribution of meeting materials in advance and pre-briefings of material matters to expedite meeting proceedings.

Other positive feedback pertained to coordination with external directors and an atmosphere conducive to free expression of opinions. Overall, the Board concluded that it remains effective.

From the standpoint of strengthening corporate governance, it will continuously pursue improvement in the Board of Directors' effectiveness, including by considering a venue for information exchanges beyond position and agenda items, resolving problems within domains of responsibility, and upgrading training to improve Board discussions and encouraging more input/proposals on needed improvements.

## Officer Remuneration

### (1) Policy and procedure

- 1 The Company has established the following items as its basic policy for determining remuneration for directors and executive officers.
  - Ensure the transparency, fairness and objectivity of officer remuneration
  - Design a remuneration scheme that incentivizes improvement in operating performance.

• When setting individual remuneration amounts, determine the appropriateness in light of remuneration levels at suitably comparable companies. Also take into account the Company's other officers' and employees' remuneration level.

- 2 The Nomination and Remuneration Committee reviews and reports to the Board of Directors on directors and executive officers' remuneration scheme and methods of setting their individual remuneration.
- 3 Remuneration of each director is determined by the Board of Directors within the total amount of remuneration approved in advance by the General Meeting of Shareholders. When approving remuneration, the Board of Directors emphasizes a decision-making process that is transparent, fair and objective, respecting the reports by the Nomination and Remuneration Committee. The remuneration amount of each executive officership is determined by resolution of the Board of Directors emphasizing a decision-making process that is transparent, fair and

objective, and that respects the reports by the Nomination and Remuneration Committee.

- (2) Remuneration for directors and executive officers  
Directors' (excluding external directors) and executive officers' remuneration consists of base remuneration, performance-based remuneration and restricted-stock remuneration, the last of which is intended to incentivize its recipients to pursue sustained growth in the Company's corporate value. Remuneration for external directors consists only of a fixed remuneration.
- (3) Remuneration for Audit & Supervisory Board members
  - 1 Remuneration for Audit & Supervisory Board members comprises only a fixed remuneration.
  - 2 Remuneration for individual Audit & Supervisory Board members is determined by the Board and kept within limits determined through a resolution of the General Meeting of Shareholders.

Officer classification	Total remuneration amount, etc. (Millions of yen)	Total amount by remuneration type, etc. (Millions of yen)			Number of officers for which remuneration is applicable
		Base remuneration	Performance-based remuneration	Stock remuneration	
Directors (excluding external directors)	245	131	103	10	10
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	14	14	—	—	1
External directors	35	35	—	—	7

Note: Two directors are not included above as they do not receive remuneration.

## Reason for Appointment of External Officers

Name	Independent officer	Significant concurrent positions	Reasons for appointment
Wataru Ohara	○	Chairman, Teikoku-Soko Co., Ltd.	Mr. Ohara has many years of experience as a senior executive of both a financial institution and non-financial company. He possesses extensive experience in and keen insight into all aspects of corporate management. The Company reappointed him as an external director and designated him as an independent officer to benefit from his oversight of the Starzen Group's decision-making processes and ability to offer appropriate advice from the standpoint of shareholders' common interests.
Kaku Yoshisato	—	General Manager of Livestock & Fisheries Project Division, Food Business Unit, Mitsui & Co., Ltd.	Mr. Yoshisato has served in a number of key positions at Mitsui & Co., Ltd. He possesses keen insight and an extensive network in the food industry. The Company reappointed him as an external director to benefit from his oversight of the Starzen Group's decision-making processes and ability to offer appropriate advice from the standpoint of shareholders' common interests.
Hideo Nakamura	○	—	Mr. Nakamura has served in a number of key positions at the Ministry of Agriculture, Forestry and Fisheries. He possesses keen insight and an extensive network in the food industry. The Company newly appointed him as an external director and designated him as an independent officer to benefit from his oversight of the Starzen Group's decision-making processes and ability to offer appropriate advice from the standpoint of shareholders' common interests.
Masanori Matsuishi	○	Professor, Head of School of Food Science and Technology, Nippon Veterinary and Life Science University Vice Chairman, Japan Society for Meat Science and Technology	Mr. Matsuishi possesses keen insight and extensive experience in meat science and has deep knowledge of the characteristics of meat preferences. The Company newly appointed him as an external director and designated him as an independent officer to benefit from his oversight of the Starzen Group's decision-making processes and ability to offer appropriate advice from the standpoint of shareholders' common interests.
Takashi Sekigawa	○	Audit & Supervisory Board Member (External), Kyodo Milk Industry Co., Ltd.	Mr. Sekigawa has served in a number of key positions in risk management and compliance at a financial institution and he possesses keen insight in internal control. The Company newly appointed him as an external director and designated him as an independent officer to benefit from his oversight of the Starzen Group's decision-making processes and ability to offer appropriate advice from the standpoint of shareholders' common interests.
Masashi Hirata	○	—	Mr. Hirata possesses a wealth of international experience and broad financial knowledge, having worked as an internal auditor at a financial institution's overseas subsidiary. The Company appointed him because he is suitably capable of performing duties as an external Audit & Supervisory Board member. In addition, the Company designated him as an independent officer because he has no conflicts of interest with general shareholders.
Shingo Ogoshi	○	Senior Partner of Ogoshi Accounting & Tax Corporation	Mr. Ogoshi is a CPA and certified tax accountant thoroughly versed in accounting and finance. The Company appointed him because he is suitably capable of performing duties as an external Audit & Supervisory Board member. In addition, the Company designated him as an independent officer because he has no conflicts of interest with general shareholders.
Mariko Eto	○	TMI Associates Partner/Attorney at Law Outside Audit & Supervisory Board Member, Otsuka Kagu, Ltd.	Ms. Eto possesses broad insight and experience as an attorney, mainly in corporate law. The Company appointed her because she is suitably capable of performing duties as an external Audit & Supervisory Board member based on her deep knowledge of risk management and labor law. In addition, the Company designated her as an independent officer because she has no conflicts of interest with general shareholders.

## Corporate Governance

### ● Strategic Shareholdings\*

#### Basic Policy

The Company holds shares in the companies of its customers and business partners (strategic shareholdings) in the event it deems that doing so will help improve the corporate value of the Starzen Group over the medium to long term. For example, strategic shareholdings can contribute to corporate value improvement in such ways as helping the Company establish stable, long-term relationships with customers and business partners or strengthen existing relationships through business collaboration.

#### Confirming the Status of Strategic Shareholdings

The Company assesses whether designated individual equity investments are owned for appropriate objectives and whether the benefits and risks of owning them are commensurate with its cost of capital. The Board of Directors reviews the assessment results and ascertains whether continued ownership is worthwhile.

#### Status of Strategic Shareholdings

(As of March 31, 2021)

Shares: 60

Total value recorded on the balance sheet: ¥5,325 million

\* Shares held for purposes other than investment

### ● Dialogue with Shareholders

To thoroughly secure shareholder rights and equality, the Company strives to establish an environment in which shareholders can exercise their rights appropriately. Furthermore, in order to realize sustainable growth and improve corporate value over the medium to long term, the Company has established a structure for holding constructive dialogue with shareholders in settings other than the General Meeting of Shareholders.

