Nipponham Group

NH Foods Ltd.
4-9, Umeda 2-chome, kita-ku,
Osaka, 530-0001, Japan

(Translation)

July 31, 2019

BRIEF STATEMENT OF ACCOUNTS
FOR THE FIRST QUARTER OF THE YEAR ENDING MARCH 31, 2020
(Under IFRS) (Consolidated)

Name of listed company:	NH Foods Ltd. (the “Company”)
Listing exchange:	Tokyo Stock Exchange
Code number:	2282
URL:	https://www.nipponham.co.jp/eng/
Representative:	Yoshihide Hata President and Representative Director
Further inquiries:	Yoshitaka Hasegawa General Manager of Accounting & Finance Department, Corporate Management Division
TEL:	+81-6-7525-3042
Scheduled date of filing of quarterly report:	August 8, 2019
Scheduled date of payment of dividends:	-
Preparation of supplementary information on quarterly statement of accounts:	Yes
Holding of quarterly results briefing:	Yes (results briefing for institutional investors and analysts)

(Figures are indicated by counting fractions of 1/2 or more of a million yen as one and discarding the rest.)

1. Consolidated business results for the first quarter of the year ending March 31, 2020 (April 1, 2019 through June 30, 2019):

(1) Consolidated operating results (accumulated):

(The percentages indicate the rates of increase (decrease) from the first quarter of the previous fiscal year.)

	Net sales		Business profit		Profit before tax		Profit		Profit attributable to owners of the parent		Total comprehensive income	
	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%
First quarter of the year ending March 31, 2020	304,760	0.1	11,074	(7.6)	12,344	(19.2)	8,753	(20.8)	8,651	(22.1)	6,468	(43.8)
First quarter of the year ended March 31, 2019	304,378	0.4	11,981	(24.2)	15,268	(2.2)	11,045	4.5	11,105	7.6	11,501	(1.4)

(yen)

	Earnings per share (basic)	Earnings per share (diluted)
First quarter of the year ending March 31, 2020	84.06	84.03
First quarter of the year ended March 31, 2019	103.32	102.72

(Note) Business profit is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with international financial reporting standards (“IFRS”), and adjustments of non-recurring items.

(2) Consolidated financial position:

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity ratio of owners of the parent
	(millions of yen)	(millions of yen)	(millions of yen)	(%)
First quarter of the year ending March 31, 2020	774,946	402,740	398,239	51.4
Year ended March 31, 2019	741,388	405,358	401,014	54.1

2. State of dividends:

(yen)

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Year ended March 31, 2019	—	—	—	90.00	90.00
Year ending March 31, 2020	—				
Year ending March 31, 2020 (forecast)		—	—	90.00	90.00

(Note) Adjustment to the most recently publicized forecast of dividends: None

3. Forecast of consolidated business results for the year ending March 31, 2020 (April 1, 2019 through March 31, 2020):

(The percentages indicate the rates of increase (decrease) from the previous fiscal year for the whole-year period and from the second quarter of the fiscal year.)

	Net sales		Business profit		Profit before tax		Profit attributable to owners of the parent		Earnings per share (basic)
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Second quarter (cumulative)	640,000	3.6	21,000	(4.0)	14,000	(39.6)	10,000	(38.9)	97.17
Whole-year period	1,280,000	3.7	40,000	4.4	26,000	(14.1)	18,500	(5.4)	179.76

(Note) Adjustment to the most recently publicized forecast of business results: None

* Notes:

(1) Changes in significant subsidiaries (changes in specific subsidiaries involving a change in the scope of consolidation) during the period under review: None

New subsidiaries: - (Name:) Excluded subsidiaries: - (Name:)

(2) Changes in accounting policies and accounting estimates:

1) Changes of accounting policies required by IFRS: Yes
2) Changes of accounting policies other than 1) above: None
3) Changes in accounting estimates: None

(Note) For details, please refer to [Attachment] “2. Condensed Consolidated Financial Statements and Primary Notes (7) Note to Condensed Consolidated Financial Statements 3. Changes in the accounting policy” on page 21.

