

October 31, 2019

**BRIEF STATEMENT OF ACCOUNTS**  
**FOR THE SECOND 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:	<a href="https://www.nipponham.co.jp/eng/">https://www.nipponham.co.jp/eng/</a>
Representative:	Yoshihide Hata President and Representative Director
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TEL:	+81-6-7525-3042
Scheduled date of filing of quarterly report:	November 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 second quarter of the year ending March 31, 2020  
(April 1, 2019 through September 30, 2019):**

**(1) Consolidated operating results (accumulated):**

(The percentages indicate the rates of increase (decrease) from the second 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)	%
Second quarter of the year ending March 31, 2020	616,266	(0.3)	21,832	(0.2)	14,963	(35.4)	10,494	(34.9)	10,331	(36.9)	8,093	(50.8)
Second quarter of the year ended March 31, 2019	618,000	(1.4)	21,871	(23.7)	23,173	(24.6)	16,122	(23.2)	16,371	(20.6)	16,453	(30.3)

(yen)

	Earnings per share (basic)	Earnings per share (diluted)
Second quarter of the year ending March 31, 2020	100.39	100.35
Second quarter of the year ended March 31, 2019	152.30	150.58

(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)	(%)
Second quarter of the year ending March 31, 2020	770,867	404,470	399,815	51.9
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.)

	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)
Whole-year period	1,240,000	0.5	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: Yes

### \* 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 2. Changes in the accounting policy” on page 24.

- (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:  
 Second 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:  
 Second quarter of the year ending March 31, 2020: 43,866 shares  
 Year ended March 31, 2019: 46,288 shares
- 3) Average number of shares outstanding during the period:  
 Second quarter of the year ending March 31, 2020: 102,913,235 shares

Second quarter of the year ended March 31, 2019: 107,493,080 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 Second Quarter of the Fiscal Year under Review: (3) Explanation on the Forward-looking Information such as Forecast of Consolidated Business Results” on page 10.

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\* The Company is planning to hold a briefing for investors as follows. All materials to be distributed at the briefing will be disclosed on TDnet and posted on its website today.

- November 5, 2019 (Tuesday): Results briefing for institutional investors and analysts

\* 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 Second Quarter of the Fiscal Year under Review

(1) Explanation on the Operating Results:

Overview of Operating Results in General

The Japanese economy during the second quarter of the fiscal year under review continued to slowly recover as employment and income environment continued to improve, and personal consumption recovered and company earnings remained strong. 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 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 second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales amounted to ¥616,266 million, decreasing 0.3% from the corresponding period of the previous fiscal year. Business profit decreased 0.2% from the corresponding period of the previous fiscal year to ¥21,832 million, and profit before tax decreased 35.4% from the corresponding period of the previous fiscal year to ¥14,963 million due to additional special payments, and other expenses of ¥8,472 million being recognized in relation to the solicitation conducted based on the expansion of the optional retirement system resolved at the meeting of Board of Directors held on October 31, 2018. Profit attributable to owners of the parent decreased 36.9% from the corresponding period of the previous fiscal year to ¥10,331 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 aiming to expand the customer base, in addition to the synergetic effect with the “*SCHAU ESSEN HOT CHILP*” followed by the new flavor “*SCHAU ESSEN CHEDDAR AND CAMEMBERT*”. Also, since “*Entier*”, whose lineups were expanded, showed favorable performance and the Private Brand products continued to grow, sales increased from the previous fiscal year. For the commercial-use products, campaigns were implemented for both major restaurant channels and CVS channels, standard products were introduced, and sales have started to grow from the second quarter. As a result, the overall sales of the hams and sausages business ended with increased revenue.

With regards to consumer products of the processed foods business, sales of “*Ishigama Kobo*” for which TV commercials in specified regions started and active in-store promotions were conducted, as well as products in the hamburg (meat patty) and meatball group showed steady performance. However, since the sales of non-refrigeration products such as dim-sum products and curry products struggled, sales were similar to that of the previous fiscal year. 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 decreased from the previous fiscal year, resulting in decreased revenue in the Processed Foods Business Division.