#### General Meeting of Shareholders

##### Basic policy

The Company recognizes that its General Meeting of Shareholders is its highest decision-making body and an important venue for constructive dialogue with shareholders. At General Meetings of Shareholders, it fosters an environment fully conducive to appropriately reflecting shareholders' intentions in its management, taking into account shareholders' attributes and other relevant factors.

##### Provision of information

The Company strives to send convocation notices to shareholders early to ensure that they have sufficient time to review proposals on the meeting's agenda. Before mailing convocation notices, the Company electronically publishes them on its website and elsewhere.

##### Policies on constructive dialogue with shareholders

The Company has formulated and implements the following policies to promote constructive dialogue with shareholders that is conducive to sustained growth of the Starzen Group and medium- to long-term appreciation of corporate value.

- 1 Directors selected by the Representative Directors strive to ensure that constructive dialogue takes place. Actual dialogue with shareholders is carried out by the said directors and other personnel chosen by said directors based on shareholders' wishes and main topics of interest.
- 2 The Investor Relations (IR) Department assists with such dialogue in coordination with Group companies' departments and makes arrangements to convey feedback to senior executives on shareholder opinions, interests and concerns that came to light in dialogue sessions. Additionally, the Company aims to expand dialogue with shareholders beyond General Meetings of Shareholders and one-on-one meetings. It proactively provides information to shareholders through various means, including its website, shareholder business reports and convocation notices.
- 3 To prevent external leaks of material nonpublic information (insider information), the Company stringently controls the information shared with shareholders in accord with the Starzen Group Regulations for Prevention of Insider Trading.

##### Main IR Activities during Fiscal 2020

Activities	Number of times held / issued
Earnings briefings	2
General Meeting of Shareholders	1
Annual Report (Integrated Report)	1
Business Reports	1

## Compliance

### Basic Policy

The Starzen Group has adopted a Management Vision and Management Philosophy as the foundation of all its activities. It has also issued a Code of Conduct and Corporate Behavior Guidelines to ensure that all its personnel act in accord with its vision and philosophy. It is committed to fostering impeccable ethics to gain the trust of customers, suppliers and shareholders.

### ● Compliance Committee

The Starzen Group established a Compliance Committee (originally named the "Ethics Committee") in April 2003 as an advisory body to the Board of Directors. It meets thrice annually with the aim of developing and promoting a culture of legal compliance within the Group and ensuring that corporate activities thoroughly comply with laws, regulations and societal norms.

The Compliance Committee is mostly made up of directors and executive officers and includes outside experts also. In addition to issuing company-wide compliance policies, it serves as a forum for senior management to learn about compliance management from expert recommendations on fulfillment of societal responsibilities.

### ● Aiming to Foster Compliance Consciousness and Create Workplaces with Open Lines of Communication

In addition to having a Compliance Committee, the Starzen Group practices compliance through various other initiatives.

- 1 The Starzen Group distributes to employees a Compliance Card that contains the basic principles on how Group personnel should conduct themselves. It also has established the Code of Conduct and Corporate Behavior Guidelines, which it makes known to employees.
- 2 The Starzen Group has set up a Compliance Support Desk (internal anonymous whistleblower system operated by an outside company) that is accessible to all personnel and their families to facilitate early detection of problems as one aspect of creating pleasant and healthy workplaces.
- 3 The Starzen Group provides employees with opportunities to learn the importance of compliance through compliance lectures during rank/job-specific training sessions and internal compliance reports.
- 4 The Starzen Group endeavors to promote mutual understanding and communication among employees through semi-annual Compliance Promotion Week events, including employee opinion surveys and one-on-one meetings.
- 5 The Starzen Group conducts compliance checks to avoid associating with antisocial forces and prevent improprieties.

## Risk Management

### Basic Policy

The Starzen Group is building a risk management regime that enables it to adeptly manage various risks facing its businesses and respond to manifested risks, mainly through risk management staff. Its Risk Management Committee confers on issues and measures related to risk management on a Group-wide basis in accord with Risk Management Regulations.

### ● Risk Management Committee

The Risk Management Committee confers on issues and measures related to risk management on a Group-wide basis in accord with Risk Management Regulations with the aim of adeptly managing various operational risks, enabling effective responses to risks that have manifested and minimizing the Starzen Group's losses.

### ● Information Security

The Starzen Group handles a diverse plethora of information in conjunction with its business activities. It is cognizant of, and has implemented thorough IT security measures against, risks such as information leakage, destruction, falsification and/or loss and long-term information inaccessibility due to unexpectedly severe natural disasters, prolonged power outages, malware or unauthorized access.

The Starzen Group regularly conducts IT security training sessions and educational activities for officers and employees. It has established Information System/Security Regulations and deploys appropriate security measures to safeguard, and prevent leaks of, personal information (particularly customer information) and confidential information.

# Directors and Audit & Supervisory Board Members (As of June 29, 2021)

## Directors



**Kazuhiko Yokota**

Representative Director, President & CEO

Apr. 1986 Joined Zenchiku Co., Ltd. (currently Starzen Co., Ltd.)  
 Feb. 2006 General Manager of Mass Retailer Business Department, Starzen Co., Ltd.  
 Oct. 2010 President & CEO, Starzen Broad Area Sales Co., Ltd.  
 Apr. 2013 Executive Officer, Starzen Co., Ltd.  
 Apr. 2015 Managing Executive Officer, Starzen Co., Ltd.  
 Jun. 2016 Director, Starzen Co., Ltd.  
 Apr. 2017 President & CEO, Starzen Sales Co., Ltd.  
 Apr. 2018 Managing Director, Starzen Co., Ltd.  
 Apr. 2019 Managing Director, General Manager of Sales Division  
 Apr. 2020 Senior Managing Director, General Manager of Sales Division  
 Apr. 2021 Representative Director, President & CEO (current position)



**Tsuyoshi Nakatsuhama**

Chairman & Director

Apr. 1972 Joined Zenchiku Co., Ltd. (currently Starzen Co., Ltd.)  
 Mar. 2000 Executive Officer, General Manager of Sales Division  
 Apr. 2002 President & CEO, Zenchiku Sales Co., Ltd.  
 Jun. 2004 Director, General Manager of Sales Division, Starzen Co., Ltd.  
 Oct. 2008 President & CEO, Starzen Meat Group Co., Ltd. (currently STARZEN MEAT PROCESSOR Co., Ltd.)  
 Apr. 2010 President & CEO, LOHMEYER CORPORATION  
 Jun. 2011 Senior Managing Director, Starzen Co., Ltd.  
 Apr. 2012 Representative Director, President & CEO  
 Apr. 2018 Representative Director, Chairman, President & CEO  
 Apr. 2021 Chairman & Director (current position)



**Akira Nagano**

Vice Chairman & Director

Apr. 1978 Joined Zenchiku Co., Ltd. (currently Starzen Co., Ltd.)  
 Apr. 1996 General Manager of 1st Department, Zenchiku Sales Co., Ltd.  
 Mar. 1999 General Manager of Business Development Department, Zenchiku Co., Ltd.  
 Apr. 2003 Managing Director, LOHMEYER CORPORATION  
 Apr. 2006 Executive Officer, General Manager of General Affairs Division, Starzen Co., Ltd.  
 Apr. 2009 Executive Officer, General Manager of Planning and Administrative Division  
 Jun. 2011 Managing Director, General Manager of Planning and Administrative Division  
 Apr. 2016 Senior Managing Director  
 Jun. 2017 Representative Senior Managing Director  
 Apr. 2018 Representative Director, Executive Vice President  
 Apr. 2021 Vice Chairman & Director (current position)



