

Consolidated Financial Statements – Summary

August 3, 2021

(For the three months ended June 30, 2021)

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Company name: **NICHIREI CORPORATION** (Code number 2871)

1. Results for the Three Months Ended June 30, 2021 (April 1, 2021 through June 30, 2021)

(1) Consolidated financial results

(Amounts less than one million yen are omitted)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Three months ended June 30, 2021	143,658	7,050	7,295	4,361
Three months ended June 30, 2020	138,054	7,861	8,100	5,358

(Note) Comprehensive income: Three months ended June 30, 2020: 4,627 million yen (19.9%)
Three months ended June 30, 2020: 3,858 million yen (-3.3%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Three months ended June 30, 2021	32.73	–
Three months ended June 30, 2020	40.22	–

* The Accounting Standard for Revenue Recognition (Corporate Accounting Standards No.29, March 31, 2020) began to be applied from the beginning of the first quarter under review. This standard has been applied to figures for the first quarter of the fiscal year ending March 31, 2021.

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	412,317	210,745	49.3	1,525.38
As of March 31, 2021	405,719	210,426	50.1	1,525.76

(Note) Shareholders' equity: As of June 30, 2021: 203,274 million yen
As of March 31, 2021: 203,325 million yen

* The Accounting Standard for Revenue Recognition (Corporate Accounting Standards No.29, March 31, 2020) began to be applied from the beginning of the first quarter under review. This standard has been applied to figures for the first quarter of the fiscal year ending March 31, 2021.

2. Dividend Status

(Base date)	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2021	–	22.00	–	28.00	50.00
FY ending March 31, 2022	–				
FY ending March 31, 2022 (Forecast)		25.00	–	25.00	50.00

(Note) Revisions to dividend forecasts published most recently (Y/N): No

3. Estimation of Business Results of Fiscal Year Ending March 31, 2022 (April 1, 2021 through March 31, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	E.P.S.
	Million yen	Million yen	Million yen	Million yen	Yen
FY ending March 31, 2022	600,000	35,000	35,500	23,000	172.59

(Note) Revisions to financial estimation published most recently (Y/N): No

*** Notes**

- (1) Any changes in important subsidiaries during the term (Change in specific subsidiaries as a result of a change in the scope of consolidation): None
New inclusion: — companies (company name)
Elimination: — companies (company name)
- (2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements: Yes
(Calculation of tax cost)
With respect to tax cost, an effective tax rate was reasonably estimated after applying tax effect accounting to profit before taxes for the fiscal year including the three-month period ended June 30, 2021, and tax cost was calculated by multiplying profit before taxes by the effective tax rate.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- | | |
|--|------|
| (i) Changes in accounting policies associated with the revision of accounting standards, etc.: | Yes |
| (ii) Changes in accounting policies other than (i): | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatement: | None |

(Change in accounting policy)

Application of Accounting Standard for Revenue Recognition

The Group started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") at the beginning of the first quarter under review. Accordingly, it recognized revenue in the amount expected to be received in exchange for promised goods and services at points where control over such goods or services is transferred to customers.

Applying the alternative handling prescribed in Paragraph 98 of the Implementation Guidance on Revenue Recognition Accounting Standard, the Group records revenues from the domestic sale of merchandise or finished goods at the points of their shipment in cases where control over the concerned merchandise or finished goods moves to customers in a normal period after their shipment. Major changes in the application of Revenue Recognition Accounting Standard are shown below.

- For paid-for transactions in which the Company is not obligated to repurchase the supplied goods, the Group has changed to a method of not recognizing the consideration received from suppliers as revenue.

- As for the warehousing and shipping charges that were recorded as sales at the time of entry into the logistics warehouse, the Group changed the method of allocating the transaction price to the performance obligation related to the delivery service and recognizing revenue when the performance obligation is satisfied.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative impact of the retroactive application of the new accounting policy to before the beginning of the first quarter under review is added to or deducted from retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from this initial balance.

As a result, both net sales and cost of sales for the first quarter under review decreased 1,445 million yen and 1,446 million yen respectively. However, the impact of the decrease on operating profit, ordinary profit, and profit before taxes is minimal. Current liabilities and other increased 825 million yen, and the balance of retained earnings at the beginning of the current fiscal year decreased 574 million yen.

In the consolidated balance sheet for the previous fiscal year, refund liabilities were presented as accrued expenses under current liabilities, but from the first quarter under review, they are included in other under current liabilities.

In accordance with the transitional measures prescribed in paragraph 89-2 of the Revenue Recognition Accounting Standard, the Group did not implement a reclassification that reflects the new method of presentation for the results of the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30, July 4, 2019) began to be applied from the beginning of the first quarter under review. It was decided that the new accounting policies prescribed in Application of Accounting Standard for Fair Value Measurement, etc. continued to be adopted in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The impact on the Group's consolidated quarterly financial statements is insignificant.

