

Consolidated Financial Statements – Summary

November 5, 2019

(For the six months ended September 30, 2019)

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 Six Months Ended September 30, 2019 (April 1, 2019 through September 30, 2019)

(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
Six months ended September 30, 2019	291,847	14,988	15,390	9,502
Six months ended September 30, 2018	289,017	13,792	14,040	9,421

(Note) Comprehensive income: Six months ended September 30, 2019: 8,250 million yen (-21.5%)
Six months ended September 30, 2018: 10,504 million yen (-24.5%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Six months ended September 30, 2019	71.30	-
Six months ended September 30, 2018	70.70	-

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2019	389,770	187,103	46.3	1,353.37
As of March 31, 2019	377,257	183,805	46.9	1,326.81

(Note) Shareholders' equity: As of September 30, 2019: 180,307 million yen
As of March 31, 2019: 176,820 million yen

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, 2019	-	16.00	-	16.00	32.00
FY ending March 31, 2020	-	21.00	-	-	-
FY ending March 31, 2020 (Forecast)	-	-	-	21.00	42.00

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

3. Estimation of Business Results of Fiscal Year Ending March 31, 2020 (April 1, 2019 through March 31, 2020)

	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, 2020	588,000	30,500	30,500	20,000	150.07

(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): No

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 net income before taxes for the fiscal year including the six-month period ended September 30, 2019, and tax cost was calculated by multiplying quarterly net income 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.: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Total number of outstanding shares (Common stock)

(i) Total number of outstanding shares at term end (Includes treasury stock):

As of September 30, 2019: 139,965,587 shares

As of March 31, 2019: 139,925,532 shares

(ii) Total treasury stock at term end:

As of September 30, 2019: 6,737,567 shares

As of March 31, 2019: 6,658,466 shares

(iii) Average number of outstanding shares during the period:

For the six months ended September 30, 2019: 133,272,405 shares

For the six months ended September 30, 2018: 133,269,984 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 2019 (As of March 31, 2019)	As of September 30, 2019
<Assets>		
Current assets		
Cash and deposits	20,829	24,278
Notes and accounts receivable – trade	87,219	87,457
Merchandise and finished goods	37,535	39,342
Work in process	935	1,100
Raw materials and supplies	7,263	7,638
Other current assets	6,889	13,717
Allowance for doubtful accounts	(118)	(119)
Total	160,554	173,414
Non-current assets		
Property, plant and equipment		
Buildings and structures	244,223	245,128
Accumulated depreciation	(170,409)	(172,584)
Buildings and structures, net	73,814	72,543
Machinery, equipment and vehicles	102,216	103,579
Accumulated depreciation	(75,347)	(77,810)
Machinery, equipment and vehicles, net	26,869	25,768
Land	35,664	35,626
Leased assets	38,121	37,835
Accumulated depreciation	(22,267)	(22,567)
Leased assets, net	15,854	15,268
Construction in progress	657	5,122
Other	10,809	11,021
Accumulated depreciation	(8,213)	(8,522)
Other, net	2,595	2,498
Total	155,456	156,828
Intangible assets		
Goodwill	3,254	3,060
Other	6,315	6,170
Total	9,569	9,231
Investments and other assets		
Investment securities	40,543	39,347
Net defined benefit asset	56	56
Deferred tax assets	1,612	1,605
Other	9,750	9,572
Allowance for doubtful accounts	(287)	(286)
Total	51,676	50,296
Total non-current assets	216,703	216,355
Total assets	377,257	389,770