**Takeo Wakamatsu**

Director  
 Deputy General Manager of Overseas Division

Apr. 1991 Joined Zenchiku Co., Ltd. (currently Starzen Co., Ltd.)  
 Apr. 2006 General Manager of Kansai Imported Meat Department  
 Apr. 2009 General Manager of Imported Broiler Department, Starzen International Co., Ltd.  
 Apr. 2011 Director, General Manager of Imported Broiler Department and Imported Pork Department, Starzen International Co., Ltd.  
 Oct. 2013 Managing Director, General Manager of Imported Pork Department, Starzen International Co., Ltd.  
 Feb. 2015 Director and President of STARZEN (AMERICA), INC.  
 Apr. 2018 Executive Officer, Starzen Co., Ltd.  
 Senior Managing Director, Starzen International Co., Ltd.  
 Oct. 2018 Senior Managing Director, General Manager of Imported Processed Food Department, Starzen International Co., Ltd.  
 Apr. 2019 Executive Officer, Deputy General Manager of Overseas Division, Starzen Co., Ltd.  
 Jun. 2021 Director, Deputy General Manager of Overseas Division (current position)



**Wataru Ohara**

Director (External)

Apr. 1975 Joined The Mitsui Bank Limited (currently Sumitomo Mitsui Banking Corporation)  
 Apr. 2007 Managing Executive Officer, Sumitomo Mitsui Banking Corporation  
 Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.  
 Apr. 2008 Director, Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation  
 Apr. 2009 Representative Director and Deputy President, Sumitomo Mitsui Banking Corporation  
 Jun. 2010 Representative Director, Deputy President, Sumitomo Mitsui Banking Corporation, Inc.  
 Jun. 2011 Advisor, Sumitomo Mitsui Banking Corporation  
 Jun. 2012 Director, Teisho Co., Ltd. (currently Teikoku-Soko Co., Ltd.)  
 Apr. 2013 President, Director, Teisho Co., Ltd.  
 Jun. 2017 Director (External), Starzen Co., Ltd. (current position)  
 Jun. 2020 Chairman, Teikoku-Soko Co., Ltd. (current position)



**Kaku Yoshisato**

Director (External)

Apr. 1991 Joined Mitsui & Co., Ltd.  
 May 2006 General Manager of Feed Grains Department, Feed & Livestock Division, Food & Retail Business Unit, Mitsui & Co., Ltd.  
 Jul. 2012 General Manager of Feed, Livestock & Aquaculture Department, Grains Division, Food Business Unit, Mitsui & Co., Ltd.  
 Jan. 2013 Assistant to CEO, Management Company Sodrugestvo Ltd.  
 Oct. 2014 Deputy General Manager of Grains Business Division 1, Food Business Unit, Mitsui & Co., Ltd.  
 Jul. 2017 Deputy General Manager of Oils & Fats, Staple Food Project Division, Food Business Unit, Mitsui & Co., Ltd.  
 Jan. 2018 President & CEO, Multigrain S.A.  
 Apr. 2019 General Manager of Oils & Fats, Staple Food Project Division, Food Business Unit, Mitsui & Co., Ltd.  
 Jun. 2020 Director (External), Starzen Co., Ltd. (current position)  
 Apr. 2021 General Manager, Livestock & Fisheries Project Division, Food Business Unit, Mitsui & Co., Ltd. (current position)



**Yasuaki Irie**

Managing Director  
 Chief Compliance Officer

Apr. 1984 Joined Mitsui & Co., Ltd.  
 Sept. 2008 Senior Vice President, Multigrain S.A. (Brazil)  
 Oct. 2010 General Manager of Kyushu Food Division, Mitsui & Co., Ltd.  
 Jun. 2014 President & CEO, Starzen International Co., Ltd.  
 Apr. 2015 Executive Officer, Starzen Co., Ltd.  
 Jul. 2015 Director, Starzen Co., Ltd.  
 Jun. 2018 President & CEO, STARZEN MEAT PROCESSOR Co., Ltd.  
 Apr. 2020 Managing Director, General Manager of Sales Planning Division, Starzen Co., Ltd.  
 Apr. 2021 Managing Director, Chief Compliance Officer (current position)



**Masao Uzurahashi**

Managing Director  
 General Manager of Overseas Division

Sept. 2008 Joined Starzen Co., Ltd.  
 Oct. 2011 President & CEO, STARZEN EUROPE ApS (Denmark)  
 Jan. 2014 General Manager of Broad Area Sales Department, Starzen Broad Area Sales Co., Ltd.  
 Apr. 2014 Director, General Manager of Broad Area Sales Department, Starzen Broad Area Sales Co., Ltd.  
 Apr. 2015 Managing Director, Starzen International Co., Ltd.  
 Apr. 2016 Executive Officer, Starzen Co., Ltd.  
 Executive Vice President, Starzen International Co., Ltd.  
 Jun. 2017 Director, Starzen Co., Ltd.  
 Apr. 2018 President & CEO, Starzen International Co., Ltd.  
 Apr. 2019 Director, General Manager of Overseas Division, Starzen Co., Ltd.  
 Apr. 2021 Managing Director, General Manager of Overseas Division (current position)



**Motoyasu Hasebe**

Director  
 General Manager of McDonald's Division

Apr. 1988 Joined Mitsui & Co., Ltd.  
 Apr. 2009 President & CEO, Mitsui & Co. HRD Institute  
 May 2014 Director, Senior Executive Officer, TOHO BUSSAN KAISHA, LTD.  
 Sept. 2015 Executive Vice President, Starzen International Co., Ltd.  
 Apr. 2016 Executive Officer, Starzen Co., Ltd.  
 President & CEO, Starzen International Co., Ltd.  
 Apr. 2017 Senior Executive Officer, Starzen Co., Ltd.  
 Apr. 2018 Operating Officer of Food & Retail Management Business Unit, Mitsui & Co., Ltd.  
 Jun. 2018 Director (External), Starzen Co., Ltd.  
 Apr. 2019 Director, General Manager of Production Division  
 Apr. 2020 Director, General Manager of McDonald's Division (current position)



**Hideo Nakamura**

Director (External)

Apr. 1981 Joined Ministry of Agriculture, Forestry and Fisheries  
 Apr. 1992 Director of the Agriculture Planning and Administration Division, Agriculture and Fisheries Policy Planning Department, Miyazaki Prefectural Government  
 Jul. 1999 Director of the Regional Policy Division, Minister's Secretariat, Ministry of Home Affairs (currently, Ministry of Internal Affairs and Communications)  
 Jul. 2002 Director of the Planning Division, Planning and Distribution Department, Food Agency (currently, Ministry of Agriculture, Forestry and Fisheries)  
 Jul. 2003 Director of the Food Policy Planning Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries  
 Jul. 2004 Director of the Land Use Planning and Control Division, Land and Water Bureau, Ministry of Land, Infrastructure and Transport  
 Aug. 2006 Director of the Information Division, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries  
 Jul. 2009 Research Councillor, Agriculture, Forestry and Fisheries Research Council's Secretariat, Ministry of Agriculture, Forestry and Fisheries  
 Apr. 2010 Deputy Director-General, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries  
 Oct. 2013 Director-General, Kinki Regional Agricultural Administration Office, Ministry of Agriculture, Forestry and Fisheries  
 May 2014 Senior Analyst, Food Management Support Corporation  
 Jun. 2021 Director (External), Starzen Co., Ltd. (current position)