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 second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Processed Foods Business Division amounted to ¥173,093 million, decreasing 0.8% from the corresponding period of the previous fiscal year, and business profit increased 65.9% compared to the corresponding period of the previous fiscal year to ¥4,566 million.

(Fresh Meats Business Division)

In the fresh meats business, during the demand period of Golden Week and summer season, promotional efforts were made mainly for our branded fresh meats such as “*Mugikomachi*” domestic pork and “*Sakurahime*” domestic chicken. In addition, strong efforts were put into communication with consumers such as organizing a “*Sakurahime* night game” using the Hokkaido Nippon Ham Fighters, posting recipes on SNS, and updating the barbecue information website “BBQ GO”. For mass retailers in various regions, we implemented campaigns in connection with the cherry blossom front in March through May, proposed our branded fresh meats, and reinforced sales to delicatessens. Promotional activities targeting wide range of channels were carried out, such as new proposals of beef from Canada and Uruguay, as well as antibiotic-free pork and chicken, targeting CVS and restaurant channels. As a result, sales volume of various livestock including imported chicken as well as processed fresh meat products grew and 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 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 and labor costs increased, profit decreased compared to the previous year. The sales division made efforts to strengthen proposals of branded fresh meats and value-added products, 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 and the influence of the US-China trade negotiation. However, due to the high purchase price of domestic and imported beef, slumping sales price of domestic pork and chicken because of the increase in supply of imported pork and domestic chicken, and the impact of climate instability during the summer months as well as the increase of the logistic costs, overall profit decreased.

As a result, for the second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Fresh Meats Business Division amounted to ¥387,487 million, increasing 2.2% from the corresponding period of the previous fiscal year and business profit amounted to ¥14,690 million, decreasing 19.5% from the corresponding period of the previous fiscal year.

(Affiliated Business Division)

In the marine products business, sales for major sales destinations of sushi restaurants and mass retailers struggled due to the intensified price competition, although efforts were made to reinforce the sales of sushi toppings. Also due to the impact of total fish catch decreasing for some fish species, transaction volume decreased. 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, in the mass retailer channels, sales of the main product, “Vanilla Yogurt”, whose price was revised, grew, but the price competition intensified due to decrease in sales of products targeting CVS channels and sluggish market growth, which led to decrease in sales of lactic acid probiotic beverages. As a result, the 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 restaurant channels grew and sales of products targeting desserts for CVS channels increased. As a result of these reasons, 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, improvements in productivity of our plants contributed to sales being 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 as a result of the decrease in sales 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 gross profit increased as a result of the increase of sales volume.

As a result, for the second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Affiliated Business Division amounted to ¥69,621 million, decreasing 8.3% from the corresponding period of the previous fiscal year and



business profit amounted to ¥234 million increasing 21.2% from the corresponding period of the previous fiscal year.

(Overseas Business Division)

In Asia and Europe operations, net sales slightly decreased since volume of import and export of raw materials in Singapore and Thailand decreased, although sales of chicken in Turkey and sales of processed food in China and Taiwan grew. 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, net sales were lower than that of the corresponding period of the previous fiscal year since the number of cattle collected decreased due to the efforts for optimizing productivity, although the sales price was steady.

With regards to profit, for Asia and Europe operations, due to the decrease of raw materials costs for processed food in Thailand, stable transition of fresh meat procurement cost in the U.K., as well as strong sales of chicken in Turkey, the profit was higher than that of the corresponding period of the previous fiscal year. In Americas operations, since profit from sales within the U.S. was secured and procurement cost of raw materials exported to Japan stabilized, profit was higher than that of the corresponding period of the previous fiscal year. For Australia operations, due the costs for production and processing in Australia being improved as well as the production costs in Uruguay also having improved, in addition to the stable sales prices being maintained, profit was higher than that of the corresponding period of the previous fiscal year.