(3) Number of shares issued (shares of common stock):

1) Number of shares issued (including shares of treasury stock) as of the end of the period:
First quarter of the year ending March 31, 2020: 102,958,904 shares
Year ended March 31, 2019: 102,958,904 shares

2) Number of shares of treasury stock as of the end of the period:
First quarter of the year ending March 31, 2020: 46,560 shares
Year ended March 31, 2019: 46,288 shares

3) Average number of shares outstanding during the period:
First quarter of the year ending March 31, 2020: 102,912,494 shares
First quarter of the year ended March 31, 2019: 107,492,645 shares

* A brief statement of accounts for a quarter is not subject to quarterly review.

* Explanation for the appropriate use of the forecast of business results and other special instructions

(Cautionary notice on information about the future)

The descriptions herein about the future, including the forecast of business results, are based on the information currently available to the Company and certain assumptions considered reasonable by the Company and are not contemplated to ensure the fulfillment thereof. The actual results may materially differ from such forecast and plans depending on various factors. The Company, therefore, wishes to caution that readers should not place undue reliance on these descriptions to make investment decisions. Further, unless obligated by laws or ordinances or the rules of financial instruments exchanges, the Company will not necessarily, or is not obligated to, revise such descriptions about the future, including the forecast of business results notwithstanding any information or event in the future or any result arising therefrom, or publicize such revised information. For information on the conditions precedent to the forecast of business results and cautionary notes for the use of the forecast of business results, please refer to “1. Qualitative Information on the Statements of Accounts for the First Quarter of the Fiscal Year under Review: (3) Explanation on the Forward-looking Information such as Forecast of Consolidated Business Results” on page 10.

CONTENTS OF ATTACHMENT

* The Company is planning to hold a telephone conference for institutional investors and analysts on August 1, 2019 (Thursday). All materials to be used at the conference will be disclosed on TDnet and posted on its website today.

* In addition to the above-mentioned briefing, the Company will hold briefings of its operations and business results for individual investors from time to time. For information on the schedules of such briefings, etc., please make sure on its website.

1. Qualitative Information on the Statement of Accounts for the First Quarter of the Fiscal Year under Review

(1) Explanation on the Operating Results:

Overview of Operating Results in General

The Japanese economy during the first quarter of the fiscal year under review continued to slowly recover as employment and income environment continued to improve, and personal consumption recovered and capital investment increased. On the other hand, the economic conditions such as the future of the world economy, the uncertainty of the policies, and the trend of the trade issues, remain unpredictable.

In the food and fresh meats industry, the business conditions remain severe with the prices of certain raw materials having soared, increases of costs for distribution and labors due to labor shortage, intensifying sales competition, and diseases of the livestock in Japan and overseas.

Under these circumstances, NH Foods Ltd. and its subsidiaries (the “Group”), under the “Medium-Term Management Plan 2020” that commenced in April 2018 with the theme “Building systems that pave the way to the future”, has conducted business development based on its five management policies “Strengthen profitability by improving the efficiency of existing businesses,” “Create value through dialog with consumers,” “Enhance and develop technological capabilities for conceptualizing and realizing the future of food,” “Change gears in overseas market deployment”, and “Pursue sustainability”. As specific measures, the Group has made efforts, including continued reinforcement of its domestic farm business, increased production as planned in the plants for producing processed fresh meat food products, which started operation in the previous term, and plants for producing yogurt and lactic acid probiotic beverage, development of human resources, and thorough risk management. Further, as to the overseas business, the Group has made continued efforts to improve profitability of the beef business in Australia. As to the management system, the Group has made efforts for enhancement in line with the “Nipponham Group Fundamental Policy on Corporate Governance”.

As a result of these activities, for the first quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales amounted to ¥304,760 million, increasing 0.1% from the corresponding period of the previous fiscal year. Business profit decreased 7.6% from the corresponding period of the previous fiscal year to ¥11,074 million, and profit before tax decreased 19.2% from the corresponding period of the previous fiscal year to ¥12,344 million. Profit attributable to owners of the parent decreased 22.1% from the corresponding period of the previous fiscal year to ¥8,651 million.

