

Consolidated Financial Statements – Summary

November 4, 2020

(For the six months ended September 30, 2020)

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, 2020 (April 1, 2020 through September 30, 2020)

(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, 2020	281,762	16,745	17,033	10,875
Six months ended September 30, 2019	291,847	14,988	15,390	9,502

(Note) Comprehensive income: Six months ended September 30, 2020: 10,484 million yen (27.1%)
Six months ended September 30, 2019: 8,250 million yen (-21.5%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Six months ended September 30, 2020	81.62	–
Six months ended September 30, 2019	71.30	–

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	398,548	199,150	48.1	1,439.45
As of March 31, 2020	390,004	191,388	47.3	1,384.90

(Note) Shareholders' equity: As of September 30, 2020: 191,826 million yen
As of March 31, 2020: 184,504 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, 2020	–	21.00	–	21.00	42.00
FY ending March 31, 2021	–	22.00			
FY ending March 31, 2021 (Forecast)			–	28.00	50.00

(Notes) 1. Revisions to dividend forecasts published most recently (Y/N): Yes

2. Breakdown of the year-end dividend per share for the fiscal year ending March 31, 2021 (forecast):

Ordinary dividend: 22.00 yen, Commemorative dividend for the 75th anniversary of founding: 6.00 yen

3. Estimation of Business Results of Fiscal Year Ending March 31, 2021 (April 1, 2020 through March 31, 2021)

	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, 2021	571,500	32,000	32,000	20,000	150.12

(Note) Revisions to financial estimation published most recently (Y/N): Yew

*** 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, 2020, 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, 2020: 140,003,877 shares

As of March 31, 2020: 139,965,587 shares

(ii) Total treasury stock at term end:

As of September 30, 2020: 6,740,197 shares

As of March 31, 2020: 6,739,790 shares

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

For the six months ended September 30, 2020: 133,242,095 shares

For the six months ended September 30, 2019: 133,272,405 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, 2020)	As of September 30, 2020
<Assets>		
Current assets		
Cash and deposits	25,933	30,897
Notes and accounts receivable – trade	82,269	85,501
Merchandise and finished goods	39,201	39,364
Work in process	889	1,281
Raw materials and supplies	7,843	8,237
Other current assets	14,303	7,471
Allowance for doubtful accounts	(131)	(142)
Total	170,308	172,611
Non-current assets		
Property, plant and equipment		
Buildings and structures	252,672	253,897
Accumulated depreciation	(174,989)	(176,329)
Buildings and structures, net	77,682	77,568
Machinery, equipment and vehicles	106,589	110,247
Accumulated depreciation	(78,832)	(80,549)
Machinery, equipment and vehicles, net	27,756	29,697
Land	36,007	36,096
Leased assets	37,323	38,555
Accumulated depreciation	(22,724)	(23,539)
Leased assets, net	14,598	15,015
Construction in progress	4,534	7,533
Other	11,509	11,644
Accumulated depreciation	(8,855)	(9,067)
Other, net	2,653	2,577
Total	163,233	168,488
Intangible assets		
Goodwill	2,754	2,630
Other	6,397	6,366
Total	9,152	8,997
Investments and other assets		
Investment securities	35,780	37,444
Net defined benefit asset	57	57
Deferred tax assets	1,912	1,882
Other	9,828	9,318
Allowance for doubtful accounts	(268)	(250)
Total	47,310	48,451
Total non-current assets	219,696	225,937
Total assets	390,004	398,548

NICHIREI CORPORATION

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

	FY 2020 (As of March 31, 2020)	As of September 30, 2020
<Liabilities>		
Current liabilities		
Accounts payable – trade	25,521	24,344
Electronically recorded obligations – operating	2,939	2,117
Short-term loans payable	4,292	6,116
Commercial papers	2,000	10,000
Current portion of bonds payable	10,000	0
Current portion of long-term loans payable	956	1,210
Lease obligations	3,605	3,636
Accrued expenses	34,893	29,744
Income taxes payable	5,299	5,084
Provision for directors' bonuses	228	110
Other	18,683	17,968
Total	108,419	100,334
Non-current liabilities		
Bonds payable	30,000	40,000
Long-term loans payable	33,420	32,882
Lease obligations	12,076	12,411
Deferred tax liabilities	2,830	3,057
Provision for directors' retirement benefits	175	154
Net defined benefit liability	2,014	1,991
Asset retirement obligations	3,935	3,965
Long-term guarantee deposited	3,044	2,124
Other	2,698	2,476
Total	90,196	99,063
Total liabilities	198,615	199,397
<Net assets>		
Shareholders' equity		
Capital stock	30,359	30,418
Capital surplus	5,750	5,795
Retained earnings	156,953	165,030
Treasury shares	(17,642)	(17,643)
Total	175,421	183,601
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,016	10,161
Deferred gains or losses on hedges	802	225
Foreign currency translation adjustment	(736)	(2,161)
Total	9,082	8,225
Non-controlling interests	6,884	7,324
Total net assets	191,388	199,150
Total liabilities and net assets	390,004	398,548