**Masanori Matsuishi**

Director (External)

Apr. 1986 Research Associate, Nippon Veterinary and Zootechnical College (currently, Nippon Veterinary and Life Science University)  
 Apr. 1992 Assistant Professor, Nippon Veterinary and Animal Science University (currently, Nippon Veterinary and Life Science University)  
 Nov. 1992 Post-Doctoral Fellow, University of Arizona (United States)  
 Apr. 2002 Associate Professor, Nippon Veterinary and Animal Science University (currently, Nippon Veterinary and Life Science University)  
 Apr. 2008 Professor, Nippon Veterinary and Life Science University (current position)  
 Oct. 2014 Member, Agriculture, Forestry and Fisheries Research Council Evaluation Working Group  
 Apr. 2015 Vice Chairman, Japan Society for Meat Research (currently, Japan Society for Meat Science and Technology) (current position)  
 Apr. 2018 Head of Educational Affairs, Nippon Veterinary and Life Science University  
 Apr. 2021 Head of School of Food Science and Technology, Nippon Veterinary and Life Science University (current position)  
 Jun. 2021 Director (External), Starzen Co., Ltd. (current position)



**Takashi Sekigawa**

Director (External)

Apr. 1984 Joined The Norinchukin Bank  
 Jul. 1997 Assistant General Manager of International Finance Division, The Norinchukin Bank  
 Mar. 2002 Documents Section Chief of General Affairs Division, The Norinchukin Bank  
 Jul. 2004 General Manager of Matsue Branch, The Norinchukin Bank  
 Jul. 2006 Deputy General Manager of Compliance Division, The Norinchukin Bank  
 Jun. 2008 General Manager of Business Administration Department, Financial Planning & Control Division, The Norinchukin Bank  
 Jun. 2009 General Manager of Stock Investment Division, The Norinchukin Bank  
 Jun. 2010 General Manager of Risk Monitoring Division, The Norinchukin Bank  
 Jun. 2012 General Manager of Compliance Division, The Norinchukin Bank  
 Apr. 2014 Special Financial Inspector, Financial Services Agency  
 Jun. 2021 Audit & Supervisory Board Member (External), Kyodo Milk Industry Co., Ltd. (current position)  
 Jun. 2021 Director (External), Starzen Co., Ltd. (current position)



**Masamichi Takahashi**

Director  
 President & CEO, STARZEN MEAT PROCESSOR Co., Ltd.

Apr. 1986 Joined Zenchiku Co., Ltd. (currently Starzen Co., Ltd.)  
 Apr. 2009 General Manager of Domestic Pork and Broiler Department, Starzen Meat Group Co., Ltd. (currently STARZEN MEAT PROCESSOR Co., Ltd.)  
 Apr. 2010 Director, General Manager of Domestic Pork and Broiler Department, Starzen Meat Group Co., Ltd.  
 Apr. 2014 Director, Plant Manager of Aomori Plant, STARZEN MEAT PROCESSOR Co., Ltd.  
 Apr. 2016 Managing Director, Plant Manager of Aomori Plant, STARZEN MEAT PROCESSOR Co., Ltd.  
 Apr. 2017 Executive Officer, Starzen Co., Ltd.  
 Apr. 2018 Senior Managing Director, STARZEN MEAT PROCESSOR Co., Ltd.  
 Jun. 2019 Director, Starzen Co., Ltd. (current position)  
 Apr. 2020 President & CEO, STARZEN MEAT PROCESSOR Co., Ltd. (current position)



**Ryoichi Takahama**

Director  
 General Manager of Logistics Division

Apr. 1988 Joined Zenchiku Co., Ltd. (currently Starzen Co., Ltd.)  
 Apr. 2009 Director, Sales Branch Manager of Kobe Sales Branch, Starzen Western Area Sales Co., Ltd.  
 Apr. 2011 Director, General Manager of Broad Area Sales Department, Starzen Broad Area Sales Co., Ltd.  
 Apr. 2013 Managing Director, Starzen Broad Area Sales Co., Ltd.  
 Apr. 2014 President & CEO, Starzen Broad Area Sales Co., Ltd.  
 Apr. 2016 Managing Director, General Manager of Chukyo and Kinki Area Division, Starzen Sales Co., Ltd.  
 Apr. 2018 Executive Officer, Starzen Co., Ltd.  
 Apr. 2019 Managing Director, General Manager of Sales Management Division, Starzen Sales Co., Ltd.  
 Jun. 2019 Director, Deputy General Manager of Sales Division, Starzen Co., Ltd.  
 Apr. 2021 Director, General Manager of Logistics Division (current position)



**Ryuso Sadanobu**

Director  
 General Manager of Finance Division

Apr. 1981 Joined The Mitsui Bank Limited (currently Sumitomo Mitsui Banking Corporation)  
 Apr. 1995 Credit Officer, Global Credit Department, Sakura Bank (currently Sumitomo Mitsui Banking Corporation)  
 Dec. 2006 Senior Vice President, Head Office, Sumitomo Mitsui Banking Corporation  
 Jun. 2008 Joined Starzen Co., Ltd.  
 Oct. 2008 General Manager of Credit and Legal Department  
 Jul. 2009 General Manager of Finance Department  
 Apr. 2013 Executive Officer, General Manager of Finance Department  
 Apr. 2015 Executive Officer, General Manager of Finance and Accounting Division  
 Feb. 2018 Executive Officer, General Manager of Finance Division  
 Apr. 2020 Senior Executive Officer, General Manager of Finance Division  
 Jun. 2021 Director, General Manager of Finance Division (current position)

## Directors and Audit & Supervisory Board Members (As of June 29, 2021)

### Audit & Supervisory Board Members



**Kouhei Kanno**

Full-time Audit & Supervisory Board Member

Apr. 1980 Joined the Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)

Jan. 2002 Deputy General Manager of Treasury Department, UFJ Bank Ltd. (currently MUFG Bank, Ltd.)

Jan. 2006 Senior Examiner, Audit Department, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)

Jul. 2010 General Manager of General Affairs Department, Tokyo Bubuniku Meat Center Co., Ltd. (currently Starzen Logistics Co., Ltd.)

Oct. 2014 General Manager of General Affairs Department, Starzen Co., Ltd.