Overview of Operating Segments

(Processed Foods Business Division)

With regards to the consumer products of the hams and sausages business, active promotional efforts were made for the main product “*SCHAU ESSEN*” such as a promotion utilizing websites targeting young people, in addition to the synergetic effect with the "*SCHAU ESSEN HOT CHILI*" introduced this spring. Also, a new concept for "*Entier*" called *"World Travel Entier"* was introduced, and sales increased from the previous fiscal year. On the other hand, for the commercial-use products, since the sales of products targeting major restaurant chains decreased, the overall sales of the hams and sausages business slightly decreased.

With regards to consumer products of the processed foods business, the sales led to an increase from the corresponding period of the previous fiscal year thanks to the introduction of new products to the "*Ishigama Kobo*" series at the timing of the change to the Reiwa Era, as well as the positive effect of the new flavor "*CHIKICHIKI BONE Lemon*" which was added to "*CHIKICHIKI BONE*". Regarding the sales of the commercial-use products, since the sales targeting prepared food and home-meal replacement chains decreased, the overall sales of the processed foods business slightly decreased.

With regard to profit, in addition to the improvement of the gross profit rate by the unit price increasing due to the growth of the main brand products, efficient utilization of promotional expenses and manpower reduction in the manufacturing division led profit to increase.

As a result, for the first quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Processed Foods Business Division amounted to ¥83,970 million, decreasing 0.4% from the corresponding period of the previous fiscal year, and business profit increased 65.6% compared to the corresponding period of the previous fiscal year to ¥2,208 million.

(Fresh Meats Business Division)

In the fresh meats business, in order to increase the share in sales, promotional efforts were made mainly for the branded fresh meats such as *"Mugikomachi"* domestic pork and "*Sakurahime"* domestic chicken. In particular, for "*Sakurahime*", the "*Sakura de Ohanami Present Campaign*" was launched at the time of bloom of cherry blossoms, and the related in-store promotions were also conducted. Further, as a result of proposals and promotional activities targeting wide range of channels, such as reinforcement on proposing processed fresh meat products with high added value to CVS and restaurant chains along with the start of the operation of the Isesaki Plant of Nippon Pure Food, Inc. in November of last year, sales volume of imported beef, chicken and processed fresh meat products greatly grew during the demand season such as the long holidays in May. As a result, the sales were higher than that of the corresponding period of the previous fiscal year.

With regard to profit, the production division made efforts to enhance the breeding results and percentage of branded fresh meat as well as the installation of facilities which would lead to high efficiency and labor-saving in workplaces, such as the "Smart Hog Farming Project". However, since the market price of domestic chicken sagged, profit decreased compared to the previous year. The sales division made efforts to strengthen sales of branded fresh meats for mass retailers and made efforts for proposals and stable product procurement from a wide range of countries of origin in light of the fluctuation risk of market price due to diseases of livestock in Japan and overseas. However, due to sluggish cargo movement of mainly domestic pork and chicken as well as the increase of the logistic costs which put pressure on profit, overall profit decreased.

As a result, for the first quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Fresh Meats Business Division amounted to ¥193,013 million, increasing 2.0% from the corresponding period of the previous fiscal year and business profit amounted to ¥7,795 million, decreasing 20.1% from the corresponding period of the previous fiscal year.

(Affiliated Business Division)

In the marine products business, although efforts were made to reinforce the sales of sushi toppings, due to the intensified price competition for sushi restaurants and major sale destination of mass retailers, sales of the main fishes such as tuna and salmon struggled. As a result, the sales were lower than that of the corresponding period of the previous fiscal year.

Among the dairy products business, with regard to yogurt and lactic acid probiotic beverages, sales of the main product, “Vanilla Yogurt”, whose price was revised, grew, but the price competition intensified due to decrease in sales targeting CVS channels and sluggish market growth, which led to decrease in sales of lactic acid probiotic beverages. As a result, sales were lower than that of the corresponding period of the previous fiscal year. With regard to cheese, sales for the main commercial-use products targeting restaurants and CVS channels grew. Net sales of cheese were higher than that of the corresponding period of the previous fiscal year.

