

# ANNUAL REPORT

## 2020

Management Vision

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

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.

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.

Take Action as Team Starzen

To give full play to our capabilities as Team Starzen, we practice both partial and total optimization. The former means employees fulfilling their individual responsibilities; the latter, Group companies pursuing earnings growth in unity.

Editorial Policy

Annual Report 2020 was published for all stakeholders, particularly shareholders and investors. It conveys the Group's Management Vision and Management Philosophy and provides a detailed update on business operations with the aim of fostering a deeper understanding of the Group and creating new opportunities for dialogue.

Cautionary Note Regarding Forward-Looking Statements

This annual report includes forward-looking statements about the Starzen Group's future performance. These statements are based on assumptions and beliefs derived from information available at the time of publication. They involve risks and uncertainties related to economic performance, intensification of competition, laws and regulations, taxation and other institutional factors. Be advised that actual results may differ from forward-looking statements contained herein.

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# Starzen's Strengths

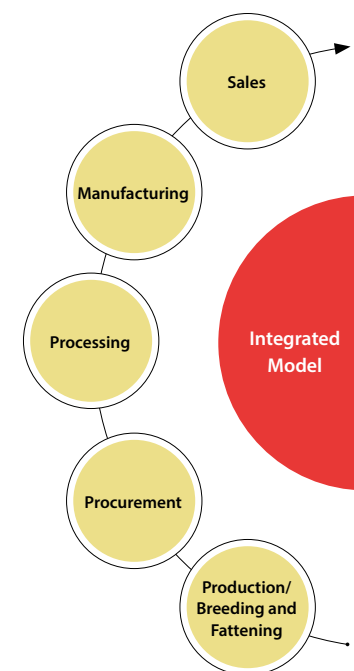
Since its founding in 1948, the Starzen Group has achieved steady growth as a leading meat supplier by responding to changes in the market environment, consumer needs and food culture. Going forward, we will continue to embrace new challenges and contribute to enriching people's dietary lives while capitalizing on our track record and know-how amassed to date.

## Starzen's Three Strengths

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 250 allied livestock producers, 18 processing/manufacturing plants and 50 sales branches, the Group stably supplies safe and reliable products that meet customers' needs and preferences.



Strength  
2

### Localized Direct Sales System and Solutions Capabilities

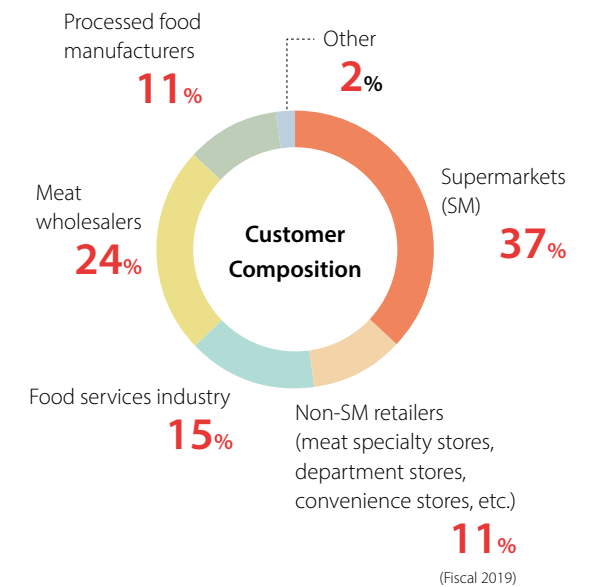
The Starzen Group places priority on delivering customized solutions to customers through local sales system operating out of 50 branches throughout Japan. By directly delivering products to customers, sales personnel gain a deep understanding of customers' needs and identify incipient market trends early. Such an approach leads to product proposals that better solve customers' problems.

Net Sales (Fiscal 2019)

¥351.3 billion

Customers

Over 3,000



Strength  
3

### Pursuit of Safety and Reliability

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 September 30, 2020). We have the most SQF-certified sites of any company in Japan.

SQF-Certified Sites

56 throughout Japan

(As of September 30, 2020)

## History: 72 Years of Milestones

1948–1961

### Alleviating Food Shortages

Starzen was established in an era of postwar food shortages in Japan. We enabled the nationwide distribution of meat as the first in Japan to transport pig carcasses over long distances in ice-cooled freight cars and the first to use refrigerated trucks also. We were an early entrant to the import business in anticipation of domestic meat supply shortages in the wake of growing meat demand.

1962–1985

### Responding to Dietary Changes

As meat consumption grew in the wake of high economic growth, Japanese diets rapidly westernized, with meat becoming common fare even at home. When McDonald's arrived in Japan in 1971, we became its beef patty supplier. We made great strides as a company, listing our shares initially on the Tokyo Stock Exchange's Second Section and later on its First Section and expanding our network of sales branches throughout Japan.

1986–2001

### Responding to Dietary Diversification

In response to the growth in the food service industry and the diversification of consumer preferences, we started to supply highly processed meat products and entered the prepackaging business in earnest. Once beef imports were deregulated in 1991, we set up production operations in the United States, a major meat producing country, in anticipation of growth in meat imports. We endeavored to strengthen our supply infrastructure both in Japan and overseas.

2002–2010

### Pursuing Food Safety and Reliability

In response to growing consciousness of food safety and reliability, we established traceability for beef and pork. To strengthen our safety management and quality control, we have been successively getting our sites certified as compliant with internationally recognized SQF standards. We have also been stepping up CSR initiatives. Since 2010, we have been actively exporting meat to help disseminate Japanese food culture.

2011–Present

### Responding to Changing Lifestyles

In light of Japan's aging population and low birth rate, we are automating our plants to mitigate future labor shortages. Meanwhile, we are pursuing expansion of our meat processing operations to be able to capture growing demand for highly processed meat products. Specifically, we have augmented our roast beef manufacturing functions, opened a new baked hamburger steak plant and expanded prepackaging facilities. We are also boldly pursuing globalization by expanding overseas operations, including exports, in collaboration with Mitsui & Co., Ltd.







**Our mission is to stably supply meat products despite whatever obstacles may arise**

### Fulfilling the Starzen Group's Mission

We send condolences to all who have lost loved ones to COVID-19 and offer heartfelt sympathies to all who have fallen ill with or otherwise been affected by the virus. We are deeply grateful to everyone involved in keeping society functioning, most notably frontline healthcare workers. We also offer heartfelt sympathies to victims of the flooding in Kyushu in July 2020.

2020 has been a year of trials and tribulations due to the global COVID-19 pandemic, which struck Europe and the Americas particularly hard and prompted lockdowns globally. Daily routines have changed in response, as exemplified by the expression “new normal.” The pandemic’s economic impact has been enormous and widespread. Even Japan’s economic structure, which was significantly dependent on demand from foreign tourists, has been heavily affected. Some Starzen Group customers have been severely impacted, particularly in the restaurant and hotel industries. On the other

hand, at-home consumption and home-cooked meal demand have increased since the Japanese government declared a state of emergency this spring. Even amid such conditions, Starzen Group customers and suppliers are boldly embracing change to serve society amid the pandemic.

As a manufacturer and wholesaler of meat and processed meat products, the Starzen Group has a mission to stably supply food essential to daily life. By virtue of our integrated supply chain that extends from livestock production to meat processing, manufacturing and sales, we are confident in our ability to solve customers’ problems even in today’s adverse environment. While implementing measures to protect employees from COVID-19 and ensure safety, we will continue to address societal challenges through our operations so customers feel fortunate to do business with Starzen.

### A Look Back at Fiscal 2019

Fiscal 2019, ended March 31, 2020, was an extremely challenging year for the Company. Economically, domestic consumption was in a mild recovery against a backdrop of improvement in the income environment. In October 2019, however, the consumption tax rate was raised. Although food was exempted from the tax hike, consumers’ preference for lower-priced food products intensified. Additionally, improvement in profit margins remained a challenge as profits were squeezed by intensification of sales competition within the meat industry, rising ingredient prices and growth in logistics and personnel expenses.

As a result, operating income decrease 11.7% year on year to ¥4,229 million, ordinary income was down 9.7% to ¥5,795 million and profit attributable to

owners of parent dropped 61.8% to ¥1,743 million even as net sales remained unchanged from the previous fiscal year at ¥351,356 million in fiscal 2019. We realized that we need to further accelerate the Companywide business process reengineering program we launched in April 2019 with the aim of growing corporate value.

The sharp decrease in profit attributable to owners of parent is largely due to impairment losses booked against a hamburg steak plant and a sales subsidiary that serves the restaurant industry. We recognized these losses in response to the pandemic’s deleterious impact on the commercial-use product sales environment in the restaurant channel.

## Priorities Going Forward

In fiscal 2020, we intend to forge ahead with long-term initiatives while navigating the pandemic's impact. As I mentioned at the outset (page 6), the pandemic has wrought unprecedented changes in supply and demand fundamentals globally. We expect these changes' impacts to persist over the medium to long term. Looking beyond the pandemic, we have chosen "business revitalization and growth" as our theme for fiscal 2020. Under this theme, we will pursue the following priorities.

### 1 Further Strengthen Existing Businesses

We aim to further strengthen our existing businesses to lay the groundwork for further growth toward the centennial of our founding. We plan to rebuild our processed food manufacturing and sales functions as a particularly urgent priority. Processed foods such as hamburg steak and roast beef are one of our fortes, but competition has been intensifying in the processed food space in recent years. Additionally, our processed food sales have been hard hit by the pandemic because commercial-use products for restaurants accounted for a large share of pre-pandemic sales. We aim to stabilize earnings by increasing manufacturing efficiency and boosting retail national brand products' share of our processed food sales by strengthening our sales capabilities through marketing activities.

Additionally, we will also focus on sales via e-commerce sites that are benefiting from pandemic-driven demand growth and on developing/proposing new products for the online channel. Shopping online is a completely different experience from shopping in a store where you can select merchandise with your own hands. Our sales promotion division will ascertain online shoppers' purchase motives through identification and analysis of their demographics and design products tailored to their motivations. Meanwhile, we must design packaging that displays well on e-commerce sites and can withstand the shipping process. We cannot neglect product quality or safety either. With more and more companies branching into e-commerce, we believe our processing centers' packaging technologies can help solve customers' challenges.

### 2 Strengthen Overseas Operations

Overseas, we will continue to concentrate management resources in China and the United States, two markets with promising growth prospects. In China, we established meat processor/distributor San Chuang Enterprise (ShenZhen) Ltd. in 2019 as a joint venture (JV) with Mitsui & Co., Ltd., and a local partner. It is currently growing its sales to mass-volume and other retailers amid a pandemic-induced slump in demand from the restaurant and hotel industries. We expect to benefit from more business opportunities in China. San Chuang Enterprise is endeavoring to gain market share by partnering with local processors, leveraging our meat processing know-how as a strength. When Japanese meat exports to China are legalized, we expect to gain a foothold in the Chinese market through the sales network San Chuang Enterprise is building.

In the United States, we are strengthening subsidiary STARZEN (AMERICA), INC.'s functions and developing sales channels for our exported meats. Our *Wagyu* (domestic beef) exports to the United States have been growing briskly year after year. From 2020, the United States de facto increased its quota for Japanese beef imports subject to a lower tariff rate. The increased quota is expected to lead to more sales opportunities. Although exports have recently been sluggish on account of the pandemic, we are moving forward in the United States so we do not miss any opportunities once economic activity is back to normal.

In the import business, we will strive to supply safe and reliable meats while hedging risk through broad supply chain diversification and monitoring international conditions, mainly livestock diseases, developments in China and COVID-19's impact on major livestock producing regions.

### 3 Expedite Digital Transformation (DX) and Business Process Reengineering

In April 2019, we launched the Zeus Project, which combines DX with business process reengineering.

As a vertically integrated producer and distributor of meats and processed meat products, we have been growing by leveraging advanced technologies and expertise cultivated as strengths over decades. In recent years, though, we have faced serious

challenges, including cross-organizational coordination difficulties stemming from business expansion and a growing number of sites, cost increases due to increasingly complex business processes, and IT system obsolescence. The operating environment is changing at an ever-faster pace. Such changes include rising personnel, logistics and other expenses, disease-driven market changes and technological advancement. Radical business process reengineering is essential to swiftly address these challenges and prevail in increasingly competitive markets.

In the Zeus Project's initial year, ended March 31, 2020, we identified issues to be addressed and formulated a reform program. In fiscal 2020, we are doing on-site trials of reform measures in various areas, including processing, manufacturing, logistics and sales. The Zeus Project involves operational reforms extending across businesses from livestock production to processing, manufacturing, sales strategy and management. Because we are experimentally building new business processes that incorporate technology, the project may not bear fruit immediately. Nonetheless, we recognize that it is a necessary challenge we must undertake to grow

## New Medium-Term Management Plan

The Starzen Group embarked on a new Medium-Term Management Plan (MTP) from fiscal 2020, which was originally slated to be the third and final year of the previous MTP initiated in fiscal 2018. We decided to formulate a new MTP upon realizing that recent unforeseen changes in our operating environment call for a new growth strategy. Such changes include rising logistics and personnel expenses, domestic beef price movements and intensification of competition in our core processed food markets, most notably hamburg steak and roast beef.

In the new MTP, we mapped out action steps and set numerical targets by working backwards from our vision of the Starzen Group in 2030 and assumptions about the future operating environment. Changes in the operating environment that we anticipate over the next decade include intensification of competition with respect to international meat sourcing, worsening of labor shortages at domestic livestock farms and processing plants and a shift in

the Company. We will increase corporate value, make our workplaces more employee-friendly and transform into a highly profitable company as we advance toward our centennial.

The COVID-19 pandemic may cause major changes such as an increased consumer preference for low prices in response to economic weakness, more frequent meat-eating at home and swings in imported goods' prices due to changes in overseas supply-demand balances.

Currently, our sales to supermarkets and other retailers are buoyant by virtue of growth in at-home consumption driven by the public's growing anti-pandemic consciousness. Growth in sales to retailers has offset a slump in commercial sales to the food service industry. The pandemic's impacts make market forecasting difficult. Although we are consequently unable to formulate forecasts for our businesses, we will fulfill our duty to stably supply food essential for daily life while flexibly responding to changes in the environment and taking thorough precautions to prevent the spread of COVID-19 and otherwise ensure safety.

meat demand toward highly processed products in the wake of a change in consumption patterns.

