

(English translation and a part of summary of the Annual Securities Report for the twelve-month period ended March 31, 2020, pursuant to the Financial Instruments and Exchange act of Japan.)

Annual Financial Report

For the fiscal year ended March 31, 2020

NH Foods Ltd.

V Financial Information

1. Preparation of consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of NH Foods Ltd. (the “Company”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), pursuant to the provisions of Article 93 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976, the “Regulation on Consolidated Financial Statements”).

(2) The non-consolidated financial statements of the Company have been prepared based on the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963, the “Regulation on Financial Statements”).

The Company falls under the category of special companies submitting financial statements and has prepared the non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit certification

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020) have been audited by Deloitte Touche Tohmatsu LLC.

3. Special measures to ensure fair presentation of consolidated financial statements and other public filings as well as internal system to appropriately prepare consolidated financial statements and other public filings in accordance with IFRS

The Company has taken special measures to ensure the fair presentation of the consolidated financial statements and other public filings and has developed an internal system to appropriately prepare the consolidated financial statements and other public filings in accordance with IFRS as follows:

(1) In order to have an appropriate understanding about the contents of the accounting standards and other principles and to develop a system so that the Company can properly respond to the changes in the accounting standards and other principles, the Company has become a member of the Financial Accounting Standards Foundation and participates in seminars held by organizations and bodies with expertise.

(2) In order to apply IFRS appropriately, the Company keeps itself updated about the latest IFRS by obtaining press releases and standards disclosed by the International Accounting Standards Board.

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statements of Financial Position

(millions of yen)

	Notes	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
(Assets)			
Current Assets			
Cash and cash equivalents	6	48,108	72,399
Trade and other receivables	7	153,260	130,213
Inventories	8	113,415	114,520
Biological assets	9	25,971	21,335
Other financial assets	29	12,041	11,701
Other current assets		5,468	5,583
Total Current Assets		358,263	355,751
Non-current Assets			
Property, plant and equipment	10	289,898	284,060
Right-of-use assets	15	-	35,545
Biological assets	9	1,877	1,883
Intangible assets and goodwill	11	7,097	8,953
Investments accounted for using the equity method	12	14,400	13,910
Other financial assets	29	34,125	32,647
Deferred tax assets	13	28,004	29,745
Other non-current assets	18	7,724	6,367
Total Non-current Assets		383,125	413,110
Total Assets		741,388	768,861

(millions of yen)

	Notes	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
(Liabilities and Equity)			
Current Liabilities			
Interest-bearing liabilities	14,15,29	62,746	55,924
Trade and other payables	16	111,573	99,802
Income taxes payable	13	2,738	3,178
Other financial liabilities	29	18,123	18,877
Other current liabilities	17	38,788	35,966
Total Current Liabilities		233,968	213,747
Non-current Liabilities			
Interest-bearing liabilities	14,15,29	84,263	120,569
Retirement benefit liabilities	18	14,118	14,920
Other financial liabilities	29	1,105	719
Deferred tax liabilities	13	1,326	732
Other non-current liabilities		1,250	1,577
Total Non-current Liabilities		102,062	138,517
Total Liabilities		336,030	352,264
Equity			
Common stock	19,21	36,294	36,294
Capital surplus	19,21	72,672	72,639
Retained earnings	19,20,29	286,934	294,018
Treasury stock, at cost	19	(202)	(173)
Accumulated other comprehensive income	26,29	5,316	1,636
Total Equity Attributable to Owners of the Parent		401,014	404,414
Non-controlling Interests		4,344	12,183
Total Equity		405,358	416,597
Total Liabilities and Equity		741,388	768,861

2) Consolidated Statements of Income

(millions of yen)

	Notes	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Net Sales	22	1,234,180	1,229,826
Cost of Goods Sold	8,9,10,11,15	1,033,577	1,024,296
Selling, General and Administrative Expenses	10,11,15,23	168,338	166,030
Other Income	24	8,510	3,592
Other Expenses	10,11,24	9,292	14,790
Financial Income	25,29	1,427	1,285
Financial Costs	15,25,29	3,561	3,903
Share of Profit in Investments Accounted for Using the Equity Method	12	918	1,355
Profit before Tax		30,267	27,039
Income Tax Expense	13	11,250	8,106
Profit		19,017	18,933
Profit Attributable to:			
Owners of the Parent		19,561	19,214
Non-controlling Interests		(544)	(281)
Profit		19,017	18,933
Earnings per Share	27		
Earnings per share (basic)		183.21 yen	186.70 yen
Earnings per share (diluted)		181.48 yen	186.64 yen