Apr. 2016 General Manager of Planning and Administrative Division

Oct. 2017 General Manager of Secretary Department

Apr. 2020 General Manager, Assistant to CEO

Jun. 2020 Full-time Audit & Supervisory Board Member (current position)



**Masashi Hirata**

Full-time Audit & Supervisory Board Member (External)

Apr. 1987 Joined the Taiyo Kobe Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)

Apr. 2001 First Vice President, Singapore Branch, Sumitomo Mitsui Banking Corporation

Oct. 2003 Credit Officer, Credit Department I, Corporate Banking Unit, Sumitomo Mitsui Banking Corporation

Apr. 2011 Joint General Manager of Planning Department, International Banking Unit, Sumitomo Mitsui Banking Corporation

Jun. 2012 Joint General Manager of Planning Department, Europe Division (Brussels), and President of Management Committee, Brussels Branch, Sumitomo Mitsui Banking Corporation

Aug. 2015 General Manager of Internal Audit Department (New York), Sumitomo Mitsui Banking Corporation

Jan. 2019 General Manager of Internal Audit Department (New York), Sumitomo Mitsui Banking Corporation, and Chief Audit Executive, SMBC Americas Holdings, Inc.

Apr. 2020 Counselor, Starzen Co., Ltd.

Jun. 2020 Audit & Supervisory Board Member (External), (current position)



**Shingo Ogoshi**

Audit & Supervisory Board Member (External)

Apr. 2005 Joined ChuoAoyama PwC

Jul. 2007 ShinNihon LLC (currently Ernst & Young ShinNihon LLC)

Jul. 2015 Ogoshi Nobuyoshi Accounting & Tax Corporation (currently Ogoshi Accounting & Tax Corporation)

Nov. 2015 Senior Partner of Ogoshi Accounting & Tax Corporation (current position)

Jun. 2016 Audit & Supervisory Board Member (External), Starzen Co., Ltd. (current position)



**Mariko Eto**

Audit & Supervisory Board Member (External)

Apr. 1994 Joined Mitsui & Co., Ltd.

Apr. 2002 Enrolled in Legal Training and Research Institute of Japan

Oct. 2003 Registered as attorney with Daini Tokyo Bar Association

Joined New Tokyo International Law Office (formerly Bingham Sakai Mimura Aizawa (Foreign Law Joint Enterprise))

Apr. 2015 Joined TMI Associates

Jan. 2017 Partner, TMI Associates (current position)

Mar. 2019 Outside Audit & Supervisory Board Member, Otsuka Kagu, Ltd. (current position)

Jun. 2020 Audit & Supervisory Board Member (External), Starzen Co., Ltd. (current position)

### Major Committees / Management Body Memberships (As of July 1, 2021)

Name	Main position(s)	Board of Directors' meeting attendance <sup>*1</sup> (Fiscal 2020)	Management Meeting	Compliance Committee	Risk Management Committee	Sustainability Committee	General Manager Meeting
Kazuhiko Yokota	Representative Director, President & CEO	12 of 12 meetings	○	○		○	○
Tsuyoshi Nakatsuhama	Chairman & Director	12 of 12 meetings		○			
Akira Nagano	Vice Chairman & Director	12 of 12 meetings		○			
Yasuaki Irie	Managing Director	12 of 12 meetings	○	○	○	○	○
Masao Uzurahashi	Managing Director	12 of 12 meetings	○	○		○	○
Motoyasu Hasebe	Director	12 of 12 meetings	○		○	○	○
Masamichi Takahashi	Director	12 of 12 meetings	○	○	○	○	○
Ryoichi Takahama	Director	12 of 12 meetings	○	○	○	○	○
Ryuso Sadanobu	Director	Appointed June 2021	○		○	○	○
Takeo Wakamatsu	Director	Appointed June 2021	○		○		
Wataru Ohara	Director (External) / Independent Officer	12 of 12 meetings					
Kaku Yoshisato	Director (External)	9 of 9 meetings <sup>*2</sup>					
Hideo Nakamura	Director (External) / Independent Officer	Appointed June 2021					
Masanori Matsuishi	Director (External) / Independent Officer	Appointed June 2021		○			
Takashi Sekigawa	Director (External) / Independent Officer	Appointed June 2021					
Kouhei Kanno	Full-time Audit & Supervisory Board Member	9 of 9 meetings <sup>*2</sup>	○	○	○		○
Masashi Hirata	Full-time Audit & Supervisory Board Member (External) / Independent Officer	9 of 9 meetings <sup>*2</sup>	○	○	○		○
Shingo Ogoshi	Audit & Supervisory Board Member (External) / Independent Officer	12 of 12 meetings					
Mariko Eto	Audit & Supervisory Board Member (External) / Independent Officer	9 of 9 meetings <sup>*2</sup>					

\*1. In addition to attendance at Board meetings in the table, there were two written resolutions deemed to have been resolved by the Board of Directors pursuant to Article 370 of the Companies Act and Article 26 of the Company's Articles of Incorporation.

\*2. Kaku Yoshisato, Kouhei Kanno, Masashi Hirata, and Mariko Eto were newly appointed and elected as director or Audit & Supervisory Board member at the General Meeting of Shareholders held on June 26, 2020. Therefore, their attendance at Board meetings is for meetings that took place after this date.

#### Other Committees

Investment Screening Committee: Advises the CEO and executive vice president on investment-related matters; composed of general managers of the Corporate Division, Finance Division, General Accounting Division and selected general managers of core operating divisions and/or presidents of subsidiaries/affiliates (the selectees differ from meeting to meeting depending on the matters on the committee's agenda).

## Messages from External Directors and External Audit & Supervisory Board Members



Director (External)  
**Wataru Ohara**

I believe that Starzen's Board of Directors is sufficiently effective based on the appropriate discussions taking place. In particular, in fiscal 2020, the Company carried out a number of initiatives with an eye toward enhancing corporate value over the long term, including introducing restricted-stock remuneration for directors and implementing the Zeus DX Project. In addition, I praise the Company for responding aptly to environmental changes, including positioning the Sustainable Development Goals (SDGs) as an important management task. I anticipate that agenda items with a difficult decision-making process will emerge in the future. This is why it will be important to strengthen governance while always thinking about whether the regimes in place can function under any situation.

The Investment Screening Committee established in April 2020 is also functioning effectively. As the Company focuses on the production and sale of processed foods and making inroads into overseas markets in the future, I believe it will need to examine investments and acquisitions as a means to this end. At such time, the Investment Screening Committee will play a vital role and I intend to closely monitor its actions.

I expect that President & CEO Yokota will address changes in stakeholder and shareholder expectations as well as changes in society while utilizing his extensive experience on the frontlines of sales. In particular, I am paying attention to the new component of the Company's management philosophy, "Become a company where our employees are happy to work." Under this, the Company will work to improve employee satisfaction, and workforce diversity and inclusion are key to improving employee satisfaction. Starzen's sense of solidarity among employees is one of its strengths. In some aspects, a unified corporate culture conflicts with diversity and inclusion and people's values. I believe the key point will be harmonizing the Company's strengths with a new corporate culture while steadily promoting the development of highly expert human resources and the promotion of women. Utilizing my four years of experience and knowledge as an external director, I will contribute to the long-term development of Starzen while fulfilling a role of supervising management appropriately.



Director (External)  
**Kaku Yoshisato**

As the impacts from COVID-19 become protracted, I can imagine that as a meat company the Starzen Group faced major challenges and disruptions. I respect that the Company managed to achieve record-high profits in fiscal 2020 after responding flexibly to changes in demand after implementing appropriate quality control and infection control measures as a food company.