To successfully navigate these changes, we have set a basic strategy of strengthening our earnings foundation and building a foundation for sustained growth during the new MTP's three-year term. This strategy will lay the groundwork for growth. Additionally, to swiftly and flexibly respond to changes in the operating environment, we adopted a rolling planning process, beginning with the new MTP. In other words, we intend to annually update our MTPs going forward.

In formulating our new MTP, we did not factor in any COVID-19 impacts because we are currently unable to predict their duration. Although a plethora of uncertainties currently precludes medium- to long-term forecasting, we plan to incorporate COVID-19 impacts into the MTP when we update it as part of our new rolling planning process. (See page 10 for more details on the new MTP.)

Harnessing Team Starzen's Power

In April 2020, we merged two subsidiaries, Starzen Sales Co., Ltd., and Zenchiku Sales Co., Ltd., into Starzen Co., Ltd., after having done the same with former subsidiaries Starzen International Co., Ltd., and Starzen Foods Co., Ltd., a year earlier. These core sales and processed food manufacturing and development operations were merged into Starzen with the aim of expediting decision-making and consolidating and strengthening operations. With consolidation of administrative support functions expected to yield cost savings also, the mergers will boost the Group's competitiveness.

Meanwhile, we are also undertaking initiatives to help resolve societal problems. We set up a Sustainability Section in April 2020 and formed a Sustainability Committee chaired by myself in October. We are already working to achieve the Sustainable Development Goals (SDGs) through such means as reducing food losses by extending shelf life through improvement in packaging technology and installing solar panels at our Akune and Kaseda plants. Going forward, we will explicitly set sustainability policies and promote societal contribution activities on a Groupwide basis.

Our biggest strength is a vertically integrated supply chain encompassing every value-chain link from livestock production to meat processing, manufacturing and sales. With 50 sales branches throughout Japan, we are able to reliably supply products tailored to local consumption patterns. While COVID-19 is a serious societal problem at present, Japan frequently experiences natural disasters as exemplified by a growing incidence of flooding and landslides due to torrential rains in recent years.

Our mission is to stably supply meat products even in times of crisis. Although currently faced with murky forward visibility, we will still realize our Management Vision of becoming a global company that delivers everyday happiness through our food value chain.

We hope to continue to enjoy the undiminished support of shareholders, investors and other stakeholders.

October 2020

T. Nakatsuhamama

Tsuyoshi Nakatsuhamama  
Chairman, President & CEO



New Medium-Term Management Plan

(April 1, 2020–March 31, 2023)

In October 2017, the Company unveiled a Medium-Term Management Plan (MTP) covering the three years from April 1, 2018, through March 31, 2021. In response to its latest operating performance and recent changes in its operating environment, the Company formulated a new three-year MTP (April 1, 2020–March 31, 2023), updating the previous MTP's action steps and numerical targets to reflect future market sizes and the Company's vision of its future self.

Notes: 1. The new MTP unveiled on March 4, 2020, does not factor in any COVID-19 impacts.  
2. Its content, including numerical targets, is subject to future revision to reflect COVID-19 impacts.  
3. The fiscal 2019 ordinary income and EBITDA forecasts in the Company's March 4, 2020, press release announcing the new MTP have been replaced herein by actual values.

Six Basic Strategies





Environmental and SWOT Analyses

Assessment of External Environment

A Domestic trends

- Livestock disease (e.g., classical swine fever) problems
- Abnormal/unseasonable weather
- Decrease in livestock farms
- Consumption tax hike

- Stable meat consumption
- Consumer preference for ready-to-eat meals/convenience
- Changing consumer preferences, growing health consciousness

B Structural issues

- Labor shortages, workstyle reforms
- Low birth rate, aging population

- Advancement of DX, IoT and AI
- 2025 digital cliff\*

\* Existing IT systems in Japan tend to be complex, black-box systems. If Japanese companies do not upgrade such systems by 2025, they will likely:

- (1) Be unable to flexibly adapt to market changes and lose competitiveness;
- (2) Incur growing maintenance and administration expenses; and
- (3) Face a growing risk of system problems due to shortages of operations/maintenance personnel.

C Global trends

- Commitment to the SDGs, environmental conscientiousness
- Livestock disease (e.g., African swine fever) problems
- Abnormal/unseasonable weather
- Growth in population/middle-class

- Meat demand growth (China)
- Emergence of plant-based meat substitutes
- Geopolitical instability
- Trade liberalization

Impacts on the Starzen Group

- Rising logistics/personnel expenses ..... B
- Rising input costs, market price volatility ..... A C
- Difficulty raising prices to pass through cost increases ..... A
- Sluggish growth in sales and increase in imports due to high domestic beef and pork prices ..... A C
- Shrinkage in portioned meat distribution market ..... A
- Emergence of labor shortages ..... B
- DX and business process reengineering ..... B
- Growing awareness of the SDGs ..... C

SWOT Analysis

	Pluses	Minuses
Internal environment	<div><div>Strengths</div><ul style="list-style-type: none"><li>Integrated supply chain extending from livestock producers to customers</li><li>Localized direct sales teams based at sales branches throughout Japan (sales)</li><li>Top-tier processing, manufacturing and quality within the meat industry (manufacturing)</li><li>Broad domestic and international sourcing capabilities (supply)</li></ul><p>⇒ Strengthen core businesses and expand processed food sales by capitalizing on functions</p></div>	<div><div>Weaknesses</div><ul style="list-style-type: none"><li>Labor shortages amid expansion of scale of operations</li><li>Inadequate visibility into actual state of business activities</li><li>Suboptimal process control for processed meat</li></ul><p>⇒ Pursue improvement in operational visibility, effectiveness and efficiency through business process reengineering</p><p>⇒ Strengthen foundation as a processed meat manufacturer</p></div>
External environment	<div><div>Opportunities</div><ul style="list-style-type: none"><li>Effectuation of free trade agreements</li><li>Global meat demand growth, growth in affluent population, resumption of Japanese beef exports to China</li><li>Inbound/outbound demand growth (more sales opportunities)</li><li>Growing health consciousness and awareness of environmental problems</li><li>Advancements in digital technology and growth in e-commerce</li></ul><p>⇒ Strengthen overseas sourcing and sales capabilities</p><p>⇒ Challenge to enter meat substitute market, strengthen approach to e-commerce market</p></div>	<div><div>Threats</div><ul style="list-style-type: none"><li>Intensification of domestic sales competition</li><li>Rising meat sourcing prices</li><li>Rising personnel/logistics expenses</li><li>Growing awareness of environmental problems and the SDGs</li></ul><p>⇒ Pursue sustainable management, cognizant of investment efficiency, operational efficiency, HR development and the SDGs amid adverse market environment</p><p>⇒ Rebuild supply chains by strengthening global network of livestock production and meat manufacturing sites</p></div>

Details of Basic Strategies

The new MTP designates the three years from April 1, 2020, through March 31, 2023, as a period for laying the groundwork for further growth. The Company will strengthen its earnings foundation by rebuilding its processed food manufacturing and sales functions and otherwise strengthening existing businesses while pursuing initiatives targeted at prospective growth markets, including overseas. Additionally, the Company will build out corporate infrastructure for business expansion, largely through DX and business process reengineering.

Strengthen Earnings Foundation

Basic Strategy 1

Maintain and strengthen core businesses' foundations

- Upgrade livestock production operations and increase their independence on partners
- Develop meat products insulated from market price volatility
- Strengthen export operations
- Mitigate labor shortages and reduce workloads at meat processing plants (mechanization / labor savings)

Basic Strategy 2

Strengthen foundation as a processed meat manufacturer

- Strengthen processed food manufacturing functions
- Upgrade meat processing centers
- Rebuild hamburger steak business

Basic Strategy 3

Develop into a global company and branch into meat alternatives

- Establish overseas sites with logistics/processing functions and strengthen local product sales overseas
- Augment imported processed food product line
- Secure more overseas suppliers
- Challenge to enter meat alternatives market

Build a Foundation for Sustained Growth

Basic Strategy 4

Reform business processes

- Reconfigure facilities in alignment with sales and logistics strategies
- Build efficient sales force and logistics operations
- Promote operational visibility

Basic Strategy 5

Strengthen corporate functions

- Strengthen investment screening function
- Strengthen financial condition through strategic sourcing of capital
- Upgrade administrative departments' human resources

Basic Strategy 6

Step up sustainability initiatives

- Be cognizant of the SDGs in managing operations
- Develop human resources capable of shouldering the future

Details of DX and Business Process Reengineering

	Domain	Approach
Cross-organizational	Management	Pursue competitiveness and strengthen revenue management on a business-by-business basis by promoting operational visibility
	Supply/demand planning	Strengthen functions that control production/inventory/sales balance to match markets' supply needs
	Logistics	Cross-organizationally reconfigure logistics networks to maintain price competitiveness
Best work practices	Processing/manufacturing	Step up process control and cost-of-sales reduction activities to manufacture safer, sounder and more price-competitive products
	Sales	Establish new sales approaches that maximally leverage technology and organizational capabilities

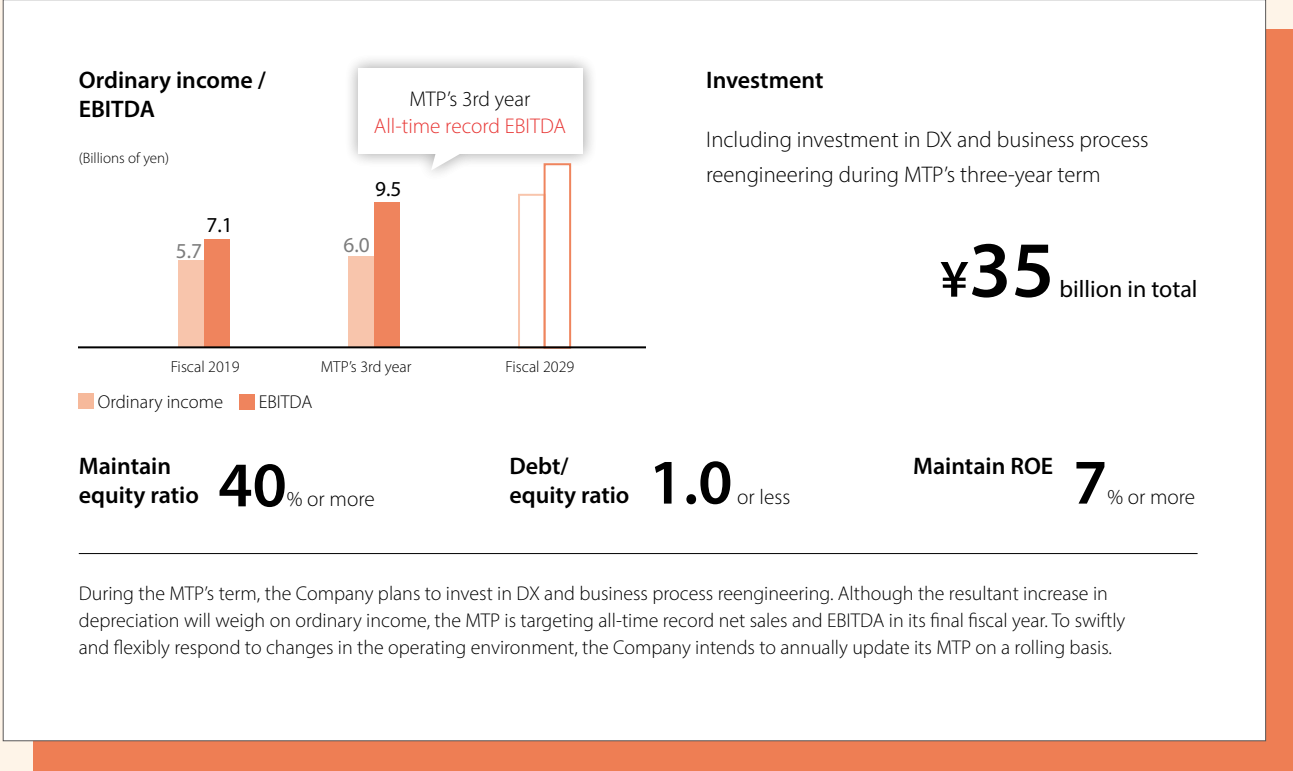
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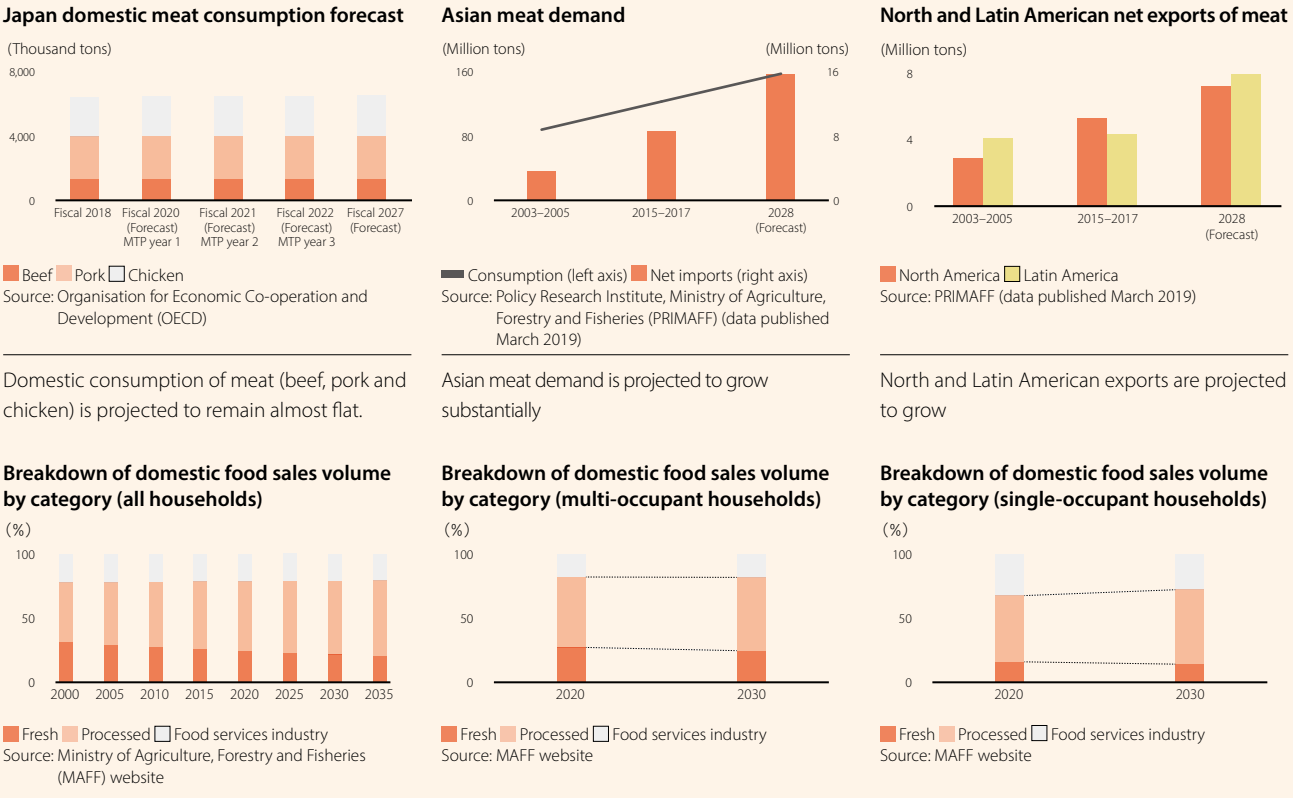
STARZEN CO., LTD.