3) Consolidated Statements of Comprehensive Income

(millions of yen)

	Notes	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Profit		19,017	18,933
Other Comprehensive Loss			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans	18,19,26	(1,847)	(1,776)
Financial assets measured at fair value through other comprehensive income	19,26,29	(4,098)	(219)
Total		(5,945)	(1,995)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19,26	335	(3,754)
Share of other comprehensive income of investments accounted for using the equity method	12,19,26	84	(498)
Total		419	(4,252)
Total Other Comprehensive Loss		(5,526)	(6,247)
Comprehensive Income		13,491	12,686
Comprehensive Income Attributable to:			
Owners of the Parent		14,450	13,341
Non-controlling Interests		(959)	(655)
Comprehensive Income		13,491	12,686

4) Consolidated Statements of Changes in Equity

Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(millions of yen)

	Notes	Equity attributable to owners of the parent									Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
						Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal			
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				19,561					-	19,561	(544)	19,017
Other comprehensive loss	26					(1,847)	(4,098)	834	(5,111)	(5,111)	(415)	(5,526)
Comprehensive income		-	-	19,561	-	(1,847)	(4,098)	834	(5,111)	14,450	(959)	13,491
Dividends	20			(11,394)					-	(11,394)	(9)	(11,403)
Acquisition of treasury stock	19		(21)		(20,007)				-	(20,028)	-	(20,028)
Disposal of treasury stock	19		0		0				-	0	-	0
Cancellation of treasury stock	19		(126)	(19,695)	19,821				-	-	-	-
Issuance of new shares through exercise of stock options	21	3	(3)						-	0	-	0
Establishment of subsidiaries									-	-	406	406
Other			4						-	4	-	4
Transfer of accumulated other comprehensive income to retained earnings	29			(1,614)		1,847	(233)		1,614	-	-	-
Total transactions with owners		3	(146)	(32,703)	(186)	1,847	(233)	-	1,614	(31,418)	397	(31,021)
Balance as of March 31, 2019		36,294	72,672	286,934	(202)	-	6,980	(1,664)	5,316	401,014	4,344	405,358

Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(millions of yen)

	Notes	Equity attributable to owners of the parent									Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
						Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal			
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	26			19,214					-	19,214	(281)	18,933
Other comprehensive loss						(1,776)	(219)	(3,878)	(5,873)	(5,873)	(374)	(6,247)
Comprehensive income		-	-	19,214	-	(1,776)	(219)	(3,878)	(5,873)	13,341	(655)	12,686
Dividends	20			(9,262)					-	(9,262)	(9)	(9,271)
Acquisition of treasury stock	19				(4)				-	(4)	-	(4)
Disposal of treasury stock	19		(33)		33				-	0	-	0
Capital increase of subsidiaries									-	-	4,457	4,457
Establishment of subsidiaries									-	-	4,106	4,106
Other				(675)					-	(675)	(60)	(735)
Transfer of accumulated other comprehensive income to retained earnings	29			(2,193)		1,776	417		2,193	-	-	-
Total transactions with owners		-	(33)	(12,130)	29	1,776	417	-	2,193	(9,941)	8,494	(1,447)
Balance as of March 31, 2020		36,294	72,639	294,018	(173)	-	7,178	(5,542)	1,636	404,414	12,183	416,597

5) Consolidated Statements of Cash Flows

(millions of yen)

	Notes	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Cash Flows from Operating Activities			
Profit before tax		30,267	27,039
Depreciation and amortization expense		22,865	33,336
Impairment losses		4,937	3,904
Decrease (increase) in fair value of biological assets		187	1,205
Financial income and costs		2,134	2,618
Decrease (increase) in trade and other receivables		1,386	21,968
Decrease (increase) in inventories		(8,113)	(2,316)
Decrease (increase) in biological assets		(2,110)	1,005
Decrease (increase) in other assets		2,678	555
Increase (decrease) in trade and other payables		(2,222)	(10,964)
Increase (decrease) in other liabilities		38	(3,772)
Others—net		(6,287)	(1,143)
Interest received		719	675
Dividends received		1,573	2,304
Interest paid		(1,273)	(1,611)
Income tax paid		(15,935)	(9,339)
Cash Flows from Operating Activities		30,844	65,464
Cash Flows from Investing Activities			
Acquisition of fixed assets		(47,504)	(36,898)
Proceeds from sales of fixed assets		978	607
Decrease (increase) in time deposits		2,836	(610)
Acquisition of other financial assets		(1,077)	(84)
Sale and redemption of other financial assets		527	42
Investments in associated companies		(38)	(120)
Others—net		(832)	335
Cash Flows from Investing Activities		(45,110)	(36,728)
Cash Flows from Financing Activities			
Cash dividends	28	(11,403)	(9,271)
Increase (decrease) in short-term bank loans		9,026	(2,001)
Proceeds from debt		40,970	38,714
Repayments of debt		(16,060)	(39,019)
Contributions from non-controlling interests		406	8,563
Acquisition of treasury stock		(20,007)	(4)
Others—net		0	(59)
Cash Flows from Financing Activities		2,932	(3,077)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		1,152	(1,368)
Net Increase (Decrease) in Cash and Cash Equivalents		(10,182)	24,291
Cash and Cash Equivalents at the Beginning of the Year	6	58,290	48,108
Cash and Cash Equivalents at the End of the Year	6	48,108	72,399