As a result, for the second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Overseas Business Division amounted to ¥131,768 million, increasing 0.1% from the corresponding period of the previous fiscal year and business profit amounted to ¥1,902 million (business loss of ¥855 million for the corresponding period of the previous fiscal year).

(2) Explanation on the Financial Position:

<Financial position>

At the end of the second quarter of the fiscal year under review, total assets increased by 4.0% from the end of the previous fiscal year to account for ¥770,867 million, due to the increases of inventories by ¥15,090 and property, plant and equipment by ¥23,611 million respectively from the end of the previous fiscal year though trade and other receivables decreased by ¥22,457 million from the end of the previous fiscal year. Liabilities increased by 9.0% from the end of the previous fiscal year to account for ¥366,397 million, due to the increases of interest-bearing liabilities by ¥34,089 million from the end of the previous fiscal year though trade and other payables decreased by ¥1,847 million and other financial liabilities decreased by ¥2,512 million respectively from the end of the previous fiscal year. Interest-bearing liabilities account for ¥181,098 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 ¥399,815 million

by decreasing ¥1,199 million from the end of the previous fiscal year and total assets increased, the equity ratio of owners of the parent decreased by 2.2 percentage points from the end of the previous fiscal year to 51.9%.

<Cash flows>

With regard to operating activities, while the increase of inventories amounted to ¥15,743 million and income tax paid amounted to ¥4,869 million, profit before tax amounted to ¥14,963 million, trade and other receivables decreased by ¥21,745 million, and depreciation and amortization expenses amounted to ¥16,437 million. As a result, net cash provided by operating activities amounted to ¥33,298 million.

With regard to investing activities, acquisition of fixed assets amounted to ¥19,385 million. As a result, net cash used in investing activities amounted to ¥19,434 million.

With regard to financing activities, while short-term bank loans increased by ¥8,903 million and proceeds from debts amounted to ¥19,606 million, cash dividends amounted to ¥9,271 million and repayment of debts amounted to ¥20,099 million. As a result, net cash provided in financing activities amounted to ¥571 million.

As a result, cash and cash equivalents at end of the second quarter of the fiscal year under review increased by ¥12,502 million in comparison with the end of the previous fiscal year to amount to ¥60,610 million.

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

With regards to net sales, the outlook is below the previous forecast due to the decrease in sales of commercial-use products in the processed foods business targeting prepared food and home-meal replacement chains, and the sales price of domestic pork and chicken having struggled in the fresh meats business.

In light of such situation, future outlook of business results was reviewed and as a result, the forecast of the consolidated business results for the whole-year period of the year ending March 31, 2020 in the “Business Results for the Year Ended March 31, 2019” announced on May 15, 2019 is revised as follows.

Adjustment to the forecast of consolidated business results for the whole-year period of the year ending March 31, 2020 (April 1, 2019 through March 31, 2020):

(millions of yen, unless otherwise indicated)

	Net sales	Business profit	Profit before tax	Profit attributable to owners of the parent	Earnings per share (basic) (yen)
Previous forecast (A)	1,280,000	40,000	26,000	18,500	179.76
Adjusted forecast (B)	1,240,000	40,000	26,000	18,500	179.76

Amount of increase or decrease (B)-(A)	(40,000)	—	—	—	
Rate of increase or decrease (%)	(3.1)	—	—	—	
(For reference) Actual results for the previous year (April 1, 2018 through March 31, 2019)	1,234,180	38,311	30,267	19,561	183.21