12

Numerical Targets



Reference: Medium- to Long-term Market Forecasts





Overview by Division



▶▶▶ Sales Division

Attributes	Assessment of operating environment (Opportunities)	Assessment of operating environment (Risks)
<ul style="list-style-type: none"><li>• Broad geographic footprint, with four processing centers and 50 sales branches throughout Japan</li><li>• Localized direct sales systems with in-house distribution</li><li>• Solutions-based sales approach capable of meeting even micro-niche needs</li></ul>	<ul style="list-style-type: none"><li>• Growth in demand for home-cooked meals and takeout</li><li>• Growth in e-commerce users</li><li>• Growth in demand for prepackaging</li></ul>	<ul style="list-style-type: none"><li>• Decreased restaurant demand</li><li>• Loss of foreign tourist demand</li><li>• Market shrinkage due to low birth rate, aging population</li></ul>

Overview of Sales Division

The Sales Division was formed from the erstwhile Starzen Sales Co., Ltd., and Zenchiku Sales Co., Ltd., upon their merger into Starzen Co., Ltd., in April 2020. With a nationwide network of 50 sales branches and four processing centers, it runs all of the Starzen Group's domestic sales activities.

The Starzen Group is committed to delivering customized solutions. Sales branches' staff ascertains customers' needs while making direct deliveries to the customers. The Sales Division custom-develops processed meat products, one of Starzen's fortes, to customers' specifications in collaboration with the Production Division and LOHMEYER CORPORATION. Such products include roast beef, hamburg steak, ham and sausage.

Fiscal 2019 in Review

In fiscal 2019, the Sales Division endeavored to strengthen its sales capabilities through such means as working more closely with existing customers and developing new product ideas in collaboration with sales and supply staff. While sales of both domestic and imported meats were generally buoyant, logistics expenses weighed on profits. Improving logistic efficiency is a key issue.

Additionally, sales of core processed meat products such as hamburg steak and roast beef stagnated, largely in response to intensification of competition.

Fiscal 2020 Outlook

In the meat sales business, the Company is seeking to adapt to the new environment under the assumption that COVID-19 impacts will persist. Inbound demand has declined in the wake of a decrease in foreign visitors to Japan while restaurant demand is in a severe slump. Sales of premium Wagyu cuts are especially depressed. Although retailers are selling premium Wagyu at discounted prices by virtue of low market prices, their extra sales do not fully offset the pandemic's impact. Since Japan's emergency declaration was lifted in late May, demand from certain types of restaurants, including family restaurants, has been recovering, but demand from the rest of the restaurant industry, most notably pubs, remains in the doldrums. The Company will work on providing solutions to customers, including ideas for new takeout menu items.

In the processed food sales business, the Company aims to expand and stabilize its hamburg steak sales volume in particular. In response to recent growth in at-home demand, the Company intends to increase national brand products' share of its processed food sales, which have previously consisted mostly of commercial-use products. With roast beef demand trending sideways, the Company plans to upgrade the quality of, and otherwise add more value to, its roast beef products instead of pursuing unit-volume growth.

To improve logistic efficiency, the Company has converted some sales branches to distribution centers that, in addition to engaging in the usual sales activities, will serve as regional distribution hubs in the aim of optimizing inventories and distribution.

The Company plans to pursue new business opportunities in the e-commerce channel for its processing centers. The Company's customers also are strengthening their e-commerce operations amid the pandemic. Consumers' purchase motives differ between the e-commerce channel, where shoppers select merchandise online that is delivered to their homes, and the bricks-and-mortar retail channel, where shoppers select merchandise in person and take it home with them. The e-commerce channel requires new ways to promote and display merchandise and to preserve reliability and ensure safety during shipment. The Company will develop products that leverage its expertise in vacuum seal packaging, including deep-drawing vacuum seal packaging.

Toward Stronger Solutions Capabilities

The Sales Division was created by the merger of Starzen Sales, and Zenchiku Sales. The former mostly served retailers, largely mass-volume chains, while the latter mainly served the food services industry. Their respective personnel accordingly possessed different skillsets. By combining their respective know-how, the Sales Division aims to prolifically innovate and inject fresh energy into its sales activities. It will also strengthen its solutions capabilities by collaborating more closely with the Overseas Division, which supplies imported meat used in many commercial-use and processed food products, and the Production Division, which produces hamburg steaks.



▶▶▶ STARZEN MEAT PROCESSOR Co., Ltd.  
(Meat processing business)

Attributes	Assessment of operating environment (Opportunities)	Assessment of operating environment (Risks)
<ul style="list-style-type: none"><li>• Top-tier meat processing technologies</li><li>• In the process of automating facilities with state-of-the-art equipment</li><li>• High product quality by virtue of SQF certification and proximity to slaughterhouses</li></ul>	<ul style="list-style-type: none"><li>• Pandemic-driven growth in at-home demand and retailers' demand for domestic meat</li><li>• Productivity growth through mechanization</li></ul>	<ul style="list-style-type: none"><li>• Decreased food services demand</li><li>• Labor shortages due to low birth rate, aging population and rural depopulation</li><li>• Growth in meat imports in response to reduced tariffs</li><li>• Risk of livestock diseases and major natural disasters</li></ul>

Overview of STARZEN MEAT PROCESSOR

STARZEN MEAT PROCESSOR processes meat at seven domestic plants in major livestock producing regions, all of which are certified as compliant with SQF international food safety and quality standards. It provides safe and reliable food based on a high level of quality control.

Its Akune Plant in particular is certified to export to the European Union and United States, both of which have stringent food safety standards. Additionally, STARZEN MEAT PROCESSOR is actively automating its meat processing facilities, most notably its Aomori Plant's Misawa Pork Center.

Fiscal 2019 in Review

STARZEN MEAT PROCESSOR has embraced the mission of stably sourcing and supplying meat at reasonable prices in response to customers' needs and preferences. It fulfilled its safe supply responsibilities again in fiscal 2019, but faced supply gluts due to reduced demand for certain products such as premium Wagyu cuts.

As part of its ongoing plant mechanization program, STARZEN MEAT PROCESSOR installed a WANDAS Mini Mark II automated pork shoulder deboning machine, the second one ever deployed in Japan, in September 2019. It had previously installed Japan's first WANDAS Mini Mark II at the Misawa Pork Center in October 2018. It installed the second one at its Kaseda Plant after confirming that the first one was sufficiently effective at reducing employees' workloads and mitigating prospective labor shortages in its first 11 months of operation.

Fiscal 2020 Priorities

Personnel cost inflation due to domestic labor shortages is expected to worsen. So is intensification of competition with imported meats due to tariff reductions. To stably supply safe and reliable products in such an environment, STARZEN MEAT PROCESSOR is placing priority on (1) recruiting and developing human resources, (2) mechanizing its operations and (3) upgrading its high-value-added products. It will also continue to strive to improve communication with livestock producers to ensure stable supplies.

Recruiting and developing human resources is an urgent task. STARZEN MEAT PROCESSOR will develop human resources capable of taking action with a clear vision of the entire process from product conception to delivery to consumers, mainly by stepping up recruitment of new graduates and upgrading training programs. In terms of mechanization, it is investing to increase production efficiency, including by installing a third WANDAS Mini Mark II, this one at its Ishikari Plant in July 2020. Initiatives to upgrade high-value-added products include branding of meat and upgrading of processed offal products produced at the Akune Plant's processing center.

In response to a major increase in demand from domestic meat retailers and mass-volume chains since the pandemic erupted, STARZEN MEAT PROCESSOR is operating its plants' at above-normal capacity utilization while taking thorough precautions against COVID-19.

Sustainability Initiatives

Shelf-Life Extension Technologies

In January 2020, STARZEN MEAT PROCESSOR installed a hot-water carcass disinfection system at its Sannohe Beef Center. Hot water improves disinfection potency when used instead of the usual room-temperature water in disinfection processes. Hot-water disinfection's effectiveness at extending the shelf life of packaged sliced meat sold in stores is currently being tested. Hot-water disinfection is expected to extend the shelf life of packaged subprimal cuts that are shipped refrigerated from the current norm of 45 days to about 50 days.

Involvement with Local Communities

As one contribution to local communities, the Misawa Pork Center continually supplies branded pork sourced from locally raised hogs to school cafeterias to help educate children about local farm-to-table eating. The Akune Plant supplies foodstuffs through a venture launched in collaboration with a local high school. Additionally, STARZEN MEAT PROCESSOR proactively supports education of the next generation through such means as hosting tours of its plants for local elementary and middle school students (such tours are currently suspended on account of the pandemic).



## Overseas Division

Attributes	Assessment of operating environment (Opportunities)	Assessment of operating environment (Risks)
<ul style="list-style-type: none"><li>• Broad, stable sourcing network</li><li>• Quality control exercised over overseas packers through local subsidiaries</li><li>• Price competitiveness stemming from the Starzen Group's economies of scale</li></ul>	<ul style="list-style-type: none"><li>• Tariff reductions pursuant to trade agreements, including the Japan-EU EPA, TPP-11 and USJTA</li><li>• De facto enlargement of reduced-tariff quota for Japanese meat exports to the United States</li></ul>	<ul style="list-style-type: none"><li>• International livestock epidemics</li><li>• Severe meat price volatility and/or decreased meat exports due to international developments</li><li>• Increase in new entrants due to lowering of barriers to entry through, e.g., tariff reductions</li></ul>

### Overview of Overseas Division

The Overseas Division exports and imports meat and processed meat products and provides operational support to overseas subsidiaries (STARZEN (AMERICA), INC., STARZEN AUSTRALIA PTY LTD and STARZEN EUROPE ApS), an overseas affiliate (San Chuang Enterprise (ShenZhen) Ltd.) and an overseas investee (ADIRECT Singapore Pte. Ltd.).

### Fiscal 2019 in Review

The Japan-EU EPA, TPP-11 and USJTA's tariff reductions were a tailwind for the import business. In particular, the Overseas Division stepped up its promotion of beef imports, including byproducts such as offal, from the United States, where lean red meat is popular.

Pork import prices rose as a result of growth in China's pork imports due to the African swine fever epidemic in China.

Overseas subsidiaries and affiliates strengthened their functions and expanded their local sourcing networks.

The export business grew briskly, capitalizing on the networks of Mitsui & Co., Ltd. and overseas subsidiaries. It increased its sales by some 20% year on year through expansion of sales of meat cuts other than beef sirloin, the Overseas Division's main item.

### Fiscal 2020 Outlook

In fiscal 2020, the Overseas Division has been broadly impacted by the COVID-19 pandemic. The import business is facing a glut of imported frozen meat previously sold mostly to the food services industry through the commercial channel. Meanwhile, refrigerated meat demand from supermarkets and other retailers has increased. The Company will strive to rebalance supply and demand by promoting frozen meats more strongly to retailers and importing more refrigerated meats.

#### TOPIC San Chuang Enterprise (ShenZhen) Ltd.

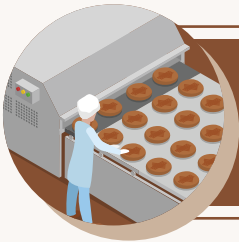
In October 2019, San Chuang Enterprise (ShenZhen), a JV among Mitsui & Co., Ltd., the Company and a local partner, commenced operations in China, a prospectively massive market. The Company is furnishing the venture with both human resources and meat-related expertise.

The export business has slumped in response to lockdowns in major European and American cities, reflecting that *Wagyu* is consumed overseas mostly at restaurants. Export volumes have been recovering in tandem with easing of lockdown restrictions, but they are not expected to return to their pre-pandemic level for a while, given concerns about second and third waves of the pandemic. In contrast, exports to Hong Kong and Taiwan, both of which are major Starzen export markets, have been largely unaffected by the pandemic. Export volumes to Hong Kong and Taiwan were tracking in line with seasonal norms through July 2020. Whether they continue to do so, however, hinges on the COVID-19 situation.

The import business' plans for fiscal 2020 include continuing to heavily promote U.S. beef and geographically diversifying its pork supplies, partly by increasing imports from Latin America, out of serious concern about African swine fever and other livestock diseases. In the chicken market, the import business will start to adjust its sourcing mix. It currently imports 80% of its chicken supplies from Brazil, but Brazilian chicken is prone to price competition in the Japanese market, forcing the Company to pursue greater economies of scale. To boost profit margins, the import business will increase imports of high-value-added Thai and U.S. chickens, which tend to be more standardized and consistent in quality than their Brazilian counterparts.