With regard to profit, in the marine products business, due to improvement of the gross profit rate and increase in the production volume in our plants, sales were higher than that of the corresponding period of the previous fiscal year. With regard to yogurt and lactic acid probiotic beverages in the dairy products business, since gross profit rate decreased due to decrease in production volume and increase of expenses with the start of the operation of a new plant, profit was lower than that of the corresponding period of the previous fiscal year. With regard to cheese, profit was higher than that of the corresponding period of the previous fiscal year since sales increased as a result of the increase of gross profit.

As a result, for the first quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Affiliated Business Division amounted to ¥33,795 million, decreasing 7.5% from the corresponding period of the previous fiscal year and business loss amounted to ¥89 million, (business profit of ¥18 million for the corresponding period of the previous fiscal year).

(Overseas Business Division)

In Asia and Europe operations, since domestic sales of chicken in Turkey and sales of processed food in China and Taiwan grew, net sales were higher than that of the corresponding period of the previous fiscal year. In Americas operations, net sales were higher than that of the corresponding period of the previous fiscal year due to steady domestic sales. In Australia operations, although the sales price was steady, since the number of cattle collected decreased, net sales were lower than that of the corresponding period of the previous fiscal year.

With regards to profit, for Asia and Europe operations, due to the increase in production volume of processed food in Thailand targeting Japan and the fresh meat procurement cost in the U.K. being stabilized, as well as the sales unit price of chicken in Turkey being increased, the profit was higher than that of the corresponding period of the previous fiscal year. In Americas operations, although profit from sales within the U.S. was secured, due to increase in purchase cost of raw materials exported to Japan, profit was lower than that of the corresponding period of the previous fiscal year. For Australia operations, due the production costs in Australia being improved and the efficiency of operation of the processing plant being improved, in addition to the stable sales prices being maintained, profit was higher than that of the corresponding period of the previous fiscal year. On the other hand, in Uruguay, since improvement of the collection environment of cattle did not progress, profit was lower than that of the corresponding period of the previous fiscal year.

As a result, for the first quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Overseas Business Division amounted to ¥64,792 million, increasing 1.0% from the corresponding period of the previous fiscal year and business profit amounted to ¥786 million (business loss of ¥57 million for the corresponding period of the previous fiscal year).

(2) Explanation on the Financial Position:

<Financial position>

At the end of the first quarter of the fiscal year under review, total assets increased by 4.5% from the end of the previous fiscal year to account for ¥774,946 million, due to the increases of inventories by ¥13,088 and property, plant and equipment by ¥22,103 million respectively from the end of the previous fiscal year. Liabilities increased by 10.8% from the end of the previous fiscal year to account for ¥372,206 million, due to the increases of interest-bearing liabilities by ¥28,052 million and trade and other payables by ¥7,655 million from the end of the previous fiscal year though income taxes payable decreased by ¥2,012 million from the end of the previous fiscal year. Interest-bearing liabilities accounts for ¥175,061 million. Property, plant and equipment as well as interest-bearing liabilities have respectively increased due to recognition of right-of-use assets and the increase of lease liabilities based on the application of IFRS 16 “Leases” (“IFRS 16”) starting from the first quarter of the fiscal year under review.

Since total equity attributable to owners of the parent accounted for ¥398,239 million by decreasing ¥2,775 million from the end of the previous fiscal year and total assets increased, the equity ratio of owners of the parent decreased by 2.7 percentage points from the end of the previous fiscal year to 51.4%.

<Cash flows>

With regard to operating activities, while the increase of inventories amounted to ¥13,551 million and income tax paid amounted to ¥2,989 million, profit before tax amounted to ¥12,344 million, trade and other payables increased by ¥8,030 million, and depreciation and amortization expenses amounted to ¥8,111 million. As a result, net cash provided by operating activities amounted to ¥17,973 million.

With regard to investing activities, acquisition of fixed assets amounted to ¥9,639 million. As a result, net cash used in investing activities amounted to ¥9,779 million.