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)	Second quarter of year ending March 31, 2020 (as of September 30, 2019)
(Assets)		
Current Assets		
Cash and cash equivalents	48,108	60,610
Trade and other receivables	153,260	130,803
Inventories	113,415	128,505
Biological assets	25,971	24,808
Other financial assets	12,041	15,621
Other current assets	5,468	6,986
Total Current Assets	358,263	367,333
Non-current Assets		
Property, plant and equipment	289,898	313,509
Biological assets	1,877	1,881
Intangible assets and goodwill	7,097	7,162
Investments accounted for using the equity method	14,400	14,047
Other financial assets	34,125	33,309
Deferred tax assets	28,004	26,219
Other non-current assets	7,724	7,407
Total Non-current Assets	383,125	403,534
Total Assets	741,388	770,867
(Liabilities and Equity)		
Current Liabilities		
Interest-bearing liabilities	62,746	67,316
Trade and other payables	111,573	109,726
Income taxes payable	2,738	1,464
Other financial liabilities	18,123	15,961
Other current liabilities	38,788	40,231
Total Current Liabilities	233,968	234,698
Non-current Liabilities		
Interest-bearing liabilities	84,263	113,782
Retirement benefit liabilities	14,118	14,462
Other financial liabilities	1,105	755
Deferred tax liabilities	1,326	1,205
Other non-current liabilities	1,250	1,495
Total Non-current Liabilities	102,062	131,699
Total Liabilities	336,030	366,397
Equity		
Common stock	36,294	36,294
Capital surplus	72,672	72,659

Retained earnings	286,934	288,005
Treasury stock, at cost	(202)	(191)
Accumulated other comprehensive income	5,316	3,048
Total Equity Attributable to Owners of the Parent	401,014	399,815
Non-controlling Interests	4,344	4,655
Total Equity	405,358	404,470
Total Liabilities and Equity	741,388	770,867

(Note) Breakdown of other accumulated comprehensive income

	Year ended March 31, 2019	Second quarter of the year ending March 31, 2020
Financial assets measured at fair value through other comprehensive income	6,980	6,657
Exchange differences on translation of foreign operations	(1,664)	(3,609)

(2) Condensed Consolidated Statements of Income:  
[Cumulative second quarter]

(millions of yen)

	Cumulative second quarter of the year ended March 31, 2019 (consolidated) (April 1, 2018 through September 30, 2018)	Cumulative second quarter of the year ending March 31, 2020 (consolidated) (April 1, 2019 through September 30, 2019)
Net sales	618,000	616,266
Cost of Goods Sold	514,481	511,628
Selling, General and Administrative Expenses	82,097	81,161
Other Income	6,565	2,247
Other Expenses	3,848	10,186
Financial Income	872	728
Financial Costs	2,483	1,590
Share of Profit in Investments Accounted for Using the Equity Method	645	287
Profit before Tax	23,173	14,963
Income Tax Expense	7,051	4,469
Profit	16,122	10,494
Profit Attributable to:		
Owners of the Parent	16,371	10,331
Non-controlling Interests	(249)	163
Profit	16,122	10,494

Earnings per Share		
Earnings per share (basic)	152.30yen	100.39yen
Earnings per share (diluted)	150.58yen	100.35yen

[Second quarter]

(millions of yen)

	Cumulative second quarter of the year ended March 31, 2019 (consolidated) (July 1, 2018 through September 30, 2018)	Cumulative second quarter of the year ending March 31, 2020 (consolidated) (July 1, 2019 through September 30, 2019)
Net sales	313,622	311,506
Cost of Goods Sold	264,452	260,244
Selling, General and Administrative Expenses	41,548	40,325
Other Income	2,932	1,138
Other Expenses	1,809	9,082
Financial Income	427	228
Financial Costs	1,732	823
Share of Profit in Investments Accounted for Using the Equity Method	465	221
Profit before Tax	7,905	2,619
Income Tax Expense	2,828	878
Profit	5,077	1,741
Profit Attributable to:		
Owners of the Parent	5,266	1,680
Non-controlling Interests	(189)	61
Profit	5,077	1,741

Earnings per Share		
Earnings per share (basic)	48.98yen	16.33yen
Earnings per share (diluted)	47.86yen	16.32yen

(3) Condensed Consolidated Statements of Comprehensive Income  
[Cumulative second quarter]

(millions of yen)