Additionally, overseas subsidiaries and affiliates will effectively allocate management resources by intensively focusing on selected priorities. The Overseas Division is targeting China and the United States as future growth markets. It will expand its operations by expanding overseas subsidiaries and affiliates' functions while seeking alliances with local companies.

San Chuang Enterprise's customers are mainly wholesalers in the Shenzhen region. They also have been hard hit by COVID-19. Retail meat sales, however, are strong. San Chuang Enterprise will increase its sales to retailers while seeking to partner with local processors.



## Production Division

Attributes	Assessment of operating environment (Opportunities)	Assessment of operating environment (Risks)
<ul style="list-style-type: none"><li>• Over three decades of hamburg steak production know-how</li><li>• Manufacturing technologies capable of meeting any need</li><li>• SQF-certified, high-quality assurance regime</li></ul>	<ul style="list-style-type: none"><li>• Growth in demand for convenient/ready-to-eat foods</li><li>• Shift in consumption toward meat alternatives in the wake of growing health/environmental consciousness</li></ul>	<ul style="list-style-type: none"><li>• Future market shrinkage due to low birth rate, aging population</li><li>• Slump in commercial-use product food market due to decreased restaurant demand</li></ul>

### Overview of Production Division

The Production Division's main business is manufacturing hamburg steaks at its Matsuo and Motomiya plants.

The Matsuo Plant dates back to 1984. Since 2001, it has been exclusively manufacturing hamburg steaks. It had previously manufactured other processed meat products in addition to hamburg steaks. The Motomiya Plant was commissioned in October 2018 as a baked hamburg steak production plant. It was built in response to growth in the Matsuo Plant's production volume.

With state-of-the-art facilities and production technology combined with flavoring and quality control know-how cultivated over decades, the Production Division is able to flexibly meet the needs of any customer, including restaurants, retailers, cafeterias and ready-to-eat food purveyors. It also does contract production of original products for major corporate customers. It has gained such customers' trust in terms of quality and food safety with its SQF-certified plants and in terms of scale with its dual-plant configuration.

### Fiscal 2019 in Review

In fiscal 2019, the Production Division (1) began manufacturing Zero Meat meatless hamburg steaks for Otsuka Foods Co., Ltd., (2) improved production efficiency and (3) strengthened sales of national brand products.

The Production Division started manufacturing Zero Meat hamburg steaks for the retail consumer market from June 2019. In March 2020, it began manufacturing and selling commercial Zero Meat products. The Company is stepping up promotion of Zero Meat in anticipation of demand growth fueled by growing health/sustainability consciousness.

To improve production efficiency, the Production Division has tightened budget control on a product-by-product basis to weed out unprofitable products. Because much of its contract manufacturing is done in small production runs, the Production Division is revamping its production processes to improve its plants' production efficiency.

The Company's core national brand products are Plump and Soft Hamburg Steak and Cheese-in Hamburg Steak, both of which

have long been popular. In fiscal 2019, their sales increased 50% year on year, boosted by promotional campaigns, including a sales push aimed at retailers, that coincided with a brand renewal to mark the Motomiya Plant's opening in October 2018.

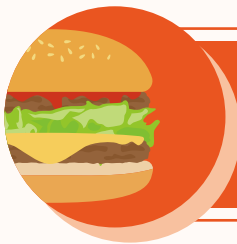
### Fiscal 2020 Outlook

The Company assumes that sales of commercial-use products for the restaurant industry will remain under heavy pressure from the pandemic. Given the commercial channel's large share of pre-pandemic hamburg steak sales, the Production Division will pursue development of prospectively popular products in collaboration with the Sales Division to increase retail products' share of hamburg steak sales. Meanwhile, it will also flexibly cater to the needs of the growing ranks of restaurants offering takeout and delivery.

The Company expects retail product sales to remain robust by virtue of growth in at-home meal demand. With consumers eating at home more frequently and together with more family members, the Company is forecasting demand growth across the spectrum from single-serving to jumbo packages. It expects to further expand sales of its two aforementioned core national brand products, both of which are sold in six-packs.

The Production Division will continue to meet customers' diverse needs by leveraging advanced production technologies while stepping up safety and reliability precautions to keep its plants operating stably even amid the ongoing pandemic.





## ▶▶▶ McDonald's Division

Attributes	Assessment of operating environment (Opportunities)	Assessment of operating environment (Risks)
<ul style="list-style-type: none"><li>• Supplier of beef patties to Japan's largest fast food chain</li><li>• High-quality and stable sourcing network</li></ul>	<ul style="list-style-type: none"><li>• Development of new products for McDonald's Japan</li><li>• McDonald's Japan's COVID-safe business model (e.g., takeout/drive-through service)</li></ul>	<ul style="list-style-type: none"><li>• International livestock epidemics, difficulty sourcing ingredients due to international developments</li></ul>

### Overview of McDonald's Division

The McDonald's Division was established in April 2020. The Starzen Group manufactures beef patties for McDonald's Japan at its Chiba Plant and through Orange Bay Foods Co., Ltd. (a JV 30% owned by the Company). The establishment of a separate division focused on serving McDonald's will strengthen the Company's position as a beef patty supplier.

The Company has built a strong partnership with McDonald's Japan over the course of the nearly five decades since McDonald's opened its first Japanese location in 1971. Initially, the Company supplied McDonald's with imported beef patties produced overseas. Since opening the Chiba Plant in 1972, however, it has been domestically producing beef patties from imported ingredients.

The Company has won plaudits from McDonald's Japan for its stable quality and wealth of know-how amassed over decades. In 2019, it received a Quality Performance Award presented by McDonald's to suppliers that maintain high-quality year-round and contribute to product safety and reliability in McDonald's.

### McDonald's Division's Initiatives

The McDonald's Division's strength lies in its vast repertoire of quality control techniques and exhaustive know-how with respect to manufacturing beef patties essential to hamburgers. McDonald's beef patties are 100% beef, with no binders or additives. They are used in not only perennial menu items like hamburgers and Big Macs but also various seasonal and promotional menu items. The Company plans to proactively pitch product ideas to McDonald's Japan, capitalizing on its integrated supply chain, one of its core strengths.

Additionally, McDonald's Japan has a business model that enables it to serve the public in a COVID-safe manner, mainly through takeout and drive-through service. The McDonald's Division will fulfill its social responsibilities amid the pandemic by taking thorough anti-pandemic precautions at its plants and stably supplying safe and reliable beef patties.

### Business Continuity at Chiba Plant

Amid a spate of domestic natural disasters in recent years, the Company has continued to endeavor to more reliably ensure business continuity in times of emergency.

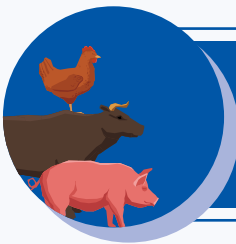
In October 2019, Typhoon Hagibis left the Chiba Plant and its vicinity without power for four days. Although the Company had never envisioned a power outage of such long duration, the plant was equipped with emergency generators that enabled it to maintain stable operations even if the power outage had lasted longer.

Additionally, changes in international conditions and international livestock disease outbreaks pose sourcing risk and can trigger swings in imported meat prices. Stably sourcing safe and reliable foodstuffs no matter what the circumstances is one of the Company's key missions. The beef from which the McDonald's Division makes hamburger patties is sourced from Australia and New Zealand via the Overseas Division. The McDonald's Division continues to pursue stable sourcing channels in close coordination with the Overseas Division and STARZEN AUSTRALIA PTY LTD.

### Sustainability Initiatives

The McDonald's Division is engaged in sustainability initiatives in accord with its responsibility as a supplier to McDonald's Japan. It will take action to promote animal welfare and protect the global environment to realize sustainable livestock production together with overseas meatpackers.

In fiscal 2019, the Chiba Plant reduced meat loss during production processes by reconfiguring its production lines. Newly installed equipment reduced meat wasted during production by some 12% year on year in fiscal 2019. Since January 2020, the Chiba Plant has been working on transporting incoming beef and outgoing finished products more efficiently in response to recent growth in logistics expenses. In the first five months of 2020, it achieved a 2.5% year-on-year reduction in truck loadings and unloadings through better scheduling of incoming deliveries and outgoing shipments.



## ▶▶▶ Breeding and Farming Division

Attributes	Assessment of operating environment (Opportunities)	Assessment of operating environment (Risks)
<ul style="list-style-type: none"><li>• Owner/manager of affiliated farms in major meat producing regions (Hokkaido, Tohoku, Kyushu)</li><li>• Livestock production infrastructure based on breeding farm operations and an egg fertilization laboratory for <i>Wagyu</i> beef</li></ul>	<ul style="list-style-type: none"><li>• Production efficiency gains through smart farming</li><li>• Public trust in domestically produced meat's safety and reliability</li></ul>	<ul style="list-style-type: none"><li>• Decrease in domestic livestock farms</li><li>• Growth in low-priced meat imports due to tariff reductions</li><li>• Shift in consumption toward meat alternatives in the wake of growing health/environmental consciousness</li></ul>

### Overview of Breeding and Farming Division

The Starzen Group has long been delivering safe, reliable and delicious domestically produced meats to customers throughout Japan while building partnerships with livestock farmers throughout Japan. In recent years, however, Japan's farmer population has been decreasing as a result of low birth rate, aging population, rural depopulation and cost inflation. The Breeding and Farming Division will support stable long-term meat supplies by operating Company-owned and affiliated farms in major meat producing regions.

### Hog Breeding/Fattening Business

The Starzen Group has been raising hogs for decades. Starzen-affiliated hog farms currently account for about 30% of the processed pork supplied by the Group. The Group produces branded pork that meets consumers' needs. Its pork brands include Kodawari Pork and Kurikoma-Kogen Catechin Pork.

### Cattle Breeding/Fattening Business

The domestic cattle breeding/fattening business was launched in 2016. Its operations are concentrated at three sites: the Starzen Fertilized Egg Laboratory for *Wagyu* Beef in Kagoshima Prefecture; Ashoro Asahigaoka Farm Co., Ltd., a *Wagyu* cattle breeding farm in Hokkaido; and Hokkaido Hamanaka Beef Farm Co., Ltd., a crossbred cattle fattening farm in Hokkaido.

Hokkaido Hamanaka Beef Farm was established as a JV with Japan Agricultural Co-operative in Hamanaka Town, a dairy farming town. Today, local dairy farmers and cattle farmers collaborate with each other. Such collaboration includes impregnation of local dairy farmers' cows with fertilized eggs from the Starzen Fertilized Egg Laboratory for *Wagyu* Beef. Since December 2019, Hokkaido Hamanaka Beef Farm's branded beef, Hamanaka Black Beef, has been designated as an eligible gift under 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). The Company is expanding its operations in the region while deepening its ties with the local community, including by launching a hamburg steak brand made with Hamanaka Beef, a dairy cattle breed common in Hamanaka Town.

Ashoro Asahigaoka Farm, which breeds *Wagyu* cattle, is experimenting with monitoring cattle with implanted microchips as a smart livestock farming technology. Pregnant cows are prone to sudden changes in physical condition. The chips have the potential to enable early detection of any health irregularities through monitoring of cattle's movements, including eating frequency and sleep.

### Farm Safety and Reliability Initiatives

With classical swine fever emerging as a problem in Japan since 2019, the Company has implemented stringent safeguards against livestock diseases even at its own farms. In the event of a livestock disease outbreak, the animals on the farm where the outbreak occurred would have to be exterminated. Even the common cold poses substantial risk to cattle and hogs, as it can severely affect their fattening rate and meat quality. Hygiene management accordingly plays a critical role on farms in terms of increasing production efficiency and meat quality.

Hogs in particular are very delicate animals. They are highly susceptible to bacterial infection and lack resilience against stress due to changes in the environment. Consequently, farm access is normally restricted, employees are required to shower at the beginning and end of their workday, and farms are fenced to keep out wild animals as a safeguard against African and classical swine fever.

The Breeding and Farming Division will improve the safety of its farms by effectively adopting the Hazard Analysis and Critical Control Point (HACCP) approach and appropriately upgrading its facilities.

### Sustainability Initiatives

Efforts to address environmental problems and ensure animal welfare are imperative at livestock farms. The Company is upgrading its farms' livestock waste treatment facilities to better protect the environment in compliance with national standards. In upgrading its farms' infrastructure, the Company is pursuing sustainable farm operations through such means as switching to renewable energy sources, improving energy efficiency and factoring animal welfare into design decisions.





# Quality Assurance Division

Starzen Group Quality Policy

1. Legal and Regulatory Compliance	2. Groupwide quality assurance regime	3. Customer first
The Starzen Group complies with all legal and regulatory requirements pertaining to food.	The Starzen Group continuously upgrades its quality assurance regime on a coordinated Groupwide basis to ensure its food products are safe and reliable.	The Starzen Group earnestly listens to customer feedback and strives to provide complete, accurate information to customers.

Overview of Quality Assurance Division

The Quality Assurance Division assures products’ safety, reliability and quality across all processes from product planning/design to sourcing, processing/manufacturing, distribution and sales. To ensure that the Company ships only safe and delicious products that consumers can enjoy with peace of mind, the Quality Assurance Division conducts internal audits and has set up quality control sections in every business unit to monitor production and supplied products within the Group. It also endeavors to ensure that quality assurance is consistent throughout the Group by dispatching its personnel on temporary assignments.

The Quality Assurance Division is currently placing priority on pervasively expanding its quality assurance regime. Under its Medium-term Management Plan, the Starzen Group intends to increase processed food products’ share of its sales volume with the aim of becoming a processed meat manufacturer. The Quality Assurance Division will help the Group to gain societal trust and keep growing by providing quality assurance input from the product planning/design stage onward.

External Safety/Quality Certifications

The Starzen Group obtains external certifications and undergoes third-party audits for food safety and reliability. Food safety incidents can take various forms ranging from mislabeling to contamination with toxins or foreign objects. The Company must effectively operate and manage its quality assurance systems to ensure its products can be consumed with peace of mind.

The SQF certifications that the Company is in the process of obtaining at all of its sites are an attestation of compliance with internationally recognized standards based on HACCP. Fifty-six of the Company’s plants, sales branches and farms have been SQF-certified to date\*. These sites periodically undergo a third-party audit to renew their SQF certification.