Starzen's Board of Directors has implemented a number of measures to ensure its effectiveness. Whenever there is an important agenda item, the Company provides detailed pre-briefings to external directors and Audit & Supervisory Board members. I praise the Board of Directors for being transparent. In fiscal 2021, Starzen welcomed external directors from diverse backgrounds to the Board of Directors. During Board meetings, external directors and Audit & Supervisory Board members often start conversations, so I anticipate that discussions will become even more energized.

Changes in the external environment are becoming quicker and more drastic, and market fluctuations are growing. Amid this, in order to strengthen earnings power unaffected by market prices, Starzen will need to make higher-added-value products, including expanding branded meats and processed foods using differentiation through its own cuts and specifications to its advantage. Also, the newly established Logistics Division will also play a large role, I feel. As labor management of logistics workers is enhanced going forward, Starzen's ability to revamp its logistics and thoroughly achieve low-cost operations directly relates to the stabilization of earnings power. To achieve these measures, timely assessments and analysis will be important. The Zeus DX Project to develop system infrastructure will be vital to such efforts. At future Board meetings, I hope to confirm the target management and progress of logistics and the Zeus DX Project and enliven discussions toward actualization. As an external director, I will contribute to the Starzen Group's growth and enhanced corporate value over the medium to long term while actively participating in discussions at Board meetings.



Audit & Supervisory Board Member (External)  
**Shingo Ogoshi**

I praise Starzen for its responsiveness and sense of urgency during the COVID-19 pandemic. Starzen's strong earnings results for fiscal 2020 demonstrate that it was able to adapt to changes in the operating environment flexibly. In particular, the restaurant industry, one of the Company's main sales channels, still faces challenges, but the fact that Starzen was able to use its diverse sales channels to flexibly address needs from procurement to sales is proof of how deeply ingrained "total optimization through Team Starzen" is in the Company's culture.

Active discussions are taking place at Board meetings. The external environment is rapidly changing with the realignment of the Tokyo Stock Exchange and revisions to Japan's Corporate Governance Code. This has changed the Board's role and targeted governance level. Conventionally, the Board of Directors' main role was as a management Board responsible for decision-making. In the future, though, it appears this will transition to a monitoring Board specializing in oversight of management. Starzen, too, finds itself in this transition. Examining new governance structures and roles of the Board of Directors will become an important point of discussions going forward. The role of an Audit & Supervisory Board member is to oversee whether the Board is functioning properly. As the final monitors of governance, we will contribute to the sound operation of Starzen's Board of Directors and as an extension help to strengthen governance.

Various reforms are needed for the long-term growth of the entire meat industry. For example, in the domestic beef market, livestock producers are wanting to grow premium Wagyu beef cattle, but the retail industry and consumers want reasonably priced beef. Meat wholesalers between the two are facing challenges in bridging this gap. Operating environment changes in an area with COVID-19 will provide an opportunity to eliminate this mismatch in supply and demand. Starzen, with its position between producers and consumers, can build a win-win system from livestock production to sales. I expect Starzen's new regime to introduce novel frameworks that are outside the box while utilizing its traditions.



Audit & Supervisory Board Member (External)  
**Mariko Eto**

Fiscal 2020 required a flexible response to the changes in society taking place due to COVID-19. I imagine that the burden on employees increased. The fact there were no major injuries or accidents speaks to Starzen's high degree of safety and security awareness on a daily basis. The results of producing and selling products tailored to a the COVID era after capturing changes in buyers appropriately is reflected in Starzen's fiscal 2020 earnings performance. Flexibility has been the key for companies amid revisions to the Companies Act and Japan's Corporate Governance Code. Starzen has responded appropriately. The Board of Directors appointed a director in charge of Finance in June 2021. Looking ahead, I anticipate that the Board will establish the right composition based on the times.

In aiming to strengthen earnings power unaffected by market prices, I expect active discussions to take place beyond the concepts of age, gender and nationality. While there may be instances where the status quo is followed or the essence is nearly lost, discussions involving people of various positions also produces new thinking. A culture where a diverse workforce can play an active role borderlessly will lead to the greater growth of the organization. I hope for Starzen to actively work on this.

Today, the social responsibilities demanded of companies are becoming worldwide in nature. For example, the newly established Logistics Division will contribute not only to improving logistics worker comfort but also climate change countermeasures. Sustainability is linked with increased corporate value from a management perspective, and while incorporating it into decision-making processes, I would like Starzen to spread it among individual employees, too.

Going forward, the role expected of external Audit & Supervisory Board members will likely become larger. While valuing both short-term and medium-term perspectives, I will fulfill my duties as an Audit & Supervisory Board member so that the Board of Directors is operated appropriately.

# Consolidated Balance Sheet

Starzen Co., Ltd.  
At March 31, 2020 and 2021

	(Millions of yen)	
	2020	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,232	14,750
Notes and accounts receivable - trade	31,999	34,372
Merchandise and finished goods	26,841	24,188
Work in process	423	418
Raw materials and supplies	2,474	1,937
Advance payments - trade	7,197	6,720
Other	2,073	1,192
Allowance for doubtful accounts	(9)	(11)
<b>Total current assets</b>	<b>80,232</b>	<b>83,568</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	30,310	32,467
Accumulated depreciation	(18,232)	(19,118)
Buildings and structures, net	12,078	13,348
Machinery, equipment and vehicles	16,521	17,651
Accumulated depreciation	(12,467)	(13,277)
Machinery, equipment and vehicles, net	4,054	4,373
Land	10,678	10,678
Leased assets	1,834	1,928
Accumulated depreciation	(848)	(1,062)
Leased assets, net	986	866
Construction in progress	813	38
Other	1,556	1,707
Accumulated depreciation	(1,254)	(1,293)
Other, net	302	414
<b>Total property, plant and equipment</b>	<b>28,912</b>	<b>29,719</b>
Intangible assets		
Goodwill	18	6
Leased assets	0	—
Other	828	909
<b>Total intangible assets</b>	<b>847</b>	<b>915</b>
Investments and other assets		
Investment securities	13,061	15,046
Retirement benefit asset	45	63
Real estate for rent	1,091	1,147
Long-term loans receivable	0	0
Deferred tax assets	1,020	622
Other	802	697
Allowance for doubtful accounts	(93)	(61)
<b>Total investments and other assets</b>	<b>15,927</b>	<b>17,515</b>
<b>Total non-current assets</b>	<b>45,687</b>	<b>48,151</b>
<b>Deferred assets</b>		
Bond issuance cost	12	6
<b>Total deferred assets</b>	<b>12</b>	<b>6</b>
<b>Total assets</b>	<b>125,932</b>	<b>131,726</b>

	(Millions of yen)	
	2020	2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	15,245	15,185
Short-term loans payable	8,208	6,253
Current portion of bonds	1,000	—
Current portion of long-term bonds payable	8,273	9,475
Lease obligations	303	294
Income taxes payable	1,219	912
Provision for bonus	1,553	1,680
Accounts payable - other	7,174	7,083
Other	1,717	2,013
<b>Total current liabilities</b>	<b>44,695</b>	<b>42,900</b>
<b>Non-current liabilities</b>		
Bonds payable	2,100	2,100
Long-term loans payable	22,023	23,191
Lease obligations	850	718
Net defined benefit liability	2,010	2,043
Provision for loss on guarantees	—	21
Other	1,941	1,624
<b>Total non-current liabilities</b>	<b>28,926</b>	<b>29,699</b>
<b>Total liabilities</b>	<b>73,621</b>	<b>72,600</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	11,658	11,658
Capital surplus	12,513	12,511
Retained earnings	27,516	33,364
Treasury stock	(9)	(42)
<b>Total shareholders' equity</b>	<b>51,678</b>	<b>57,491</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	900	1,692
Deferred gains or losses on hedges	98	211
Foreign currency translation adjustment	(245)	(252)
Remeasurements of defined benefit plans	(121)	(20)
<b>Total accumulated other comprehensive income</b>	<b>631</b>	<b>1,630</b>
<b>Non-controlling interests</b>	—	3
<b>Total net assets</b>	<b>52,310</b>	<b>59,125</b>
<b>Total liabilities and net assets</b>	<b>125,932</b>	<b>131,726</b>