Consolidated Statements of Income

NICHIREI CORPORATION

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

	Six months ended September 30, 2019 (Apr. 2019–Sep. 2019)	Six months ended September 30, 2020 (Apr. 2020–Sep. 2020)
Net sales	291,847	281,762
Cost of sales	242,890	232,678
Gross profit	48,957	49,084
Selling, general and administrative expenses		
Transportation and warehousing expenses	9,038	9,063
Promotion expenses	480	652
Advertising expenses	2,512	1,433
Directors' compensations, employees' salaries, bonuses and allowance	9,088	9,216
Retirement benefit expenses	472	468
Legal and employee benefits expenses	1,719	1,996
Transportation and communication expenses	1,194	499
Rent expenses	1,004	1,023
Business consignment expenses	1,969	1,972
Research and development expense	1,255	1,177
Other	5,233	4,835
Total	33,968	32,338
Operating profit	14,988	16,745
Non-operating income		
Interest income	71	45
Dividend income	449	440
Share of profit of entities accounted for using equity method	203	186
Other	262	224
Total	987	898
Non-operating expenses		
Interest expenses	404	375
Other	180	233
Total	585	609
Ordinary profit	15,390	17,033
Extraordinary income		
Gain on sales of non-current assets	61	24
Gain on sales of investment securities	–	40
Other	–	5
Total	61	71
Extraordinary losses		
Loss on sales of non-current assets	15	4
Loss on retirement of non-current assets	797	560
Impairment loss	41	18
Other	37	30
Total	891	613
Profit before income taxes	14,561	16,491
Income taxes	4,544	4,900
Profit	10,016	11,590
Profit attributable to non-controlling interests	513	715
Profit attributable to owners of parent	9,502	10,875

Consolidated Statements of Comprehensive Income

NICHIREI CORPORATION

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

	Six months ended September 30, 2019 (Apr. 2019–Sep. 2019)	Six months ended September 30, 2020 (Apr. 2020–Sep. 2020)
Profit	10,016	11,590
Other comprehensive income		
Valuation difference on available-for-sale securities	(902)	1,142
Deferred gains or losses on hedges	(316)	(581)
Foreign currency translation adjustment	(560)	(1,463)
Share of other comprehensive income of entities, accounted for using equity method	14	(203)
Total	(1,765)	(1,105)
Comprehensive income	8,250	10,484
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,628	10,017
Comprehensive income attributable to non-controlling interests	622	467

Consolidated Statements of Cash Flows

NICHIREI CORPORATION

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

	Six months ended September 30, 2019 (Apr. 2019–Sep. 2019)	Six months ended September 30, 2020 (Apr. 2020–Sep. 2020)
Cash flows from operating activities		
Income before income taxes	14,561	16,491
Depreciation	8,998	9,453
Impairment loss	41	18
Increase (decrease) in allowance for doubtful accounts	6	26
Interest and dividend income	(521)	(486)
Interest expenses	404	375
Share of (profit) loss of entities accounted for using equity method	(203)	(186)
Loss (gain) on sales of non-current assets	(46)	(20)
Loss on retirement of non-current assets	797	560
Loss (gain) on sales of investment securities	–	(40)
Decrease (increase) in notes and accounts receivable – trade	(515)	(3,504)
Decrease (increase) in inventories	(2,337)	(1,434)
Increase (decrease) in notes and accounts payable – trade	1,742	(1,874)
Other	448	(4,376)
Subtotal	23,375	15,002
Interest and dividend income received	665	745
Interest expenses paid	(411)	(378)
Income taxes paid	(11,587)	1,647
Net cash provided by (used in) operating activities	12,041	17,017
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,042)	(14,563)
Proceeds from sales of property, plant and equipment	117	42
Purchase of intangible assets	(702)	(858)
Purchase of investment securities	(17)	(381)
Proceeds from sales of investment securities	–	78
Other	(800)	(731)
Net cash provided by (used in) investing activities	(12,445)	(16,413)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,043	1,911
Net increase (decrease) in commercial papers	5,000	8,000
Proceeds from long-term loans payable	–	429
Repayments of long-term loans payable	(1,200)	(704)
Proceeds from issuance of bonds	–	9,951
Redemption of bonds	–	(10,000)
Repayments of lease obligations	(1,885)	(1,945)
Purchase of treasury shares	(3)	(1)
Cash dividends paid	(2,128)	(2,794)
Dividends paid to non-controlling interests	(13)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,680)	–
Other	0	0
Net cash provided by (used in) financing activities	4,132	4,847
Effect of exchange rate change on cash and cash equivalents	(353)	(458)
Net increase (decrease) in cash and cash equivalents	3,374	4,992
Cash and cash equivalents at beginning of period	20,668	25,434
Cash and cash equivalents at end of period	24,042	30,426

Industrial Segment Information

NICHIREI CORPORATION

(1) 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

(2) Six Months Ended September 30, 2020 (April 1, 2020 through September 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	112,490	29,286	39,987	96,319	1,625	2,052	281,762	–	281,762
Intra-group sales and transfers	132	44	1,221	8,394	801	395	10,990	(10,990)	–
Total	112,623	29,330	41,209	104,714	2,427	2,448	292,752	(10,990)	281,762
Operating profit	8,589	(28)	562	6,879	1,115	(112)	17,006	(260)	16,745

(3) Fiscal Year Ended 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	Total	Adjustments	Consolidated
Net sales	234,395	65,590	86,173	190,446	3,339	4,912	584,858	–	584,858
Intra-group sales and transfers	386	181	2,153	16,050	1,625	769	21,165	(21,165)	–
Total	234,781	65,772	88,327	206,496	4,965	5,681	606,024	(21,165)	584,858
Operating profit	16,725	443	905	11,824	1,982	(280)	31,600	(564)	31,035

Forecast of Fiscal Year Ending March 31, 2021

NICHIREI CORPORATION

Forecast of Fiscal Year Ending March 31, 2021 (April 1, 2020 through March 31, 2021)

(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)	226,000	60,000	86,000	210,000	4,700	5,600	(20,800)	571,500
Operating profit	16,800	200	1,300	12,500	2,000	0	(800)	32,000

(*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.