Given SQF’s status as an internationally recognized certification regime, the multitude of Starzen Group sites that have been certified puts the Company in a strong position to expand globally.

\* As of September 30, 2020

Adoption of Gas Exchange Packaging for Meat

Gas exchange food packaging is a technology that impedes food degradation and extends shelf life by using a gas like carbon dioxide or nitrogen to convert the air inside food packages to inert gases or oxygen, for example. It is used to package various foods in Europe and the United States but was not formally approved in Japan for meat packaging until summer 2020, when the Starzen Group received permission from the Ministry of Health, Labour and Welfare to use gas exchange packaging based on research it had jointly conducted with Tokyo Kasei University.

The Company’s processing plants have always maintained high hygiene standards. Use of gas exchange packaging to package processed meat in such an environment can extend the meat’s shelf life and suppress changes in the meat’s color and drip (water leakage due to rupture of the meat’s cell membranes). The Company will continue to proactively embrace technologies that extend shelf life and preserve quality, like vacuum seal packaging and gas exchange packaging, with the aim of improving food safety, imparting greater reliability to consumers and reducing food waste.

New Inspection Center in Koriyama, Fukushima Prefecture

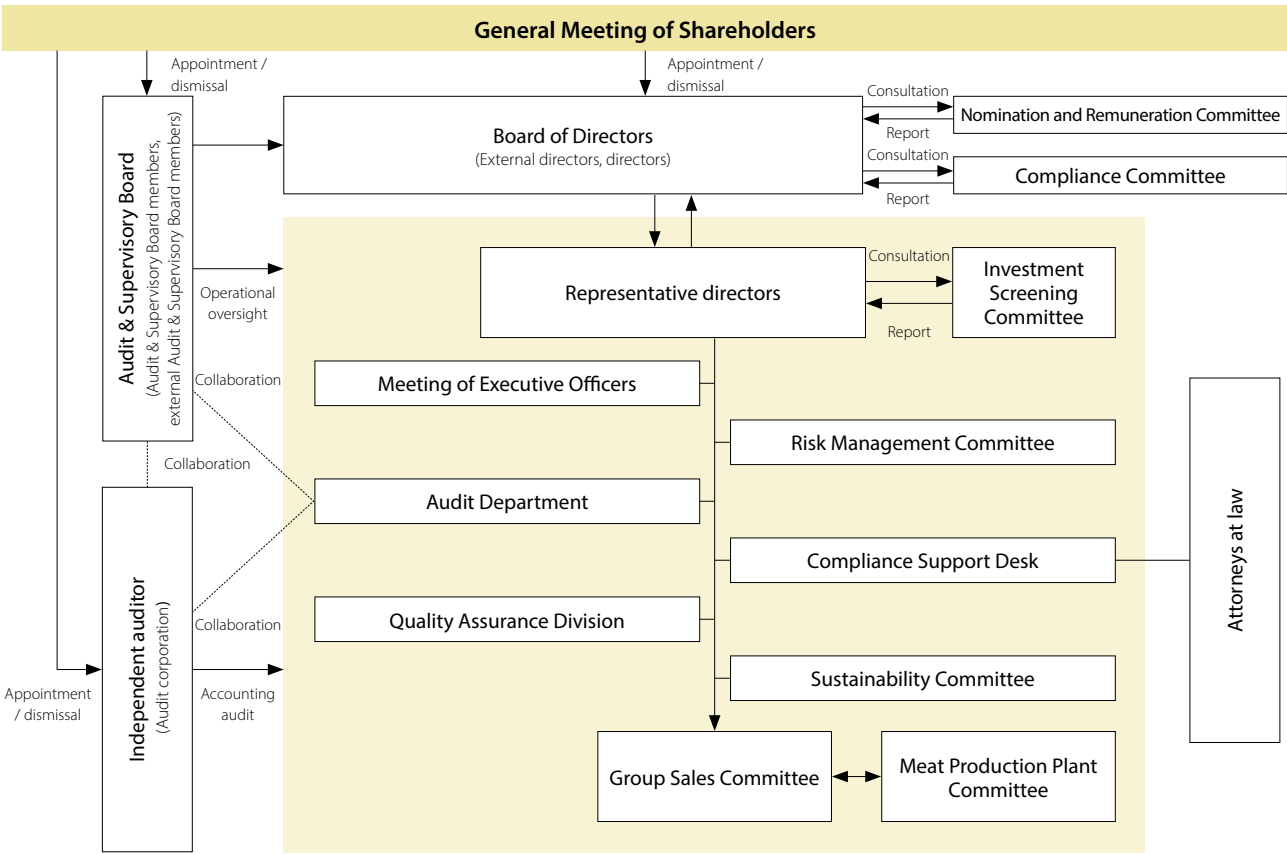
In October 2019, the Company relocated its inspection center from Tokyo to Koriyama, near the Sales Division’s Koriyama Processing Center and Koriyama Sales Branch, STARZEN MEAT PROCESSOR’s Koriyama Plant, the Production Division’s Motomiya Plant and subsidiary Aoki Foods Co., Ltd. The Company relocated the inspection center to Koriyama, where quite a few Group sites are located, to consolidate inspection operations and reduce costs. It is working on adding physical testing functions in the future, and also plans to conduct research conducive to new product development.

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. To realize this vision, it has adopted a management philosophy with three tenets: “be a company with which customers feel fortunate to do business,” “grow through our work” and “take action as Team Starzen.” To put these tenets into practice and achieve both sustained growth and medium- to long-term appreciation in corporate value, 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 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 October 1, 2020)



Organizational structure	Company with Board of Auditors
Number of directors	11
Of which, external directors	3
Directors’ term of office under Articles of Incorporation	1 year
Number of Audit & Supervisory Board members	4
Of which, external Audit & Supervisory Board members	3
Independent auditor	Ernst & Young ShinNihon LLC

Corporate Governance Regime and Institutional Design

Board of Directors and Directors

■ Board of Directors’ Role

The Board of Directors makes important management decisions, including approval of management strategies/plans, and oversees business execution in accord with laws and regulations, the Company’s Articles of Incorporation and applicable internal regulations. With the exception of these functions, the Board delegates authority for business execution to executive officers in charge of operating divisions to expedite operational decision-making.

■ Overall Composition

The Board of Directors comprises a maximum of 20 directors, including external directors, in accord with the Articles of Incorporation. Directors are required to possess a wide range of knowledge, experience and skills. 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). (see: [https://www.starzen.co.jp/ir/management\\_policy/governance.html](https://www.starzen.co.jp/ir/management_policy/governance.html)) (in Japanese only)

■ Operation of Board of Directors

In addition to matters stipulated in the Companies Act, the Board of Directors mostly deliberates on plans, including annual plans, medium-term management plans and investment plans. Investment plans in particular are reviewed by the Board after they have been approved by the Investment Screening Committee established to advise the Representative Directors. The Investment Screening Committee screens investments for rationality and appropriateness, including from a forward-looking perspective, and reports its conclusions to the Board of Directors. Board meetings’ frequency and duration are set on a schedule that enables the Board to engage in discussions necessary and sufficient to exercise oversight of, and approve important matters related to, business execution. Discussion materials are distributed to directors before Board meetings to allow sufficient preparation time to enable constructive discussions at meetings.

■ Directors’ Role

Directors fulfill their duties as directors in pursuit of sustained growth in corporate value, cognizant of their fiduciary responsibilities. To do so, they collect sufficient information and proactively speak out at Board meetings, engaging in open, constructive discussion based on their respective values, ethics, experience and expertise. They also endeavor to diligently study and acquire the knowledge required to properly fulfill their role and duties.

■ External Directors’ Role

External directors (including independent directors) participate in important Board decisions, monitor the decision-making process and offer advice based on their own experience and insight in response to management status reports.

To do so, they request information from the Company as necessary. They also discuss the Company’s management with the Audit & Supervisory Board.

Independent external directors monitor conflicts of interest between management and the Company or its shareholders from an independent perspective in addition to exercising oversight of management from the standpoint of regular shareholders to protect such shareholders and uphold shareholders’ common interests.

■ Appointment/Dismissal

- ➊ For internal directorships, the Board of Directors appoints individuals who possess sufficient societal credibility and the knowledge and experience to manage the Company proficiently, fairly and efficiently. For external directorships, the Board appoints individuals possessing the following qualifications to adequately fulfill oversight functions.
  - A high degree of expertise and/or extensive experience in corporate management, risk management, legal/regulatory compliance, internal controls, corporate ethics, management quality, macroeconomic policy or another relevant field.
- ➋ For executive officerships, the Board of Directors appoints individuals highly knowledgeable about the Company’s operations and capable of fulfilling the position’s duties.
- ➌ The Board of Directors makes director and executive officer appointment decisions and discloses the rationale behind them.
- ➍ 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 in the Articles of Incorporation, directors’ term of office expires at the conclusion of the annual General Meeting of Shareholders for the fiscal year ending within one year of the director’s appointment. As a general rule, external directors are limited to serving a maximum of eight years in total from the standpoint of ensuring their independence.

■ Concurrent Positions

Directors may concurrently hold positions at entities other than the Company, including directorships and/or officerships, but only to the extent they can still fulfill their fiduciary duties of loyalty and care as a director of the Company. The Company annually discloses directors’ significant concurrent positions.

Audit & Supervisory Board and Members Thereof

■ Roles of Audit & Supervisory Board and Its Members

The Audit & Supervisory Board and its members monitor the Board of Directors’ performance of its duties and the Company and its subsidiaries’ internal controls, operating performance and financial condition on behalf of shareholders as a independent body from the Board of Directors. It does so through such means as exercising its authority to request operational reports from the Company and its subsidiaries, investigate their operational/financial status and appoint/dismiss independent auditors. The Company endeavors to provide sufficient staffing to ensure effective oversight by Audit & Supervisory Board members. The Audit & Supervisory Board coordinates with internal auditing staff, holds discussions with external directors and provides information gathered through its oversight activities.

■ Overall Composition

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

■ Appointment

- ➊ For internal Audit & Supervisory Board memberships, the Board of Directors appoints candidates who possess sufficient societal credibility and the knowledge and experience to proficiently, fairly and efficiently monitor directors’ execution of their duties. For external Audit & Supervisory Board memberships, the Board of Directors appoints candidates possessing the following qualifications to adequately fulfill oversight functions.
  - A high degree of expertise and/or extensive experience in corporate management, risk management, legal/regulatory compliance, internal controls, corporate ethics, management quality, macroeconomic policy or another relevant field.
- ➋ The Board of Directors makes Audit & Supervisory Board member appointment decisions and discloses the rationale behind them. Before doing so, it obtains the Audit & Supervisory Board’s consent to submit the proposed appointment to a vote of shareholders at a General Meeting of Shareholders.

■ 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. External Audit & Supervisory Board members are limited to serving a maximum of eight years in total from the standpoint of ensuring their independence.

■ Concurrent Positions

Audit & Supervisory Board members may concurrently hold positions at entities other than the Company, including directorships and/or officerships, but only to the extent they can still fulfill their fiduciary duties of loyalty and care as a member of the Company’s Audit & Supervisory Board. The Company annually discloses Audit & Supervisory Board members’ significant concurrent positions.

Advisors and Counselors

Advisors and counselors advise the Company only when requested to do so by the Representative Directors. They provide advice based on their knowledge and experience without any direct legal responsibility to management. Additionally, they indirectly aid the Company’s operating performance through such means as attending industry/business events, taking part in activities for the benefit of local communities and maintaining relationships with customers/suppliers.

Advisor and counselor appointments are approved by the Board of Directors. Advisors are carefully selected from the ranks of former executive directors; counselors, from among experts.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee deliberates and reports to the Board of Directors on the following matters as an advisory body to the Board of Directors.

- ➊ Director and executive officer appointments/dismissals and management succession plans
- ➋ Remuneration schemes for directors, executive officers, and advisors

The Nomination and Remuneration Committee is chaired by an external director. To ensure its independence, a majority of its members are external directors as a general rule.

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. Additionally, 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.

Management Succession Planning

The Company considers appointment of its CEO to be its most important strategic decision. It formulates management succession plans and strives to implement them appropriately. The Nomination and Remuneration Committee will deliberate and report to the Board of Directors on management succession plans, discuss them an on an ongoing basis and update them in light of changes in the operating environment and other such factors. The Board of Directors appropriately monitors the succession plan's implementation status. Additionally, if the Company's reputation or credibility were to be materially tarnished by any untoward incident involving the CEO, the Board of Directors would decide whether to dismiss the CEO, taking the Nomination and Remuneration Committee's input into consideration.

Evaluation of Effectiveness

Evaluation of Board of Directors' Effectiveness

To ensure effective decision-making, the Board of Directors annually analyzes and evaluates the effectiveness of its meetings and decisions, largely through self-assessments, in accord with the Company's Basic Policy on Corporate Governance. The fiscal 2019 evaluation's methodology and results were as follows.

Evaluation Method

The Board of Directors surveyed all directors and Audit & Supervisory Board members, analyzed and evaluated its effectiveness based on the survey results and identified issues to address going forward.

Subject Matter of Survey Questions

1 Board of Directors' composition

2 Board of Directors' operational status

3 Support for external directors

4 Role and expectations for Audit & Supervisory Board members

5 Relationship with shareholders/investors

6 Training

7 Governance structure and Board of Directors' overall effectiveness

8 Other

Evaluation Results

The survey responses included a call for improvement in the Board of Directors' and Audit & Supervisory Board's composition and positive feedback on improvements in how Board of Directors' meetings are run, including electronic distribution of meeting materials in advance 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.

Going forward, the Company will engage more with investors and clarify directors and Audit & Supervisory Board members' individual roles. From the standpoint of strengthening corporate governance, it will continuously pursue improvement in the Board of Directors' effectiveness, including by upgrading training to improve Board discussions and encouraging more input/proposals on needed improvements.

Officer Remuneration

(1) Policy and procedures

- 1

The Company's basic policies on setting directors' and executive officers' remuneration are as follows.
  - Ensure transparency, fairness, and objectivity.
  - Design a remuneration scheme that incentivizes improvement in operating performance.
  - Set individual remuneration at an appropriate level in light of remuneration levels at suitably comparable companies, taking their industry into account. Also take into account the Company's other officers and employees' remuneration and officers' and employees' remuneration levels at other Starzen Group companies.