- (4) Total number of outstanding shares (Common stock)
- (i) Total number of outstanding shares at term end (Includes treasury stock):
 - As of June 30, 2021: 140,003,877 shares
 - As of March 31, 2021: 140,003,877 shares
 - (ii) Total treasury stock at term end:
 - As of June 30, 2021: 6,742,182 shares
 - As of March 31, 2021: 6,741,928 shares
 - (iii) Average number of outstanding shares during the period:
 - For the three months ended June 30, 2021: 133,261,796 shares
 - For the three months ended June 30, 2020: 133,225,764 shares

* Quarterly financial summaries are not subject to quarterly review by any certified public accountant or auditing firm.

* Note to proper use of forecast of operating results and other special remarks

This statement was prepared based on information available at the time of disclosure. The Company makes no guarantee that the forecasts will be achieved. Actual results may vary significantly as a result of a variety of factors. Please refer to the "Cautionary Statements" on page 9.

Consolidated Balance Sheets

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	FY 2020 (As of March 31, 2021)	As of June 30, 2021
<Assets>		
Current assets		
Cash and deposits	28,933	28,432
Notes and accounts receivable – trade	81,749	83,219
Merchandise and finished goods	38,498	40,358
Work in process	995	1,511
Raw materials and supplies	8,372	7,958
Other	11,131	15,831
Allowance for doubtful accounts	(109)	(113)
Total	169,572	177,196
Non-current assets		
Property, plant and equipment		
Buildings and structures	259,690	260,750
Accumulated depreciation	(179,049)	(180,685)
Buildings and structures, net	80,641	80,065
Machinery, equipment and vehicles	115,963	117,828
Accumulated depreciation	(82,434)	(84,093)
Machinery, equipment and vehicles, net	33,528	33,734
Land	38,683	38,723
Leased assets	37,199	36,865
Accumulated depreciation	(22,517)	(22,732)
Leased assets, net	14,681	14,133
Construction in progress	3,716	5,308
Other	12,117	12,448
Accumulated depreciation	(9,407)	(9,659)
Other, net	2,710	2,789
Total	173,962	174,753
Intangible assets		
Goodwill	1,493	1,508
Other	6,901	6,802
Total	8,394	8,311
Investments and other assets		
Investment securities	40,506	39,040
Net defined benefit asset	52	52
Deferred tax assets	2,260	2,258
Other	11,215	10,948
Allowance for doubtful accounts	(245)	(243)
Total	53,789	52,055
Total non-current assets	236,146	235,120
Total assets	405,719	412,317

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	FY 2020 (As of March 31, 2021)	As of June 30, 2021
<Liabilities>		
Current liabilities		
Accounts payable – trade	24,645	25,563
Electronically recorded obligations – operating	3,427	2,920
Short-term loans payable	6,948	14,015
Commercial papers	–	3,000
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	4,797	4,468
Lease obligations	3,572	3,347
Accrued expenses	35,483	27,404
Income taxes payable	5,911	2,143
Provision for directors' bonuses	238	55
Other	13,481	22,756
Total	108,506	115,676
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	29,010	28,910
Lease obligations	12,093	11,794
Deferred tax liabilities	4,265	3,483
Provision for directors' retirement benefits	131	103
Net defined benefit liability	1,996	2,030
Asset retirement obligations	4,037	4,073
Long-term guarantee deposited	2,121	2,252
Other	3,129	3,249
Total	86,786	85,896
Total liabilities	195,293	201,572
<Net assets>		
Shareholders' equity		
Capital stock	30,418	30,418
Capital surplus	5,795	5,795
Retained earnings	172,436	172,492
Treasury shares	(17,648)	(17,648)
Total	191,002	191,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,344	11,309
Deferred gains or losses on hedges	1,639	1,214
Foreign currency translation adjustment	(1,660)	(306)
Total	12,323	12,217
Non-controlling interests	7,100	7,470
Total net assets	210,426	210,745
Total liabilities and net assets	405,719	412,317