## Consolidated Statement of Income / Consolidated Statement of Comprehensive Income

Starzen Co., Ltd.  
Years ended March 31, 2020 and 2021

Consolidated Statement of Income	(Millions of yen)	
	2020	2021
Net sales	351,356	349,242
Cost of sales	320,089	314,880
Gross profit	31,266	34,361
Selling, general and administrative expenses	27,037	27,675
Operating income	4,229	6,686
<b>Non-operating income</b>		
Interest income	9	2
Dividend income	109	120
Real estate rent	432	412
Insurance and dividend income	467	289
Equity in earnings of associate	654	1,234
Reversal of allowance for doubtful accounts	82	1
Other	460	732
Total non-operating income	2,216	2,791
<b>Non-operating expenses</b>		
Interest expenses	300	266
Expenses for real estate rent	147	135
Amortization of bond issuance cost	9	5
Provision of allowance for doubtful accounts	—	2
Loss on repayment of subsidy	—	247
Other	191	212
Total non-operating expenses	650	870
Ordinary income	5,795	8,607
<b>Extraordinary income</b>		
Gain on sales of non-current assets	4	0
Gain on sales of shares of subsidiaries and associates	5	—
Total extraordinary income	9	0
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	3	1
Loss on retirement of non-current assets	65	25
Loss on sales of investment securities	—	49
Loss on valuation of investment securities	2	—
Loss on valuation of shares of subsidiaries and associates	2	116
Impairment loss	1,772	80
Other	2	—
Total extraordinary losses	1,848	273
Profit before income taxes	3,956	8,334
Current	1,911	1,810
Deferred	308	(400)
Total income taxes	2,220	1,409
Profit	1,736	6,925
Profit (loss) attributable to non-controlling interests	(6)	3
Profit attributable to owners of parent	1,743	6,921
<b>Consolidated Statement of Comprehensive Income</b>		
		(Millions of yen)
	2020	2021
Profit	1,736	6,925
<b>Other comprehensive income (loss)</b>		
Valuation difference on available-for-sale securities	(531)	762
Deferred gains or losses on hedges	85	112
Foreign currency translation adjustment	(19)	(9)
Remeasurements of defined benefit plans	(80)	20
Share of other comprehensive income of associates accounted for using the equity method	(47)	112
Total other comprehensive income	(591)	999
Comprehensive income	1,144	7,924
Comprehensive income (loss) attributable to:		
Owners of parent	1,151	7,921
Non-controlling interests	(6)	3

## Consolidated Statement of Cash Flows

Starzen Co., Ltd.  
Years ended March 31, 2020 and 2021

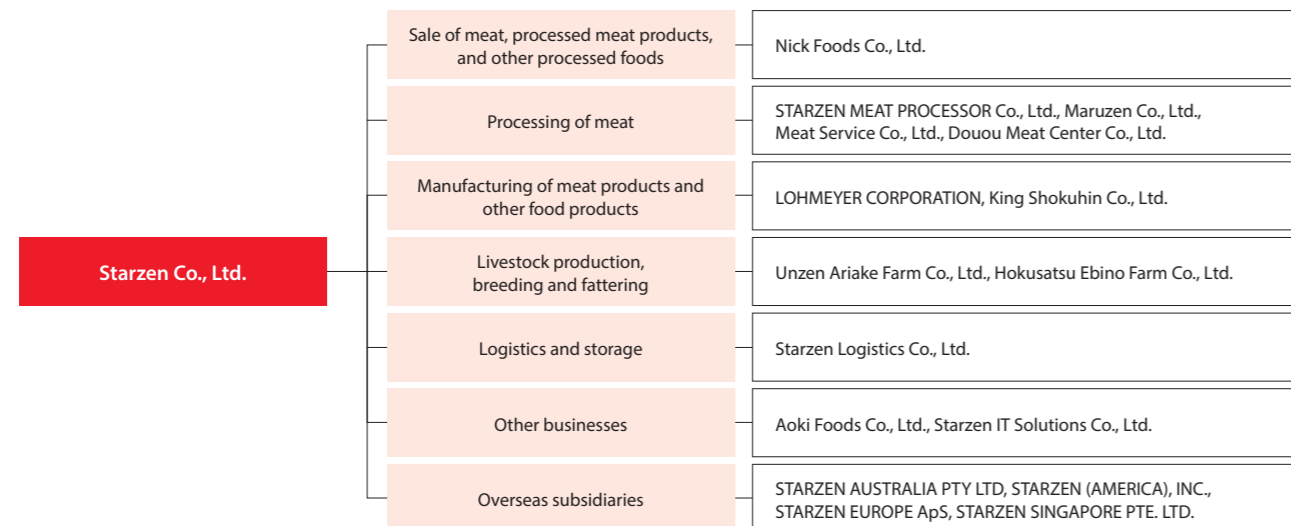
	(Millions of yen)	
	2020	2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,956	8,334
Depreciation	2,809	2,765
Impairment loss	1,772	80
Amortization of goodwill	138	12
Increase (decrease) in provision for bonuses	(9)	126
Increase (decrease) in allowance for doubtful accounts	(88)	(30)
Increase (decrease) in net defined benefit liability	114	13
Interest and dividend income	(119)	(122)
Interest expenses	300	266
Equity in (earnings) losses of associate	(654)	(1,234)
Loss on repayment of subsidy	—	247
Loss on retirement of non-current assets	65	25
Loss (gain) on sales of non-current assets	(0)	0
Loss (gain) on sales of investment securities	—	49
Loss (gain) on valuation of investment securities	2	—
Loss (gain) on sales of shares of subsidiaries and associates	(5)	—
Loss on valuation of shares of subsidiaries and associates	2	116
Decrease (increase) in notes and accounts receivable - trade	2,508	(2,364)
Decrease (increase) in inventories	(3,970)	3,200
Decrease (increase) in advance payments	(947)	475
Increase (decrease) in notes and accounts payable - trade	(2,166)	(75)
Increase (decrease) in accounts payable - other	(507)	(61)
Other	(330)	750
Subtotal	2,872	12,578
Interest and dividend income received	513	399
Interest expenses paid	(301)	(259)
Income taxes paid	(1,624)	(1,633)
Net cash provided by (used in) operating activities	1,459	11,084
<b>Cash flows from investing activities</b>		
Payments into time deposits	(369)	—
Proceeds from withdrawal of time deposit	310	112
Purchase of non-current assets	(3,020)	(3,431)
Proceeds from sales of non-current assets	107	8
Purchases of investment securities	(322)	(21)
Proceeds from sales of investment securities	0	29
Purchase of shares of subsidiaries and associates	(114)	(49)
Proceeds from sales of shares of subsidiaries and associates	8	—
Net decrease (increase) in short-term loans receivable	112	4
Payments of long-term loans receivable	(0)	(0)
Collection of long-term loans receivable	1	1
Other	(124)	(99)
Net cash provided by (used in) investing activities	(3,412)	(3,445)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	2,215	(1,954)
Repayments of long-term loans payable	(8,584)	(9,630)
Proceeds from long-term loans payable	11,500	12,000
Repayments of lease obligations	(347)	(292)
Redemption of bonds	(2,726)	(1,000)
Proceeds from sales of treasury stock	0	—
Purchases of treasury stock	(1)	(52)
Cash dividends paid	(1,165)	(1,071)
Net cash provided by (used in) financing activities	890	(2,001)
Effect of exchange rate change on cash and cash equivalents	(10)	(2)
Net increase (decrease) in cash and cash equivalents	(1,072)	5,633
Cash and cash equivalents at the beginning of year	9,969	8,896
Cash and cash equivalents at the end of year	8,896	14,530