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

The Nomination and Remuneration Committee reports to the Board of Directors on its processes with respect to individual directors' and executive officers' remuneration amounts. The Representative Directors determine specifically how directors' and executive officers' aggregate remuneration is to be apportioned among individual recipients within the aggregate remuneration limit approved by shareholders at a General Meeting of Shareholders.

(2) Directors' and executive officers' remuneration

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. External directors' remuneration consists solely of fixed remuneration.

(3) Audit & Supervisory Board members' remuneration

- 1

Audit & Supervisory Board members' remuneration consists solely of fixed remuneration.

2

Audit & Supervisory Board members' remuneration amounts are set by the Audit & Supervisory Board within the aggregate remuneration limit approved by shareholders at a General Meeting of Shareholders.

Category	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Recipients
		Fixed remuneration	Performance-based remuneration	Retirement bonus	
Directors (excluding external directors)	327	133	194	—	11
Audit & Supervisory Board members (excluding external members)	14	14	—	—	1
External directors and Audit & Supervisory Board members	34	34	—	—	6

Note: One unremunerated director is not included in the table above.

Rationale behind External Directors' and Audit & Supervisory Board Members' Appointments

Name	Independent	Significant concurrent positions	Rationale behind appointment
Wataru Ohara	Yes	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 to continue 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.
Hiroyuki Umeno	Yes	External Audit & Supervisory Board Member, SHIRAKO CO., LTD.	Mr. Umeno possesses specialized knowledge and insight gained over a long career in banking and finance. The Company reappointed him as an external director to continue 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	No	General Manager of Oils & Fats, Staple Food Project Division, Food Business Unit Mitsui & Co., Ltd.	Mr. Yoshisato has served in a number of key positions at Mitsui & Co., Ltd. He possesses deep knowledge of the food industry and keen insight. The Company newly appointed 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.
Masashi Hirata	No	—	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 newly appointed him as an external Audit & Supervisory Board member to capitalize on his experience and insight in making its internal auditing function more sound and transparent.
Shingo Ogoshi	Yes	Senior Partner of Ogoshi Accounting & Tax Corporation	Mr. Ogoshi is a CPA and certified tax accountant thoroughly versed in accounting and finance. The Company reappointed him as an external Audit & Supervisory Board member in recognition of his ability to appropriately fulfill his duties in that capacity.
Mariko Eto	Yes	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 newly appointed her as an external Audit & Supervisory Board member to capitalize on her deep knowledge of risk management and labor law in making its internal auditing function more sound and transparent.



Cross-Shareholdings\*

Basic Policy

The Company holds equity stakes in customers and suppliers when it deems such investments to be conducive to medium- to long-term growth in the Starzen Group's corporate value by, for example, helping to build stable, long-term relationships with customers/suppliers or strengthen existing relationships through operational alliances.

Assessment of Cross-Shareholdings’ Status

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 Cross-Shareholdings

(As of March 31, 2020)

Issues owned: 58

Total carrying value: ¥4,243 million

\* Equity investments owned for other than purely investment purposes

Dialogue with Shareholders

The Company fosters an environment conducive to the appropriate exercise of shareholders' rights so their rights and equal standing are assured. Additionally, the Company provides staffing for constructive dialogue with shareholders not only at General Meetings of Shareholders but also in other settings with the aim of contributing to its sustained growth and medium- to long-term appreciation in its corporate value.

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 general meeting convocation notices to shareholders early to ensure 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.

■ Scheduling

The Company appropriately schedules General Meetings of Shareholders to realize constructive dialogue with shareholders through mass attendance of shareholders.

■ 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 in the Starzen Group and medium- to long-term appreciation in corporate value.

- 1 Directors selected by the Representative Directors oversee all dialogue with shareholders and strive to ensure that constructive dialogue takes place. Company personnel who engage in actual dialogue with shareholders include not only said directors but other personnel chosen by said directors based on shareholders’ wishes and main topics of interest.
- 2 Investor relations (IR) staff assist with such dialogue in coordination with Group companies' staff and make 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, Business Reports and general meeting 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 in Fiscal 2019

Activity	Times held/published
Earnings briefings	2
General Meeting of Shareholders	1
Annual Report	1
Newsletter to Shareholders	1

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 in 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 Companywide 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 It distributes a pamphlet containing its Code of Conduct and Corporate Behavior Guidelines, both of which prescribe basic principles on how Group personnel should conduct themselves.
- 2 It has set up a Compliance Support Desk internally and externally accessible to all personnel and their families to facilitate early detection of problems as one aspect of creating pleasant, healthy workplaces.
- 3 It provides employees with opportunities to learn the importance of compliance through rank/job-specific training sessions, internal newsletters and reports.
- 4 It 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 It conducts compliance checks to avoid associating with antisocial forces and prevent improprieties.

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 Groupwide 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 Groupwide 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.

Newly Established Risk Management Department

In April 2020, the Starzen Group established a Risk Management Department that reports directly to the CEO with the aim of strengthening its risk management regime. The new independent department integrates legal affairs, compliance and administrative functions previously housed within the General Affairs Department.

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.

HR Management

Basic Policy

The Starzen Group believes human resources (HR) are the management resource most important to its growth. It actively recruits and develops human resources in pursuit of its Management Vision and fosters a workplace environment where employees can grow through their jobs in accord with its Management Philosophy.

HR Development

The Company has set up various training programs for its entire workforce, from entry-level employees to senior management, to increase its competitiveness by developing human resources capable of thinking for themselves and taking action on their own initiative.

Meat Education

The Company uses Federal Meat Academy\* training courses, mainly for sales branches' entry-level employees. It is developing sales personnel capable of thriving in frontline roles by equipping them with marketing and other business skills in addition to meat expertise.

\* A nonprofit school that provides systematized instruction on meat and meat-related technologies.



Promotion of Mutual Understanding within Group

The Company conducts on-site training for first- and second-year employees in meat production regions or at processing plants to promote understanding of other divisions' operations and strengthen frontline and solutions capabilities.

Development of Global HR

The Company provides business leadership training to next-generation senior executive candidates. The trainees visit Starzen Group companies' domestic and overseas facilities to cultivate international sensibilities as well as the ability to identify deficiencies within the Group and propose solutions.

In fiscal 2019, seven trainees visited STARZEN AUSTRALIA PTY LTD and one of its affiliated farms and engaged in discussions with

local personnel. They also gave individual presentations to management on their proposed solutions to assigned problems.



Cultivation of Expertise

In addition to training programs, the Company encourages employees to obtain meat industry credentials by passing certification exams such as the *Oniku Kentei* meat exams and beef and pork portioning Meister Certification exams.

<b>Oniku Kentei meat exams</b> <b>(Cumulative totals for first through eighth annual exams)</b>			
Successful level-1 examinees:	1,390	Successful level-2 examinees:	235
<b>Level-1 beef/pork portioning Meister Certification exams*</b>			
Certified beef butchers:	20	Certified pork butchers:	41
<b>Ham, sausage and bacon production skill certification exams*</b>			
Successful level-1 examinees:	19	Successful level-2 examinees:	25
* As of March 31, 2020			

Promotion of Workforce Dynamism

Employee Health and Productivity Management

Since June 2019, the Company has been striving to meet the Ministry of Economy, Trade and Industry's Certified Health and Productivity Management Organization Recognition Program's 18 certification criteria with the aim of fostering health consciousness among employees and boosting their productivity.

The Company's employee health management initiatives include internal seminars on diet and smoking cessation,

stretching breaks during working hours and periodic distribution of health-related publications. Through such efforts, the Company was certified as a silver-level health and productivity management organization. Employees are becoming more health conscious, increasingly inquiring about health checkups and second opinions. The Company will continue to help its employees improve their health.

Workstyle Reforms

The Company formally launched a work-from-home program in April 2020\*. It also encourages employees to use their annual paid vacation. Additionally, it has revamped its HR regime to give employees more options in terms of career tracks, including the ability to choose their job and work location in accord with their lifestyle and career plans.

\* The program was first implemented for a subset of employees as an emergency measure in response to government-mandated school closures in February 2020.

Initiatives to Support Women's Careers

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

Sustainability Activities

Basic Policy

The Starzen Group will contribute to the development of a sustainable society by addressing societal issues through business activities that meet strict compliance standards. We believe Groupwide CSR activities will help to attain the Sustainable Development Goals (SDGs).

**SDGs**

The SDGs are universal action guidelines for international society adopted at a September 2015 UN Summit in the form of the 2030 Agenda for Sustainable Development. There are 17 SDGs collectively comprising 169 targets. The Starzen Group is pursuing the SDGs through such means as a materiality determination process. It established a Sustainability Section in April 2020 and formed a Sustainability Committee chaired by the CEO in October. Additionally, every organizational unit is carrying out its own sustainability initiatives.



Specific Initiatives

Food Loss/Waste Reduction

The Starzen Group is working on extending meat's shelf life, capitalizing on its processing and manufacturing facilities' high hygiene standards as a strength.

Vacuum seal packaging of meat with special film preserves freshness and extends shelf life by slowing degradation due to oxygen and ameliorating drip (moisture emitted by food while refrigerated to preserve freshness). It also enables meat to be packaged without a plastic tray.

Additionally, the Starzen Group will help to reduce food loss/waste through use of technologies such as gas exchange packaging of meat (see page 21).

Energy Conservation

The Starzen Group is successively replacing the freezers in its sales branches' warehouses with highly energy-efficient models. The freezer upgrade is slated to be completed at all sales branches by March 2021 and is expected to improve each warehouse's energy

efficiency by up to 20–30%. Additionally, the Group is successively replacing lighting at its offices and other facilities with energy-efficient LED lights.

**Local Activities**

The Starzen Group is proactively deepening ties with its plants' communities as one activity to contribute to local communities. Its initiatives to do so include supplying meat processed at the Misawa Pork Center and Akune Plant to local schools, hosting plant tours and assisting with hygiene instruction at high schools offering meat-related educational programs.

Installation of Solar Panels

The Starzen Group installed solar panels at its Akune and Kaseda plants in February 2020. With both plants located in sunny Kagoshima Prefecture, the solar panels are expected to be an effective power source.

# Directors and Audit & Supervisory Board Members (As of June 27, 2020)

## Directors



### 1 Tsuyoshi Nakatsuhama

Chairman, President & CEO

Apr. 1972 Joined 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 President & CEO  
Apr. 2018 Chairman, President & CEO (current position)



### 2 Akira Nagano

Executive Vice President  
Representative Director

Apr. 1978 Joined Starzen Co., Ltd.  
Apr. 1996 General Manager of 1st Department, Zenchiku Sales Co., Ltd.  
Mar. 1999 General Manager of Business Development Department, Starzen 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 Executive Vice President, Representative Director (current position)



### 7 Masamichi Takahashi

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

Apr. 1986 Joined Starzen Co., Ltd.  
Apr. 2009 General Manager of Domestic Pork Broiler Department, Starzen Meat Group Co., Ltd. (currently STARZEN MEAT PROCESSOR Co., Ltd.)  
Apr. 2010 Director, General Manager of Domestic Pork Broiler Department, Starzen Meat Group Co., Ltd.  
Apr. 2013 Director, General Manager of Plants in Northern Japan, STARZEN MEAT PROCESSOR Co., Ltd.  
Apr. 2016 Senior 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)



### 8 Ryoichi Takahama

Director  
Deputy General Manager  
of Sales Division

Apr. 1988 Joined 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 Senior 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. (current position)



### 3 Kazuhiko Yokota

Senior Managing Director  
General Manager of Sales Division

Apr. 1986 Joined Starzen Co., Ltd.  
Mar. 1999 Fujisawa Sales Branch Manager  
Feb. 2006 General Manager of Mass Retailer Business Department  
Oct. 2010 President & CEO, Starzen Broad Area Sales Co., Ltd.  
Apr. 2013 Executive Officer, Starzen Co., Ltd.  
Jan. 2014 Executive Officer, General Manager of Sales Division  
Apr. 2015 Managing Executive Officer  
Jun. 2016 Director  
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 (current position)



### 4 Yasuaki Irie

Managing Director  
General Manager of Sales Planning  
Division

Apr. 1984 Joined Mitsui & Co., Ltd.  
Sep. 2008 Senior Vice President, Multigrain S.A. (Brazil)  
Oct. 2010 General Manager of Kyushu Food Division, Mitsui & Co., Ltd.  
Apr. 2014 Executive Vice President, Starzen International Co., Ltd.  
Jun. 2014 President & CEO, Starzen International Co., Ltd.  
Apr. 2015 Executive Officer, Starzen Co., Ltd.  
Jul. 2015 Director  
Feb. 2018 Executive Vice President, STARZEN MEAT PROCESSOR Co., Ltd.  
Apr. 2018 President & CEO, STARZEN MEAT PROCESSOR Co., Ltd.  
Apr. 2019 Director, General Manager of Sales Planning Division, Starzen Co., Ltd.  
Apr. 2020 Managing Director, General Manager of Sales Planning Division (current position)



### 9 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  
Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation  
Apr. 2009 Representative Director and Deputy President, Sumitomo Mitsui Banking Corporation  
Deputy President, Sumitomo Mitsui Financial Group, Inc.  
Jun. 2010 Representative Director, Deputy President, Sumitomo Mitsui Financial Group, Inc.  
Jun. 2011 Advisor, Sumitomo Mitsui Banking Corporation  
Jun. 2012 Director, Teisoh Co., Ltd. (currently Teikoku-Soko Co., Ltd.)  
Outside Audit & Supervisory Board Member, Oriental Motor Co., Ltd.  
Apr. 2013 President, Director, Teisoh Co., Ltd. (currently Teikoku-Soko Co., Ltd.)  
Jun. 2017 Director (external), Starzen Co., Ltd. (current position)  
Jun. 2020 Chairman, Teikoku-Soko Co., Ltd. (current position)



### 10 Hiroyuki Umeno

Director (External)