With regard to financing activities, while short-term bank loans increased by ¥7,533 million, cash dividends amounted to ¥9,271 million. As a result, net cash provided in financing activities amounted to ¥5,317 million.

As a result, cash and cash equivalents at end of the first quarter of the fiscal year under review increased by ¥2,350 million in comparison with the end of the previous fiscal year to amount to ¥50,458 million.

(3) Explanation on the Forward-looking Information such as Forecast of Consolidated Business Results:

With regards to forecast of consolidated business results for the second quarter of the fiscal year (cumulative) and for the whole-year period ending March 31, 2020, there are no changes from the future outlook announced in the “Brief Statement of Accounts for the Year Ended March 31, 2019” dated May 15, 2019.

Cautionary notice on information about the future:

The plans, forecast of operating results and other prospects for the future described in this brief statement of accounts are based on the information currently available to the Company and certain assumptions considered reasonable by the Company and are not contemplated to ensure the fulfillment thereof. The actual results in the future may materially differ from such plans and forecast, depending on various factors including risk factors in business. The Company, therefore, wishes to caution that readers should not place undue reliance on these descriptions to make investment decisions. Further, unless obligated by laws or ordinances or the rules of financial instruments exchanges, the Company will not necessarily, or is not obligated to, revise such descriptions about the future, including the forecast of business results notwithstanding any information or event in the future or any result arising therefrom, or publicize such revised information.

2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statements of Financial Position:

(millions of yen)

	Year ended March 31,2019 (as of March 31, 2019)	First quarter of year ending March 31, 2020 (as of June 30, 2019)
(Assets)		
Current Assets		
Cash and cash equivalents	48,108	50,458
Trade and other receivables	153,260	151,440
Inventories	113,415	126,503
Biological assets	25,971	26,269
Other financial assets	12,041	11,401
Other current assets	5,468	5,824
Total Current Assets	358,263	371,895
Non-current Assets		
Property, plant and equipment	289,898	312,001
Biological assets	1,877	1,904
Intangible assets and goodwill	7,097	6,969
Investments accounted for using the equity method	14,400	14,402
Other financial assets	34,125	33,297
Deferred tax assets	28,004	26,946
Other non-current assets	7,724	7,532
Total Non-current Assets	383,125	403,051
Total Assets	741,388	774,946
(Liabilities and Equity)		
Current Liabilities		
Interest-bearing liabilities	62,746	75,287
Trade and other payables	111,573	119,228
Income taxes payable	2,738	726
Other financial liabilities	18,123	17,453
Other current liabilities	38,788	41,814
Total Current Liabilities	233,968	254,508
Non-current Liabilities		
Interest-bearing liabilities	84,263	99,774
Retirement benefit liabilities	14,118	14,409
Other financial liabilities	1,105	787
Deferred tax liabilities	1,326	1,231
Other non-current liabilities	1,250	1,497
Total Non-current Liabilities	102,062	117,698
Total Liabilities	336,030	372,206
Equity		
Common stock	36,294	36,294
Capital surplus	72,672	72,672

Retained earnings	286,934	286,323
Treasury stock, at cost	(202)	(203)
Accumulated other comprehensive income	5,316	3,153
Total Equity Attributable to Owners of the Parent	401,014	398,239
Non-controlling Interests	4,344	4,501
Total Equity	405,358	402,740
Total Liabilities and Equity	741,388	774,946

(Note) Breakdown of other accumulated comprehensive income

	Year ended March 31, 2019	First quarter of the year ending March 31, 2020
Financial assets measured at fair value through other comprehensive income	6,980	6,504
Exchange differences on translation of foreign operations	(1,664)	(3,351)

(2) Condensed Consolidated Statements of Income:

(millions of yen)