	Cumulative second quarter of the year ended March 31, 2019 (consolidated) (April 1, 2018 through September 30, 2018)	Cumulative second quarter of the year ending March 31, 2020 (consolidated) (April 1, 2019 through September 30, 2019)
Profit	16,122	10,494
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	(1,400)	(323)
Total	(1,400)	(323)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,583	(2,011)
Share of other comprehensive income of investments accounted for using the equity method	148	(67)
Total	1,731	(2,078)
Total Other Comprehensive Income (Loss)	331	(2,401)
Comprehensive Income	16,453	8,093
Comprehensive Income Attributable to:		
Owners of the Parent	17,171	8,065
Non-controlling Interests	(718)	28
Comprehensive Income	16,453	8,093



[Second quarter]

(millions of yen)

	Second quarter of the year ended March 31, 2019 (consolidated) (July 1, 2018 through September 30, 2018)	Second quarter of the year ending March 31, 2020 (consolidated) (July 1, 2019 through September 30, 2019)
Profit	5,077	1,741
Other Comprehensive Loss		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,018)	155
Total	(1,018)	155
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	753	(313)
Share of other comprehensive income of investments accounted for using the equity method	140	42
Total	893	(271)
Total Other Comprehensive Loss	(125)	(116)
Comprehensive Income	4,952	1,625
Comprehensive Income Attributable to:		
Owners of the Parent	5,427	1,577
Non-controlling Interests	(475)	48
Comprehensive Income	4,952	1,625

(4) Condensed Consolidated Statements of Changes in Equity

Consolidated cumulative second quarter of the previous year (April 1, 2018 through September 30, 2018)

(millions of yen)

	Equity attributable to owners of the parent									Non-cont-rolling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
					Remeasure-ment of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	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			16,371					—	16,371	(249)	16,122
Other comprehensive income						(1,403)	2,203	800	800	(469)	331
Comprehensive income	—	—	16,371	—	—	(1,403)	2,203	800	17,171	(718)	16,453
Dividends			(11,394)					—	(11,394)	(9)	(11,403)
Acquisition of treasury stock				(6)				—	(6)	—	(6)
Disposal of treasury stock		0		0				—	0	—	0
Issuance of new shares through exercise of stock options	3	(3)						—	0	—	0
Establishment of subsidiary								—	—	406	406
Transfer of accumulated other comprehensive income to retained earnings			1,064			(1,064)		(1,064)	—	—	—
Total transactions with owners	3	(3)	(10,330)	(6)	—	(1,064)	—	(1,064)	(11,400)	397	(11,003)
Balance as of September 30, 2018	36,294	72,815	306,117	(22)	—	8,844	(295)	8,549	423,753	4,585	428,338

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

(millions of yen)

	Equity attributable to owners of the parent									Non-cont -rolling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
					Remeasu- -rement of defined benefit plans	Financial assets measured at fair value through other comprehe- nsive income	Exchange differences on translation of foreign operations	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			10,331					—	10,331	163	10,494
Other comprehensive loss						(321)	(1,945)	(2,266)	(2,266)	(135)	(2,401)
Comprehensive income	—	—	10,331	—	—	(321)	(1,945)	(2,266)	8,065	28	8,093
Dividends			(9,262)					—	(9,262)	(9)	(9,271)
Acquisition of treasury stock				(2)				—	(2)	—	(2)
Disposal of treasury stock		(13)		13				—	0	—	0
Capital increase of subsidiaries								—	—	186	186
Establishment of subsidiary								—	—	106	106
Transfer of accumulated other comprehensive income to retained earnings			2			(2)		(2)	—	—	—
Total transactions with owners	—	(13)	(9,260)	11	—	(2)	—	(2)	(9,264)	283	(8,981)
Balance as of September 30, 2019	36,294	72,659	288,005	(191)	—	6,657	(3,609)	3,048	399,815	4,655	404,470

(5) Condensed Consolidated Statements of Cash Flows:

(millions of yen)