NICHIREI CORPORATION

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

	FY 2019 (As of March 31, 2019)	As of September 30, 2019
<Liabilities>		
Current liabilities		
Accounts payable – trade	25,547	27,280
Electronically recorded obligations – operating	2,194	2,203
Short-term loans payable	7,336	14,316
Commercial papers	2,000	7,000
Current portion of bonds payable	–	10,000
Current portion of long-term loans payable	5,202	4,706
Lease obligations	3,578	3,619
Accrued expenses	30,919	30,012
Income taxes payable	4,368	4,448
Provision for directors' bonuses	215	107
Other	18,198	16,403
Total	99,561	120,099
Non-current liabilities		
Bonds payable	40,000	30,000
Long-term loans payable	24,385	23,661
Lease obligations	13,449	12,769
Deferred tax liabilities	5,138	4,684
Provision for directors' retirement benefits	154	160
Net defined benefit liability	1,893	2,049
Asset retirement obligations	3,884	3,897
Long-term guarantee deposited	3,063	3,069
Other	1,922	2,274
Total	93,890	82,567
Total liabilities	193,451	202,667
<Net assets>		
Shareholders' equity		
Capital stock	30,307	30,359
Capital surplus	7,617	5,750
Retained earnings	142,274	149,644
Treasury shares	(17,443)	(17,636)
Total	162,756	168,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,997	13,100
Deferred gains or losses on hedges	661	339
Foreign currency translation adjustment	(594)	(1,251)
Total	14,063	12,188
Non-controlling interests	6,985	6,796
Total net assets	183,805	187,103
Total liabilities and net assets	377,257	389,770

Consolidated Statements of Income

NICHIREI CORPORATION

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

	Six months ended September 30, 2018 (Apr. 2018–Sep. 2018)	Six months ended September 30, 2019 (Apr. 2019–Sep. 2019)
Net sales	289,017	291,847
Cost of sales	243,282	242,890
Gross profit	45,735	48,957
Selling, general and administrative expenses		
Transportation and warehousing expenses	8,413	9,038
Promotion expenses	643	480
Advertising expenses	2,043	2,512
Directors' compensations, employees' salaries, bonuses and allowance	8,793	9,088
Retirement benefit expenses	448	472
Legal and employee benefits expenses	1,725	1,719
Transportation and communication expenses	1,170	1,194
Rent expenses	998	1,004
Business consignment expenses	1,904	1,969
Research and development expense	1,142	1,255
Other	4,660	5,233
Total	31,943	33,968
Operating profit	13,792	14,988
Non-operating income		
Interest income	62	71
Dividend income	452	449
Share of profit of entities accounted for using equity method	245	203
Other	225	262
Total	985	987
Non-operating expenses		
Interest expenses	440	404
Other	296	180
Total	737	585
Ordinary profit	14,040	15,390
Extraordinary income		
Gain on sales of non-current assets	184	61
Gain on sales of investment securities	205	–
Total	389	61
Extraordinary losses		
Loss on sales of non-current assets	5	15
Loss on retirement of non-current assets	276	797
Impairment loss	46	41
Loss on disaster	187	–
Other	16	37
Total	531	891
Profit before income taxes	13,898	14,561
Income taxes	4,382	4,544
Profit	9,515	10,016
Profit attributable to non-controlling interests	93	513
Profit attributable to owners of parent	9,421	9,502

Consolidated Statements of Comprehensive Income

NICHIREI CORPORATION

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

	Six months ended September 30, 2018 (Apr. 2018–Sep. 2018)	Six months ended September 30, 2019 (Apr. 2019–Sep. 2019)
Profit	9,515	10,016
Other comprehensive income		
Valuation difference on available-for-sale securities	898	(902)
Deferred gains or losses on hedges	1,898	(316)
Foreign currency translation adjustment	(1,762)	(560)
Share of other comprehensive income of entities, accounted for using equity method	(45)	14
Total	988	(1,765)
Comprehensive income	10,504	8,250
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,709	7,628
Comprehensive income attributable to non-controlling interests	(205)	622