	Cumulative first quarter of the year ended March 31, 2019 (consolidated) (April 1, 2018 through June 30, 2018)	Cumulative first quarter of the year ending March 31, 2020 (consolidated) (April 1, 2019 through June 30, 2019)
Net sales	304,378	304,760
Cost of Goods Sold	250,029	251,384
Selling, General and Administrative Expenses	40,549	40,836
Other Income	3,633	1,571
Other Expenses	2,039	1,566
Financial Income	445	500
Financial Costs	751	767
Share of Profit in Investments Accounted for Using the Equity Method	180	66
Profit before Tax	15,268	12,344
Income Tax Expense	4,223	3,591
Profit	11,045	8,753
Profit Attributable to:		
Owners of the Parent	11,105	8,651
Non-controlling Interests	(60)	102
Profit	11,045	8,753

Earnings per Share		
Earnings per share (basic)	103.32yen	84.06yen
Earnings per share (diluted)	102.72yen	84.03yen

(3) Condensed Consolidated Statements of Comprehensive Income

(millions of yen)

	Cumulative first quarter of the year ended March 31, 2019 (consolidated) (April 1, 2018 through June 30, 2018)	Cumulative first quarter of the year ending March 31, 2020 (consolidated) (April 1, 2019 through June 30, 2019)
Profit	11,045	8,753
Other Comprehensive Income (Loss)		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	(382)	(478)
Total	(382)	(478)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	830	(1,698)
Share of other comprehensive income of investments accounted for using the equity method	8	(109)
Total	838	(1,807)
Total Other Comprehensive Income (Loss)	456	(2,285)
Comprehensive Income	11,501	6,468
Comprehensive Income Attributable to:		
Owners of the Parent	11,744	6,488
Non-controlling Interests	(243)	(20)
Comprehensive Income	11,501	6,468

(4) Condensed Consolidated Statements of Changes in Equity

Consolidated cumulative first quarter of the previous year (April 1, 2018 through June 30, 2018)

(millions of yen)

	Equity attributable to owners of the parent									Non-controlling interests	Total equity
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total	Total		
Balance as of April 1, 2018	36,291	72,818	300,076	(16)	—	11,311	(2,498)	8,813	417,982	4,906	422,888
Profit			11,105					—	11,105	(60)	11,045
Other comprehensive income						(384)	1,023	639	639	(183)	456
Comprehensive income	—	—	11,105	—	—	(384)	1,023	639	11,744	(243)	11,501
Dividends			(11,394)					—	(11,394)	(9)	(11,403)
Acquisition of treasury stock				(5)				—	(5)	—	(5)
Disposal of treasury stock		0		0				—	0	—	0
Issuance of new shares through exercise of stock options	3	(3)						—	0	—	0
Transfer of accumulated other comprehensive income to retained earnings			0			0		0	—	—	—
Total transactions with owners	3	(3)	(11,394)	(5)	—	0	—	0	(11,399)	(9)	(11,408)
Balance as of June 30, 2018	36,294	72,815	299,787	(21)	—	10,927	(1,475)	9,452	418,327	4,654	422,981

Consolidated cumulative first quarter of the year ending March 31, 2020 (April 1, 2019 through June 30, 2019)

(millions of yen)

	Equity attributable to owners of the parent									Non-controlling interests	Total equity
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total	Total		
Balance as of April 1, 2019	36,294	72,672	286,934	(202)	—	6,980	(1,664)	5,316	401,014	4,344	405,358
Profit			8,651					—	8,651	102	8,753
Other comprehensive loss						(476)	(1,687)	(2,163)	(2,163)	(122)	(2,285)
Comprehensive income	—	—	8,651	—	—	(476)	(1,687)	(2,163)	6,488	(20)	6,468
Dividends			(9,262)					—	(9,262)	(9)	(9,271)
Acquisition of treasury stock				(1)				—	(1)	—	(1)
Disposal of treasury stock				0				—	0	—	0
Capital increase of subsidiaries								—	—	186	186
Transfer of accumulated other comprehensive income to retained earnings								—	—	—	—
Total transactions with owners	—	—	(9,262)	(1)	—	—	—	—	(9,263)	177	(9,086)
Balance as of June 30, 2019	36,294	72,672	286,323	(203)	—	6,504	(3,351)	3,153	398,239	4,501	402,740

(5) Condensed Consolidated Statements of Cash Flows:

(millions of yen)