	Second quarter of the year ended March 31, 2019 (April 1, 2018 through September 30, 2018)	Second quarter of the year ending March 31, 2020 (April 1, 2019 through September 30, 2019)
Cash Flows from Operating Activities		
Profit before tax	23,173	14,963
Depreciation and amortization expense	11,016	16,437
Impairment losses	574	156
Decrease (increase) in fair value of biological assets	(992)	(738)
Financial income and costs	1,611	867
Decrease (increase) in trade and other receivables	(1,475)	21,745
Decrease (increase) in inventories	(14,813)	(15,743)
Decrease (increase) in biological assets	(652)	794
Decrease (increase) in other assets	(448)	(333)
Increase (decrease) in trade and other payables	7,226	(1,389)
Increase (decrease) in other liabilities	(4,215)	118
Others – net	(2,517)	834
Interest received	224	277
Dividends received	1,110	1,057
Interest paid	(494)	(878)
Income tax paid	(10,417)	(4,869)
Cash Flows from Operating Activities	8,911	33,298
Cash Flows from Investing Activities		
Acquisition of fixed assets	(25,421)	(19,385)
Proceeds from sales of fixed assets	140	256
Decrease (increase) in time deposits	2,184	(119)
Acquisition of other financial assets	(1,037)	(42)
Sale and redemption of other financial assets	519	15
Investments in associated companies	(38)	(120)
Others - net	(235)	(39)
Cash Flows from Investing Activities	(23,888)	(19,434)
Cash Flows from Financing Activities		
Cash dividends	(11,403)	(9,271)
Increase (decrease) in short-term bank loans	17,481	8,903
Proceeds from debt	4,618	19,606
Repayments of debt	(9,901)	(20,099)
Contributions from non-controlling interests	406	292
Acquisition of treasury stock	(6)	(2)
Others - net	0	0
Cash Flows from Financing Activities	1,195	(571)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	590	(791)

NH FOODS LTD. (2282)  
BRIEF STATEMENT OF ACCOUNTS FOR  
THE SECOND QUARTER OF THE YEAR  
ENDING MARCH 31, 2020

Net Increase (Decrease) in Cash and Cash Equivalents	(13,192)	12,502
Cash and Cash Equivalents at the Beginning of the Period	58,290	48,108
Cash and Cash Equivalents at the End of the Period	45,098	60,610

(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 82 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 second quarter of the previous fiscal year, on a consolidated and cumulative basis and second quarter of the previous fiscal year, on a consolidated basis is presented by applying the new calculation method from the viewpoint of the comparability with the second quarter of the fiscal year under review, on a consolidated and cumulative basis and second quarter of the fiscal year under review, on a consolidated 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 second quarter of the year ended March 31, 2019 (April 1, 2018 through September 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	167,307	322,920	74,140	67,049	631,416	(13,416)	618,000
Intersegment sales	7,156	56,215	1,812	64,608	129,791	(129,791)	-
Total	174,463	379,135	75,952	131,657	761,207	(143,207)	618,000
Segment profit (loss)	2,753	18,252	193	(855)	20,343	1,528	21,871

For the consolidated cumulative second quarter of the year ending March 31, 2020 (April 1, 2019 through September 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	165,571	330,107	67,815	65,980	629,473	(13,207)	616,266
Intersegment sales	7,522	57,380	1,806	65,788	132,496	(132,496)	-
Total	173,093	387,487	69,621	131,768	761,969	(145,703)	616,266
Segment profit	4,566	14,690	234	1,902	21,392	440	21,832

- (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.

For the consolidated second quarter of the year ended March 31, 2019 (July 1, 2018 through September 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	86,447	162,197	38,561	33,857	321,062	(7,440)	313,622
Intersegment sales	3,684	27,710	847	33,642	65,883	(65,883)	-
Total	90,131	189,907	39,408	67,499	386,945	(73,323)	313,622
Segment profit (loss)	1,420	8,495	175	(798)	9,292	598	9,890

For the consolidated second quarter of the year ending March 31, 2020 (July 1, 2019 through September 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	85,434	165,469	34,891	32,864	318,658	(7,152)	311,506
Intersegment sales	3,689	29,005	935	34,112	67,741	(67,741)	-
Total	89,123	194,474	35,826	66,976	386,399	(74,893)	311,506
Segment profit	2,358	6,895	323	1,116	10,692	66	10,758

- (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. 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.