Consolidated Statements of Cash Flows

NICHIREI CORPORATION

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

	Six months ended September 30, 2018 (Apr. 2018–Sep. 2018)	Six months ended September 30, 2019 (Apr. 2019–Sep. 2019)
Cash flows from operating activities		
Income before income taxes	13,898	14,561
Depreciation	8,516	8,998
Impairment loss	46	41
Increase (decrease) in allowance for doubtful accounts	(7)	6
Interest and dividend income	(514)	(521)
Interest expenses	440	404
Share of (profit) loss of entities accounted for using equity method	(245)	(203)
Loss (gain) on sales of non-current assets	(179)	(46)
Loss on retirement of non-current assets	276	797
Loss (gain) on sales of investment securities	(205)	–
Decrease (increase) in notes and accounts receivable – trade	(8,459)	(515)
Decrease (increase) in inventories	(1,135)	(2,337)
Increase (decrease) in notes and accounts payable – trade	894	1,742
Other	419	448
Subtotal	13,746	23,375
Interest and dividend income received	605	665
Interest expenses paid	(437)	(411)
Income taxes paid	(4,653)	(11,587)
Net cash provided by (used in) operating activities	9,262	12,041
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,913)	(11,042)
Proceeds from sales of property, plant and equipment	647	117
Purchase of intangible assets	(1,278)	(702)
Purchase of investment securities	(404)	(17)
Proceeds from sales of investment securities	564	–
Other	4,712	(800)
Net cash provided by (used in) investing activities	(6,671)	(12,445)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,249	7,043
Net increase (decrease) in commercial papers	–	5,000
Proceeds from long-term loans payable	1,253	–
Repayments of long-term loans payable	(516)	(1,200)
Proceeds from issuance of bonds	9,948	–
Redemption of bonds	(10,000)	–
Repayments of lease obligations	(1,832)	(1,885)
Purchase of treasury shares	(3)	(3)
Cash dividends paid	(1,995)	(2,128)
Dividends paid to non-controlling interests	(18)	(13)
Proceeds from share issuance to non-controlling shareholders	91	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(2,680)
Other	–	0
Net cash provided by (used in) financing activities	(1,822)	4,132
Effect of exchange rate change on cash and cash equivalents	(688)	(353)
Net increase (decrease) in cash and cash equivalents	79	3,374
Cash and cash equivalents at beginning of period	17,076	20,668
Cash and cash equivalents at end of period	17,155	24,042

Industrial Segment Information

NICHIREI CORPORATION

(1) Six Months Ended September 30, 2018 (April 1, 2018 through September 30, 2018)

(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	114,220	35,113	43,690	92,062	1,695	2,235	289,017	–	289,017
Intra-group sales and transfers	181	38	1,041	7,882	679	364	10,189	(10,189)	–
Total	114,402	35,152	44,731	99,945	2,375	2,599	299,206	(10,189)	289,017
Operating profit	6,455	126	705	5,505	1,077	232	14,103	(311)	13,792

(2) Six Months Ended September 30, 2019 (April 1, 2019 through September 30, 2019)

(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	118,329	32,905	42,240	94,632	1,655	2,082	291,847	–	291,847
Intra-group sales and transfers	198	54	1,055	8,058	884	384	10,636	(10,636)	–
Total	118,528	32,960	43,295	102,690	2,540	2,467	302,483	(10,636)	291,847
Operating profit	8,466	49	455	5,650	1,102	(412)	15,311	(322)	14,988

(3) Fiscal Year Ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(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	226,176	71,138	88,998	185,385	3,385	5,058	580,141	–	580,141
Intra-group sales and transfers	411	106	2,078	15,663	1,408	732	20,402	(20,402)	–
Total	226,588	71,245	91,076	201,049	4,794	5,790	600,544	(20,402)	580,141
Operating profit	14,596	182	1,452	11,398	2,096	338	30,064	(553)	29,511

Forecast of Fiscal Year Ending March 31, 2020

NICHIREI CORPORATION

Forecast of Fiscal Year Ending March 31, 2020 (April 1, 2019 through March 31, 2020)

(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)	235,000	68,000	91,200	204,600	4,700	6,000	(21,500)	588,000
Operating profit	16,200	400	1,100	11,800	2,000	(300)	(700)	30,500

(*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.