## Corporate Information (As of March 31, 2021)

<b>Company Name</b>	Starzen Co., Ltd.	<b>Main Businesses</b>	1. Processing and sale of meat 2. Production, processing, and trade of livestock products 3. Import and export of meat and livestock products 4. Manufacture, processing, and trade of food products
<b>Representative</b>	Kazuhiko Yokota	<b>Customers</b>	Supermarkets, meat specialty stores, department stores, restaurants, fast food chains, convenience stores, co-operatives, food processing manufacturers, meat wholesalers, and others
<b>Headquarters</b>	Konan Building, 5-7 Konan, 2-chome, Minato-ku, Tokyo 108-0075, Japan	<b>Employees</b>	2,674 (Consolidated)
<b>Established</b>	June 17, 1948		
<b>Capital</b>	¥11,658,270,000		

## Main Group Companies (As of April 1, 2021)



## Notifications on Corporate Website

### HOME PAGE

Our corporate website offers the latest investor relations (IR) information as well as product information.



<https://www.starzen.co.jp/en/>

### IR INFORMATION

This page offers original content, including various IR materials such as materials used at corporate briefing sessions (certain materials only available in Japanese).



<https://www.starzen.co.jp/en/ir/index.html>

### SUSTAINABILITY

This page contains our policies and initiatives for sustainability management, as well as data on energy usage and our workforce (certain materials only available in Japanese).



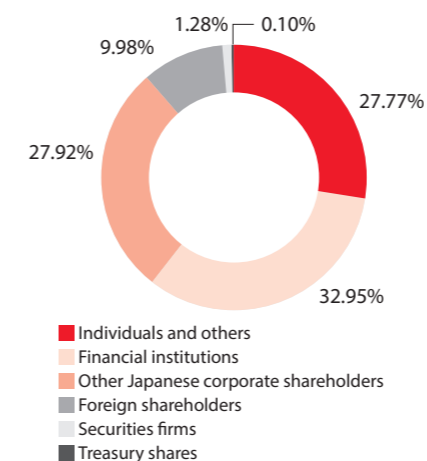
<https://www.starzen.co.jp/sustainability/signature.html>

## Investor Information (As of March 31, 2021)

<b>Securities Code</b>	8043	<b>Unit Share</b>	100 shares
<b>Stock Exchange Listings</b>	Tokyo Stock Exchange, First Section	<b>Number of Shares Authorized*</b>	22,000,000 shares
<b>Fiscal Year</b>	April 1 to March 31	<b>Number of Shares Issued*</b>	9,761,276 shares
<b>General Meeting of Shareholders</b>	End of June	<b>Number of Shareholders</b>	14,093 shareholders
<b>Administrator of Shareholders' Registry</b>	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan	<b>Contact Information</b>	Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507

\*The number of shares shown is prior to the stock split executed on April 1, 2021.

## Composition of Shareholders

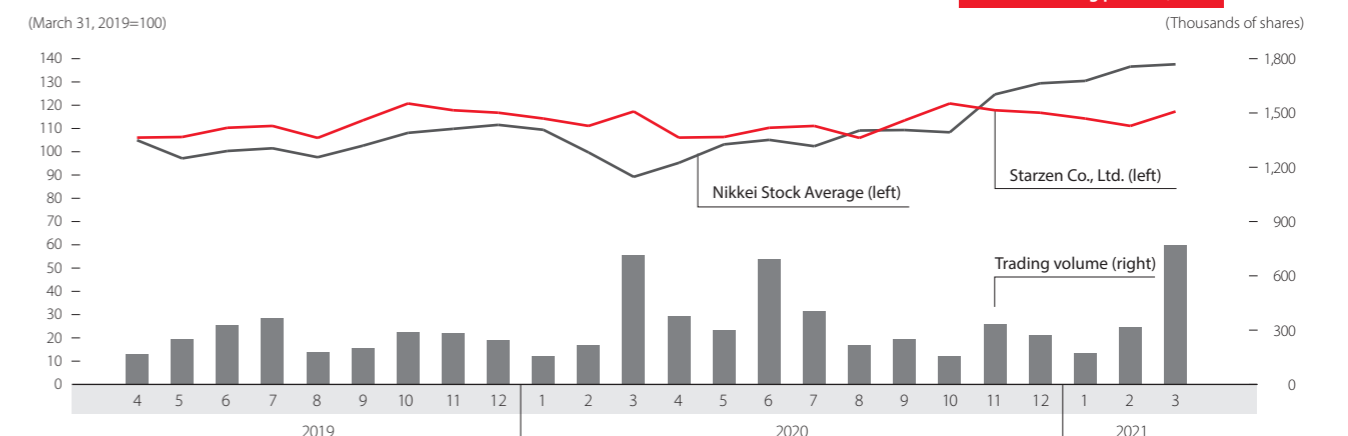


## Major Shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Mitsui & Co., Ltd.	1,554	15.94
The Master Trust Bank of Japan, Ltd. (trust account)	498	5.11
Custody Bank of Japan, Ltd. (trust account)	350	3.58
Sumitomo Mitsui Banking Corporation	324	3.33
The Norinchukin Bank	304	3.12
MUFG Bank, Ltd.	279	2.87
Starzen Employee Shareholding Association	244	2.50
Uzurahashi Kosan Co., Ltd.	234	2.40
Mizuho Bank, Ltd.	160	1.64
Yokohama Reito Co., Ltd.	153	1.57

Notes: 1. The shareholding ratio is calculated after subtracting treasury shares from the number of shares issued and outstanding.  
2. The number of shares held is rounded off to the nearest one thousand.

## Trend in Share Price



Note: The Company executed a two-for-one stock split of its common shares with the record date of March 31, 2021. The above graph of Starzen's stock price trends assumes that the stock split took place in March 2019.

## About the April 1, 2021 Stock Split

The Company executed a two-for-one stock split of its common shares with the record date of March 31, 2021 in order to lower the cost of investment per share along with increase liquidity and expand the number of investors. As a result, the total number of shares issued and outstanding increased to 19,522,552 shares.



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URL: <https://www.starzen.co.jp/en>