Apr. 1981 Joined the Norinchukin Bank  
Oct. 2002 General Manager of Wakayama Office, The Norinchukin Bank  
Jul. 2005 Deputy General Manager of Procedures & Operations Planning Division, The Norinchukin Bank  
Nov. 2007 General Manager of Sapporo Branch, The Norinchukin Bank  
Aug. 2010 Senior Managing Director, National Federation of Forest Owners' Co-operative Association  
Jun. 2013 Senior Managing Director, The Cooperative Servicing Co., Ltd.  
Jun. 2019 Director (external), Starzen Co., Ltd. (current position)  
Jun. 2019 External Audit & Supervisory Board Member, SHIRAKO CO., LTD. (current position)



### 5 Masao Uzurahashi

Director  
General Manager of Overseas  
Division

Sep. 2008 Joined Starzen Co., Ltd.  
Oct. 2011 President & CEO, STARZEN EUROPE ApS  
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. (current position)



### 6 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.  
Sep. 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 (non-executive), Starzen Co., Ltd.  
Apr. 2019 Director, General Manager of Production Division, Starzen Co., Ltd.  
Apr. 2020 Director, General Manager of McDonald's Division (current position)



### 11 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 I, 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. (current position)  
Jun. 2020 Director (external), Starzen Co., Ltd. (current position)



Audit & Supervisory Board Members



12 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 Bubunniku 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)



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



14 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, Ogoshi Accounting & Tax Corporation (current position)  
 Jun. 2016 Audit & Supervisory Board Member (External), Starzen Co., Ltd. (current position)



15 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 Committee/Management Body Memberships (As of October 1, 2020)

Name	Main position(s)	Board of Directors' meeting attendance (fiscal 2019)	Meeting of Executive Officers	Compliance Committee	Risk Management Committee	Sustainability Committee	Group Sales Committee
Tsuyoshi Nakatsuhama	Chairman, President & CEO	13 of 13 meetings	○	○		○	○
Akira Nagano	Executive Vice President Representative Director	13 of 13 meetings	○	○		○	○
Kazuhiko Yokota	Senior Managing Director General Manager of Sales Division	13 of 13 meetings	○	○		○	○
Yasuaki Irie	Managing Director General Manager of Sales Planning Division	13 of 13 meetings	○	○	○	○	○
Masao Uzurahashi	Director General Manager of Overseas Division	13 of 13 meetings	○	○		○	○
Motoyasu Hasebe	Director General Manager of McDonald's Division	13 of 13 meetings	○		○	○	○
Masamichi Takahashi	Director President & CEO, STARZEN MEAT PROCESSOR Co., Ltd.	10 of 10 meetings*	○	○	○	○	○
Ryoichi Takahama	Director Deputy General Manager of Sales Division	10 of 10 meetings*	○		○		○
Wataru Ohara	Director (external) Chairman, Teikoku-Soko Co., Ltd. / Independent Officer	13 of 13 meetings					
Hiroyuki Umeno	Director (external) External Audit & Supervisory Board Member, SHIRAKO CO., LTD. / Independent Officer	10 of 10 meetings*					
Kaku Yoshisato	Director (external) General Manager of Oils & Fats, Staple Food Project Division, Food Business Unit, Mitsui & Co., Ltd.	Appointed June 2020					
Kouhei Kanno	Full-time Audit & Supervisory Board Member	Appointed June 2020	○	○	○		○
Masashi Hirata	Full-time Audit & Supervisory Board Member (external)	Appointed June 2020	○	○	○		○
Shingo Ogoshi	Audit & Supervisory Board Member (external) / Independent Officer	13 of 13 meetings					
Mariko Eto	Audit & Supervisory Board Member (external) / Independent Officer	Appointed June 2020					

\* Masamichi Takahashi, Ryoichi Takahama and Hiroyuki Umeno were newly appointed as directors at the General Meeting of Shareholders on June 27, 2019. Their attendance records are based on Board meetings held since they were appointed.

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 Member

### It is important to strengthen governance while further clarifying growth strategies.

Wataru Ohara Director (External)

In fiscal 2019, I believe the Board operated and acted appropriately in accord with applicable laws and Japan's Corporate Governance Code. I think it deserves high marks for its commitment to promoting various initiatives in pursuit of sustained growth as well as for its explicit policy of upgrading controls through such means as establishing a new Investment Screening Committee in April 2020.

In fiscal 2020, my fourth year as an external director, I feel that Board discussions are becoming livelier and that even external directors are able to freely speak their minds. While external directors have less experience and knowledge than their internal

counterparts with respect to the industry and the Starzen Group's operations, we offer opinions based on our expertise in our respective specialties from a perspective unfettered by customary industry practices. I believe the Board continues to function effectively.

I am impressed with how well the Company has responded to the COVID-19 pandemic from an early stage, before the virus had spread nationwide. Once the government declared a state of emergency, I imagine it was not easy to keep employees safe from infection while maintaining stable supplies amid growth in meat demand for at-home consumption, but I feel that the Company deployed appropriate safeguards, including work-from-home arrangements, staggered work schedules and documented procedures for preventing infection and handling any suspected COVID-19 cases among employees. The Company has appropriately

adapted its production and logistics operations to prevailing conditions to ensure stable supplies.

I believe it is important to strengthen governance while further clarifying growth strategies toward attainment of the new MTP's targets and realization of the Starzen Group's vision of its future self. We must put more effort into HR diversity in particular, including through succession planning and appointment of female directors. Additionally, I think internal directorships should include more specialized roles like CFO and CRO (Chief Risk Officer). I will contribute to the Starzen Group's growth by continuing to offer appropriate suggestions and advice on various issues on the Board's agenda.



### New Medium-Term Management Plan conveys valuable information to all stakeholders.

Hiroyuki Umeno Director (External)

I recently completed my first year as an external director. Before I joined the Board, management thoroughly prepared me for my role through briefings and other means. I was consequently able to join the Board with sufficient understanding of the Starzen Group, pending matters on the Board's agenda and challenges to be addressed.

At every Board meeting I have attended, I feel the discussions were lively and wide-ranging. I was impressed with the breadth of measures the Board discussed in fiscal 2019 to stabilize the Starzen Group's long-term management foundations. Such measures included (1) establishing new organizational units and functions

related to internal control systems (e.g., Risk Management Department, authority regulations), (2) reorganizing to optimize overall Group operations (e.g., merging subsidiaries, integrating business processes), (3) initiating stock-based remuneration for directors and Audit & Supervisory Board members and (4) revising management succession plans and retirement age regulations for full-time directors. These measures are slated to be implemented from fiscal 2020. I will closely monitor their effectiveness and any issues that may arise.

Another highlight of fiscal 2019 is a new MTP that discloses information to all stakeholders, most notably shareholders, in the form of concrete numerical targets and a clear management vision of the Starzen Group in 2030. Although COVID-19 impacts were not factored into the plan at its inception, COVID-19 is heavily affecting the global economy and corporate management practices,

including employee workstyles. The environment will presumably continue to change in unforeseen ways. I expect flexibly responding to change with a greater sense of urgency to become increasingly important. I believe such responsiveness is the key to realizing the MTP's core themes of strengthening the Group's earnings foundations and adapting to change. I am also optimistic about initiatives focused on sustainability management, one of the MTP's pillars, as well as the Zeus Project's initiatives to improve visibility with the aim of expediting decision-making and ensuring operational transparency.

Fiscal 2020 is shaping up to be an important year of action to reorient the Starzen Group and address various medium- to long-term challenges. I personally will do my best to contribute to the Starzen Group's further development.

### I hope the Starzen Group continues to flexibly spearhead the meat industry's sustained development.

Shingo Ogoshi Audit & Supervisory Board Member (External)

I think COVID-19 has posed major challenges to the Starzen Group as a food supplier. I especially want to express heartfelt respect for the employees who carry out its day-to-day operations. Management swiftly responded to the pandemic with safeguards against infection to ensure business continuity. Even the Board of Directors switched to holding remote meetings soon after COVID-19 had spread to Japan.

Starzen unveiled its latest Medium-Term Management Plan (MTP) in March 2020, before the Japanese government declared a state of emergency. Going forward, I would like management to take advantage of the opportunity to annually update the MTP on

a rolling basis by adeptly identifying changes in the operating environment and implementing new measures in response thereto while retaining the MTP's basic strategies. The keys to formulating such new measures include appropriate risk assessments and risk management and a culture conducive to fresh ideas and innovative thinking. With the external environment changing ever-more rapidly and dynamically, I intend to promote both flexible management unconstrained by conventional ideas and a governance regime that enables such management.

In terms of the Board of Directors' effectiveness, I feel that Board discussions have become deeper, largely because management has been providing more thorough explanations of important agenda items in advance. In fiscal 2019, the Board of Directors extensively discussed governance upgrades, including establishment of a Risk Management Department and Investment Screening Committee. With the Starzen Group making more and more investments, the

Investment Screening Committee in particular will likely play an increasingly important role. I think the Committee should appropriately evaluate, and monitor the progress of, not only new investments but also existing ones and apply what it learns to future decision-making. In terms of the Board of Directors' shortcomings, I think its composition is suboptimal because no internal directors have expertise in fields such as accounting, taxation, law or information and communications technology (ICT). I hope the Board will work on building a more balanced mix of directors to enable even more diverse input into discussions.

For the Starzen Group to continue to grow, it must prosper together with its stakeholders in the meat supply chain, from livestock farmers to retailers. I hope the Starzen Group takes the lead as a flexibly minded standard-bearer of the meat industry's sustained development, just as it once spearheaded the modernization of domestic meat distribution.



Financial and Non-Financial Highlights

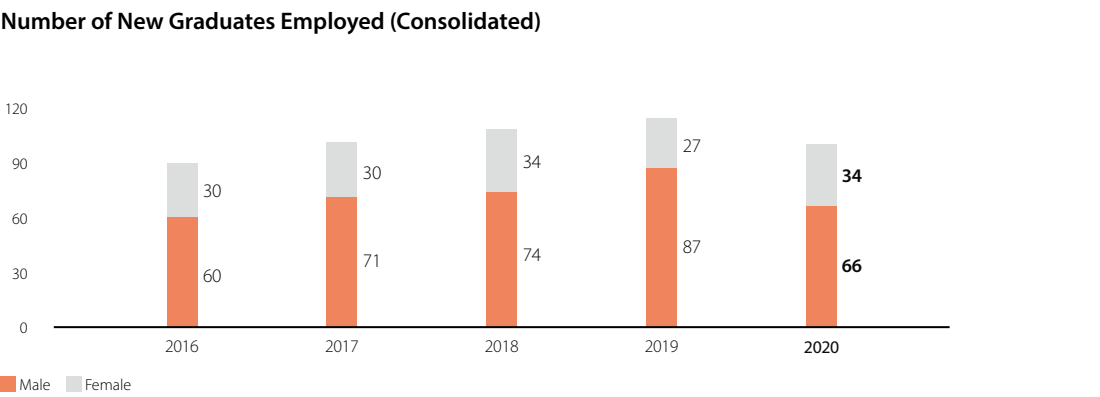
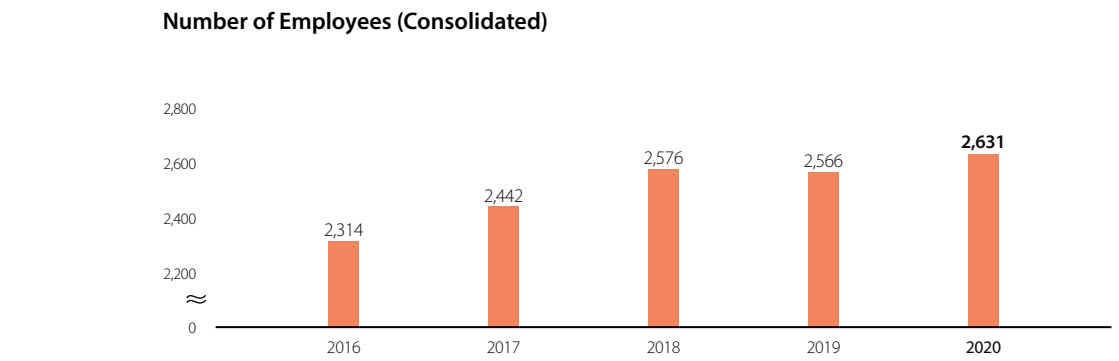
Starzen Co., Ltd.  
At and for the years ended March 31

Financial Highlights

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Results (Consolidated) (Billions of yen)											
Net sales	238.7	262.8	259.3	254.1	256.5	282.5	303.4	313.9	340.1	351.2	351.3
Operating income	3.8	2.9	2.6	1.8	1.9	3.8	3.9	5.5	5.8	4.7	4.2
Ordinary income	4.0	3.3	3.0	2.1	2.6	4.6	5.5	6.5	7.2	6.4	5.7
Profit attributable to owners of parent	1.4	1.6	0.9	0.8	1.7	2.8	3.7	4.5	5.1	4.5	1.7
Financial Position (Billions of yen)											
Total assets	86.4	95.4	94.0	94.8	93.7	111.9	104.4	117.3	122.8	125.9	125.9
Net assets	24.4	25.1	25.9	28.3	29.4	32.8	34.9	43.3	47.8	52.2	52.3
Cash Flows (Billions of yen)											
Cash flows from operating activities	5.7	1.0	1.0	4.9	4.6	(5.8)	13.3	1.8	1.1	7.0	1.4
Cash flows from investing activities	(4.5)	(5.4)	(4.4)	(2.8)	(3.2)	(2.0)	(1.3)	(1.7)	(4.4)	(4.0)	(3.4)
Cash flows from financing activities	1.5	1.1	0.6	(2.3)	(0.0)	9.2	(9.6)	3.3	(2.8)	(2.7)	0.8
Management Indicators (%)											
ROE	6.2	6.8	3.6	3.2	6.0	9.1	11.2	11.7	11.2	9.1	3.3
ROA	4.8	3.7	3.2	2.3	2.8	4.5	5.1	5.9	6.1	5.2	4.6
Net worth / total assets	27.8	26.2	27.5	29.8	31.5	29.4	33.4	36.9	39.0	41.5	41.5
Per Share Information (Yen)											
Earnings per share	19.33	22.25	12.42	11.03	21.87	35.37	472.51	493.21	542.44	472.02	178.93
Net assets per share	322.46	334.64	346.20	354.07	369.28	409.82	4,337.11	4,606.88	5,051.12	5,363.43	5,360.00
Dividends per share	7	7	7	7	7	8	90	100	120	120	110

Note: A share consolidation was implemented on common stock with a ratio of 10 shares to one share on October 1, 2015.