	First quarter of the year ended March 31, 2019 (April 1, 2018 through June 30, 2018)	First quarter of the year ending March 31, 2020 (April 1, 2019 through June 30, 2019)
Cash Flows from Operating Activities		
Profit before tax	15,268	12,344
Depreciation and amortization expense	5,440	8,111
Impairment losses	77	78
Decrease (increase) in fair value of biological assets	(1,438)	(1,322)
Financial income and costs	306	266
Decrease (increase) in trade and other receivables	(535)	1,353
Decrease (increase) in inventories	(17,982)	(13,551)
Increase (decrease) in biological assets	211	308
Increase (decrease) in other assets	46	173
Decrease (increase) in trade and other payables	8,139	8,030
Decrease (increase) in other liabilities	1,927	6,787
Others – net	(482)	(1,752)
Interest received	107	148
Dividends received	442	398
Interest paid	(171)	(409)
Income tax paid	(6,907)	(2,989)
Cash Flows from Operating Activities	4,448	17,973
Cash Flows from Investing Activities		
Acquisition of fixed assets	(12,017)	(9,639)
Proceeds from sales of fixed assets	90	12
Decrease (increase) in time deposits	(11)	5
Acquisition of other financial assets	(1,017)	(23)
Sale and redemption of other financial assets	9	3
Investments in associated companies	—	(120)
Others - net	(62)	(17)
Cash Flows from Investing Activities	(13,008)	(9,779)
Cash Flows from Financing Activities		
Cash dividends	(11,403)	(9,271)
Decrease (increase) in short-term bank loans	9,135	7,533
Proceeds from debt	3,275	1,755
Repayments of debt	(2,641)	(5,519)
Contributions from non-controlling interests	—	186
Acquisition of treasury stock	(5)	(1)
Others - net	0	—
Cash Flows from Financing Activities	(1,639)	(5,317)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	203	(527)

Net Increase (Decrease) in Cash and Cash Equivalents	(9,996)	2,350
Cash and Cash Equivalents at the Beginning of the period	58,290	48,108
Cash and Cash Equivalents at the End of the period	48,294	50,458

(6) Note on the Premises of a Going Concern:

Not applicable.

(7) Note to Condensed Consolidated Financial Statements

1. Segment information:

Information regarding the reportable segments

The Group categorizes the business segments into the following four business segments according to the nature of products and providing services, and the geographical areas where it sells or provides services. These are the reportable segments:

Processed Foods Business Division	—	Mainly domestic production and sales of hams and sausages, and processed foods
Fresh Meats Business Division	—	Mainly domestic production and sales of fresh meats
Affiliated Business Division	—	Mainly domestic production and sales of marine products and dairy products
Overseas Business Division	—	Mainly production and sales of hams and sausages, processed foods, fresh meats and marine products at overseas subsidiaries and associates.

Furthermore, the Group consists of 81 subsidiaries and 10 associates.

(Change in method of presentation)

Until the previous consolidated fiscal year, “segment profit” represented net sales less cost of goods sold and selling general and administrative expenses. However, from the current consolidated fiscal year, the method of calculating the said “segment profit” has changed. From the current consolidated fiscal year, the new “segment profit” is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items. “Segment profit” for first quarter of the previous fiscal year, on a consolidated and cumulative basis is presented applying the new calculation method from the viewpoint of the comparability with the first quarter of the fiscal year under review, on a consolidated and cumulative basis. The Group considers this change will provide more relevant information for users of the condensed consolidated financial statements by clarifying income derived from business activities as an important management index of segment information.