Consolidated Statements of Income

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Three months ended June 30, 2020 (Apr. 2019–June 2020)	Three months ended June 30, 2021 (Apr. 2020–June 2021)
Net sales	138,054	143,658
Cost of sales	113,822	118,968
Gross profit	24,232	24,689
Selling, general and administrative expenses		
Transportation and warehousing expenses	4,504	4,845
Promotion expenses	368	303
Advertising expenses	534	1,369
Directors' compensations, employees' salaries, bonuses and allowance	4,663	4,959
Retirement benefit expenses	238	262
Legal and employee benefits expenses	1,160	924
Transportation and communication expenses	269	288
Rent expenses	521	550
Business consignment expenses	1,027	1,063
Research and development expense	576	439
Other	2,506	2,633
Total	16,370	17,639
Operating profit	7,861	7,050
Non-operating income		
Interest income	25	19
Dividend income	353	418
Share of profit of entities accounted for using equity method	79	–
Other	112	168
Total	571	606
Non-operating expenses		
Interest expenses	190	160
Share of loss of entities accounted for using equity method	–	10
Other	142	189
Total	333	360
Ordinary profit	8,100	7,295
Extraordinary income		
Gain on sales of non-current assets	6	12
Gain on sales of investment securities	12	2
Total	19	14
Extraordinary losses		
Loss on sales of non-current assets	2	2
Loss on retirement of non-current assets	162	312
Impairment loss	16	101
Other	3	16
Total	185	433
Profit before income taxes	7,933	6,877
Income taxes	2,312	2,319
Profit	5,620	4,557
Profit attributable to non-controlling interests	261	196
Profit attributable to owners of parent	5,358	4,361

Consolidated Statements of Comprehensive Income

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Three months ended June 30, 2020 (Apr. 2019–June 2020)	Three months ended June 30, 2021 (Apr. 2020–June 2021)
Profit	5,620	4,557
Other comprehensive income		
Valuation difference on available-for-sale securities	695	(1,034)
Deferred gains or losses on hedges	(183)	(511)
Foreign currency translation adjustment	(2,047)	1,453
Share of other comprehensive income of entities, accounted for using equity method	(227)	162
Total	(1,762)	69
Comprehensive income	3,858	4,627
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,136	4,255
Comprehensive income attributable to non-controlling interests	(277)	372

Industrial Segment Information

NICHIREI CORPORATION

(1) Three Months Ended June 30, 2020 (April 1, 2020 through June 30, 2020)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	56,107	12,389	19,769	47,868	832	1,086	138,054	–	138,054
Intra-group sales and transfers	64	26	582	4,150	371	196	5,392	(5,392)	–
Total	56,171	12,415	20,352	52,019	1,204	1,283	143,447	(5,392)	138,054
Operating profit	4,262	(179)	261	3,247	564	(19)	8,137	(275)	7,861

(2) Three Months Ended June 30, 2021 (April 1, 2021 through June 30, 2021)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	58,751	14,871	19,504	48,980	722	827	143,658	–	143,658
Intra-group sales and transfers	65	28	590	4,314	364	205	5,568	(5,568)	–
Total	58,817	14,900	20,095	53,294	1,086	1,032	149,227	(5,568)	143,658
Operating profit	2,745	235	364	3,747	465	(97)	7,461	(411)	7,050

Forecast of Fiscal Year Ending March 31, 2022

NICHIREI CORPORATION

Forecast of Fiscal Year Ending March 31, 2022 (April 1, 2021 through March 31, 2022)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Adjustments	Consolidated
Net sales (*1)	243,000	60,000	88,200	224,000	4,700	4,900	(24,800)	600,000
Operating profit	17,600	700	1,600	14,300	1,800	0	(1,000)	35,000

(*1) Net sales include Intra-group sales and transfers.

Cautionary Statement with Respect to Forward-Looking Statements

This financial statement contains, in addition to historical facts, forward-looking statements regarding plans, outlook, strategies and future results. These explanations concerning future business results may or may not include words such as “believes,” “expects,” “plans,” “strategy,” “prospects,” “estimates,” and “forecasts,” or variations of these words or similar expressions. All such statements are based on management’s assumptions and beliefs derived from the information available to it at the time of publication of this report. A variety of important factors may cause actual results to differ significantly from these forecasts. Thus, it is advised that investors refrain from making investment decisions based solely on these forward-looking statements. Nichirei and its Group companies will not necessarily revise their forward-looking statements in accordance with new information, future events and other results. Risks and uncertainties that could affect the actual results of Nichirei and its Group companies include, but are not limited to:

- 1) Economic conditions and industry environment surrounding the business activities of Nichirei and its Group companies;
- 2) Foreign exchange rate fluctuations, particularly involving U.S. dollars and euros;
- 3) The feasibility of establishing a unified quality control structure covering product development, purchasing of ingredients, production and sales;
- 4) The feasibility of new product and service development;
- 5) Nichirei’s and its Group companies’ ability to implement growth strategies and build a low-cost structure;
- 6) The feasibility of achieving effective alliances between the Nichirei Group and outside companies;
- 7) Contingency and related risk, etc.

However, factors that may affect the performance of the Nichirei Group are not limited to those listed above. Further, risks and uncertainties include the possibility of future events that may have a serious and unpredictable impact on the Group.