Non-Financial Highlights





## Consolidated Balance Sheet

Starzen Co., Ltd.  
At March 31, 2019 and 2020

	2019	(Millions of yen) 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,246	9,232
Notes and accounts receivable - trade	34,533	31,999
Merchandise and finished goods	23,424	26,841
Work in process	345	423
Raw materials and supplies	1,999	2,474
Advance payments - trade	6,249	7,197
Other	1,975	2,073
Allowance for doubtful accounts	(100)	(9)
Total current assets	78,674	80,232
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	30,315	30,310
Accumulated depreciation	(17,381)	(18,232)
Buildings and structures, net	12,933	12,078
Machinery, equipment and vehicles	16,833	16,521
Accumulated depreciation	(12,083)	(12,467)
Machinery, equipment and vehicles, net	4,750	4,054
Land	10,870	10,678
Leased assets	2,081	1,834
Accumulated depreciation	(808)	(848)
Leased assets, net	1,272	986
Construction in progress	92	813
Other	1,552	1,556
Accumulated depreciation	(1,222)	(1,254)
Other, net	329	302
Total property, plant and equipment	30,249	28,912
<b>Intangible assets</b>		
Goodwill	345	18
Leased assets	0	0
Other	675	828
Total intangible assets	1,021	847
<b>Investments and other assets</b>		
Investment securities	13,143	13,061
Retirement benefit asset	12	45
Real estate for rent	1,117	1,091
Long-term loans receivable	1	0
Deferred tax assets	1,105	1,020
Other	682	802
Allowance for doubtful accounts	(92)	(93)
Total investments and other assets	15,970	15,927
Total non-current assets	47,241	45,687
<b>Deferred assets</b>		
Bond issuance cost	22	12
Total deferred assets	22	12
Total assets	125,938	125,932

	2019	(Millions of yen) 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	17,425	15,245
Short term loans payable	5,992	8,208
Current portion of bonds	—	1,000
Current portion of convertible bonds payable	2,817	—
Current portion of long-term bonds payable	7,555	8,273
Lease obligations	326	303
Income taxes payable	881	1,219
Provision for bonus	1,562	1,553
Accounts payable - other	7,527	7,174
Other	1,624	1,717
Total current liabilities	45,713	44,695
<b>Non-current liabilities</b>		
Bonds payable	3,100	2,100
Long-term loans payable	19,825	22,023
Lease obligations	1,008	850
Net defined benefit liability	1,862	2,010
Other	2,182	1,941
Total non-current liabilities	27,980	28,926
Total liabilities	73,693	73,621
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	11,612	11,658
Capital surplus	12,467	12,513
Retained earnings	26,942	27,516
Treasury stock	(7)	(9)
Total shareholders' equity	51,015	51,678
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,433	900
Deferred gains or losses on hedges	12	98
Foreign currency translation adjustment	(202)	(245)
Remeasurements of defined benefit plans	(20)	(121)
Total accumulated other comprehensive income	1,223	631
Non-controlling interests	6	—
Total net assets	52,244	52,310
Total liabilities and net assets	125,938	125,932

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

Starzen Co., Ltd.  
Years ended March 31, 2019 and 2020

Consolidated Statement of Income		(Millions of yen)
	2019	2020
Net sales	351,212	351,356
Cost of sales	320,639	320,089
Gross profit	30,572	31,266
Selling, general and administrative expenses	25,784	27,037
Operating income	4,788	4,229
<b>Non-operating income</b>		
Interest income	13	9
Dividend income	99	109
Real estate rent	432	432
Insurance and dividend income	512	467
Equity in earnings of associate	1,045	654
Reversal of allowance for doubtful accounts	—	82
Other	320	460
Total non-operating income	2,423	2,216
<b>Non-operating expenses</b>		
Interest expenses	412	300
Expenses for real estate rent	147	147
Amortization of bond issuance cost	10	9
Provision of allowance for doubtful accounts	56	—
Other	167	191
Total non-operating expenses	793	650
Ordinary income	6,418	5,795
<b>Extraordinary income</b>		
Gain on sales of non-current assets	0	4
Gain on sales of investment securities	25	—
Gain on sales of shares of subsidiaries and associates	—	5
Subsidy income	271	—
Total extraordinary income	297	9
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	—	3
Loss on retirement of non-current assets	63	65
Loss on valuation of investment securities	22	2
Impairment loss	0	1,772
Loss on disaster	45	—
Other	—	4
Total extraordinary losses	131	1,848
Profit before income taxes	6,584	3,956
Current	1,827	1,911
Deferred	184	308
Total income taxes	2,012	2,220
Profit	4,572	1,736
Profit (loss) attributable to non-controlling interests	6	(6)
Profit attributable to owners of parent	4,565	1,743

Consolidated Statement of Comprehensive Income		(Millions of yen)
	2019	2020
Profit	4,572	1,736
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(189)	(531)
Deferred gains or losses on hedges	105	85
Foreign currency translation adjustment	(36)	(19)
Remeasurements of defined benefit plans	5	(80)
Share of other comprehensive income of associates accounted for using the equity method	(40)	(47)
Total other comprehensive income	(155)	(591)
Comprehensive income	4,416	1,144
Comprehensive income attributable to:		
Owners of parent	4,410	1,151
Non-controlling interests	6	(6)

## Consolidated Statement of Cash Flows

Starzen Co., Ltd.  
Years ended March 31, 2019 and 2020

	2019	(Millions of yen) 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,584	3,956
Depreciation	2,615	2,809
Impairment loss	0	1,772
Amortization of goodwill	138	138
Increase (decrease) in provision for bonuses	(146)	(9)
Increase (decrease) in allowance for doubtful accounts	73	(88)
Increase (decrease) in net defined benefit liability	(2)	114
Interest and dividend income	(112)	(119)
Interest expenses	412	300
Equity in (earnings) losses of associate	(1,045)	(654)
Loss on retirement of non-current assets	63	65
Loss (gain) on sales of non-current assets	(0)	(0)
Loss (gain) on sales of investment securities	(25)	—
Loss (gain) on valuation of investment securities	22	2
Loss (gain) on sales of shares of subsidiaries and associates	—	(5)
Loss on disaster	45	—
Subsidy income	(271)	—
Decrease (increase) in notes and accounts receivable - trade	1,987	2,508
Decrease (increase) in inventories	(1,836)	(3,970)
Decrease (increase) in advance payments	(1,049)	(947)
Increase (decrease) in notes and accounts payable - trade	1,327	(2,166)
Increase (decrease) in accounts payable - other	313	(507)
Other	128	(327)
Subtotal	9,220	2,872
Interest and dividend income receive	281	513
Interest expenses paid	(417)	(301)
Proceeds from subsidy income	279	—
Payments associated with disaster loss	(18)	—
Income taxes paid	(2,345)	(1,624)
Net cash provided by (used in) operating activities	7,000	1,459
<b>Cash flows from investing activities</b>		
Payments into time deposits	(318)	(369)
Proceeds from withdrawal of time deposit	311	310
Purchase of non-current assets	(3,952)	(3,020)
Proceeds from sales of non-current assets	18	107
Purchases of investment securities	(210)	(322)
Proceeds from sales of investment securities	70	0
Purchase of shares of subsidiaries and associates	—	(114)
Proceeds from sales of shares of subsidiaries and associates	—	8
Net decrease (increase) in short-term loans receivable	(18)	112
Payments of long-term loans receivable	(0)	(0)
Collection of long-term loans receivable	8	1
Other	(0)	(124)
Net cash provided by (used in) investing activities	(4,091)	(3,412)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(5,023)	2,215
Repayments of long-term loans payable	(7,794)	(8,584)
Proceeds from long-term loans payable	11,359	11,500
Repayments of lease obligations	(330)	(347)
Redemption of bonds	—	(2,726)
Proceeds from sales of treasury stock	219	0
Purchases of treasury stock	(4)	(1)
Cash dividends paid	(1,140)	(1,165)
Net cash provided by (used in) financing activities	(2,713)	890
Effect of exchange rate change on cash and cash equivalents	(20)	(10)
Net increase (decrease) in cash and cash equivalents	175	(1,072)
Cash and cash equivalents at the beginning of year	9,793	9,969
Cash and cash equivalents at the end of year	9,969	8,896

Corporate Information

Corporate Information (As of March 31, 2020)

Trade Name	Starzen Co., Ltd.	Main Businesses	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
Representative	Tsuyoshi Nakatsuhamu	Customers	Supermarkets, meat specialty stores, department stores, restaurants, fast food chains, convenience stores, co-operatives, food processing manufacturers, meat wholesalers, and others
Headquarters	Konan Building, 5-7 Konan, 2-chome, Minato-ku, Tokyo 108-0075, Japan	Employees	2,631 (Consolidated)
Established	June 17, 1948		
Capital	¥11,658,270,000		

Main Group Companies (As of April 1, 2020)

Starzen Co., Ltd.	Sale of meat, processed meat products, and other processed foods	Nick Foods Co., Ltd.
	Processing of meat	STARZEN MEAT PROCESSOR Co., Ltd., Maruzen Co., Ltd., Meat Service Co., Ltd., Douou Meat Center Co., Ltd.
	Meat and processed meat products	LOHMEYER CORPORATION, King Shokuhin Co., Ltd.
	Production and livestock breeding	Unzen Ariake Farm Co., Ltd., Hokusatsu Ebino Farm Co., Ltd.
	Logistics and storage	Starzen Logistics Co., Ltd.
	Other businesses	Aoki Foods Co., Ltd., Starzen IT Solutions Co., Ltd.
	Overseas subsidiaries	STARZEN AUSTRALIA PTY LTD, STARZEN (AMERICA), INC., STARZEN EUROPE ApS, STARZEN SINGAPORE PTE. LTD.

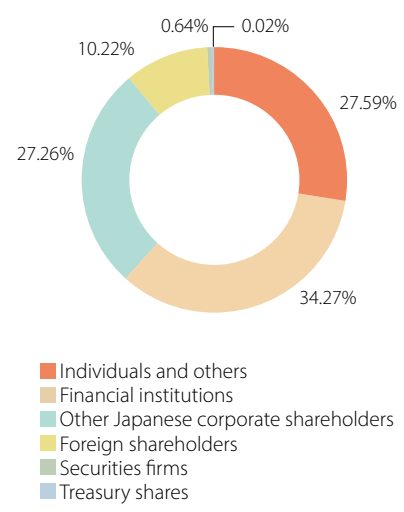
Investor Information

(As of March 31, 2020)

Investor Information

Securities Code	8043	Unit Share	100 shares
Stock Exchange Listing	Tokyo Stock Exchange, First Section	Number of Shares Authorized	22,000,000 shares
Fiscal Year	April 1 to March 31 of the following year	Number of Shares Issued	9,741,191 shares
General Meeting of Shareholders	End of June	Number of Shareholders	14,088 shareholders
Administrator of Shareholders' Registry	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan	Contact Information	Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan

Composition of Shareholders



Major Shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Mitsui & Co., Ltd.	1,554	15.93
The Master Trust Bank of Japan, Ltd. (trust account)	487	4.99
Japan Trustee Services Bank, Ltd. (trust account)*	338	3.46
Sumitomo Mitsui Banking Corporation	324	3.32
The Norinchukin Bank	304	3.11
MUFG Bank, Ltd.	279	2.86
Starzen Employee Shareholding Association	236	2.41
Uzurahashi Kosan Co., Ltd.	234	2.40
Japan Trustee Services Bank, Ltd. (trust account 9)	190	1.95
Mizuho Bank, Ltd.	160	1.64

\* The Master Trust Bank of Japan, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. on July 27, 2020 to become Custody Bank of Japan, Ltd.

Corporate Website

TOP PAGE

Our corporate website offers the latest investor relations (IR) information and the Company's general information.

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

IR INFORMATION

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

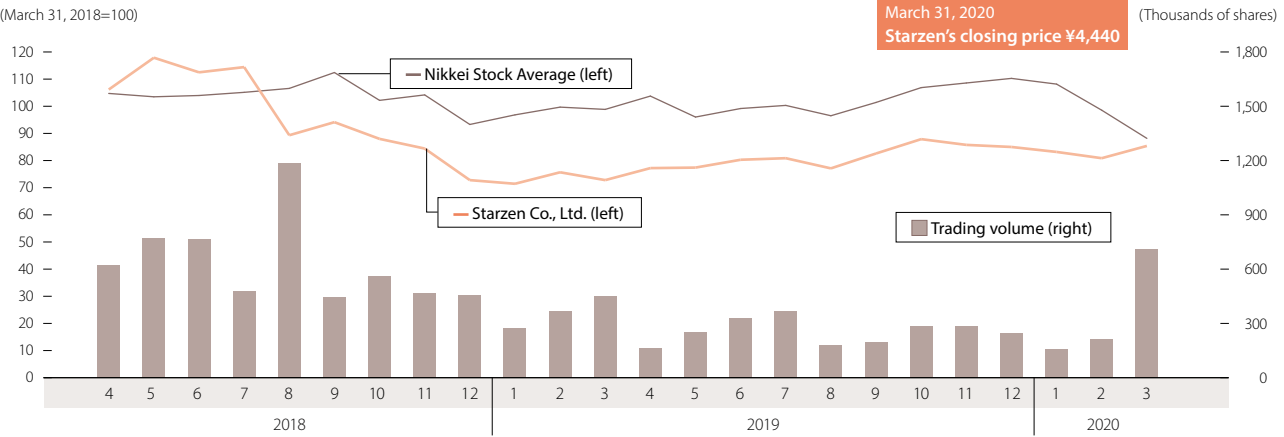
<https://www.starzen.co.jp/en/ir/index.html>

RECIPES

This page introduces our recommended recipes as well as tips and advice on how to properly cook meat (in Japanese only).

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

Trend in Share Price







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