For the consolidated cumulative first quarter of the year ended March 31, 2019 (April 1, 2018 through June 30, 2018):

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
Sales to external customers	80,860	160,723	35,579	33,192	310,354	(5,976)	304,378
Intersegment sales	3,472	28,505	965	30,966	63,908	(63,908)	-
Total	84,332	189,228	36,544	64,158	374,262	(69,884)	304,378
Segment profit (loss)	1,333	9,757	18	(57)	11,051	930	11,981

For the consolidated cumulative first quarter of the year ending March 31, 2020 (April 1, 2019 through June 30, 2019):

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
Sales to external customers	80,137	164,638	32,924	33,116	310,815	(6,055)	304,760
Intersegment sales	3,833	28,375	871	31,676	64,755	(64,755)	-
Total	83,970	193,013	33,795	64,792	375,570	(70,810)	304,760
Segment profit (loss)	2,208	7,795	(89)	786	10,700	374	11,074

(Note) 1. "Eliminations, adjustments and others" includes unallocated items and intersegment eliminations.
2. Except for a few unallocated items, corporate overhead expenses and profit or loss of certain subsidiaries are allocated to each reportable operating segment. These subsidiaries provide indirect services and operational support for the companies included in each reportable operating segment.
3. “Segment profit (loss)” is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items.

2. Significant subsequent events

Optional Retirement System

At the meeting of Board of Directors held on October 31, 2018, the Company resolved to expand its optional retirement system as a temporary measure. This system targets permanent employees of the Company who are 45 years of age or older as of October 15, 2019 with an upper limit of 200 employees being solicited. As incentive measures, in addition to retirement benefits pursuant to the internal rule of the Company, additional special payments will be made as well as re-employment support service for those who request. The application period ended on July 15, 2019 with 213 applicants. The Company has decided to apply this system to all who applied respecting their wishes. As a result, with regards to the additional special payments, approximately ¥8.2 billion is expected to be recognized in the consolidated second quarter of the year ending March 31, 2020 and will be included in “Other expenses” in the condensed consolidated statements of income.

3. Changes in the accounting policy

The Group has started to apply the following standard from the consolidated first quarter of the year ending March 31, 2020.

Standard	Name of standard	Outline of new establishment or revision
IFRS 16	Leases	Revision of accounting treatment regarding recognition of lease transactions

At inception of a contract, the Group assesses whether the contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

However, the Group elects not to recognize right-of -use assets and lease liabilities for either short-term leases with a lease term within 12 months, or leases for which the underlying asset is of low value.

When applying IFRS 16, the Group accepted the decisions under IAS 17 “Leases” (“IAS 17”) and IFRIC 4 “Determining Whether an Arrangement Contains a Lease” in respect of whether a contract contains a lease. After the date of initial application, the determination is based on the rules under IFRS 16.

The Group recognizes the cumulative effect of initially applying IFRS 16 to all of its leases.

Lease liabilities in lease transactions are measured at discounted present value of the total lease payments that are not paid at the commencement date.

The weighted average of the lessee’s incremental borrowing rate applied to the lease liabilities recognized in the condensed consolidated statement of financial position at the date of initial application is 0.4%.

The interest rate implicit in the lease is used to measure the present value of the lease payments that are not paid, if practically possible. If it is not practically possible, the lessee’s incremental borrowing rates are used.

Lease payment is allocated to financial costs and repayment of lease obligations under the interest method. Financial costs are recognized separately from depreciation costs for the right-of-use assets in the condensed consolidated statement of income.

The Group initially measures the right-of-use asset by adding any initial direct costs, any lease payments made at or before the commencement date, and any costs to be incurred in restoring the underlying asset to the condition required by the terms and conditions of the lease to the amount of the initial measurement of the lease liability. The right-of-use assets are depreciated under the straight-line basis or another systematic basis over the lease terms.

The reconciliation from operating lease commitments disclosed applying IAS 17 to lease liabilities recognized in the condensed consolidated statement of financial position at the date of initial application is as follows:

(millions of yen)

Discounted amount of operating lease commitments disclosed as of March 31, 2019	8,846
Finance lease obligations recognized as of March 31, 2019	11,264
Cancellable operating lease commitments	16,844
Lease liabilities as of April 1, 2019	36,954

Accordingly, in comparison to when the former accounting standards were applied, the asset balance mainly included in property, plant and equipment in the condensed consolidated statement of financial position at the beginning of the current year increased by ¥25,690 million.

Further, when applying IFRS 16, the Group uses the following practical expedients:

- The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group relies on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- The Group excludes initial direct costs from the measurement of right-of-use assets at the date of initial application.
- The Group uses hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.