Notes to Consolidated Financial Statements

1. Reporting company

NH Foods Ltd. (the “Company”) is a stock company incorporated in Japan. The address of its registered office is Kita-ku, Osaka-shi, Osaka-fu. The main businesses of the Company and its subsidiaries (the “Group”) and the affiliated companies of the Group are processing and packaging ham, sausage, and other processed food products; production and distribution of fresh meat; and production and distribution of marine products, dairy products, etc.

2. Basis of preparation of consolidated financial statements

(1) Matters on compliance with IFRS

The consolidated financial statements of the Group meet the requirements of “Specified Company Complying with Designated International Accounting Standards” set forth in Article 1-2 of the Regulation on Consolidated Financial Statements (the “Regulation”) and thus have been prepared in compliance with IFRS as stipulated in Article 93 of the Regulation.

(2) Basis of measurement

Unless indicated in “Note 3. Significant accounting policies,” the consolidated financial statements of the Group are prepared at cost.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. Amounts are rounded to the nearest million yen.

3. Significant accounting policies

The following accounting policies shall be considered the same as the accounting policies applied throughout the period indicated in the consolidated financial statements, unless stated otherwise.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved where the Company has power over the investee, is subject to the fluctuation of the return derived from the involvement with the investee, and has the ability to influence the return through the power which the Company has over the investee.

Financial statements of the subsidiaries are a part of the consolidation from the date the Group achieves control to the date the Group loses control. If the accounting policies adopted by the subsidiaries differ from those adopted by the Group, financial statements of these subsidiaries are adjusted as necessary. Significant intergroup transactions and balances are eliminated in preparing the consolidated financial statements.

Changes in interest of subsidiaries which do not result in loss of control are accounted for as equity transactions. Carrying amounts of total equity attributable to owners of the parent and non-controlling interests are revised to reflect the relative fluctuation of the interests in the subsidiary. The difference in the amount of non-controlling interests and the paid amount or received amount is directly recognized in equity and is allocated as total equity attributable to owners of the parent. If control over subsidiaries is lost, the difference between (1) the total of fair value of compensation received and fair value of the remaining interest and (2) assets (including goodwill) and liabilities of the subsidiary and the original carrying amount of the non-controlling interests is recognized as profit or loss. As of the date when control is lost, the fair value of the remaining investment is deemed to be the fair value at the first recognition as accounted for pursuant to IFRS 9 “Financial Instruments” (“IFRS 9”) or as the cost initially recognized for investment in associates.

If it is not acceptable for a subsidiary to settle on the consolidated closing date under the local laws where the subsidiary is located, financial statements based on provisional settlement of accounts carried out on the consolidated closing date are used as financial statements of subsidiaries with different closing dates.

2) Associates

Associates are entities on whose finance and management policies the Group has significant influence, but not control or joint control. If the Group possesses 20% to 50% of voting rights of another entity, the Group is presumed to hold significant influence over such entity.

Associates are accounted for using the equity method from the date the Group starts to have significant influence until the date such influence is lost. If the accounting policies adopted by the associates differ from those adopted by the Group, the financial statements of such associates are adjusted as necessary. Under the equity method, the invested amount is first measured at cost and thereafter the invested amount is adjusted according to the fluctuation of the Group’s interest after the acquisition in relation to net assets of the associate.

Consolidated financial statements include the financial statements of associates with different closing dates, since unification of the closing date is impracticable due to relationships with other shareholders. With regard to the financial statements of such associates, significant transactions or events which occur during the period between the different closing dates are adjusted.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method. The purchase price is measured by adding up the fair values of the assets transferred in exchange of control of the acquired company, the assumed liabilities and the equity instruments issued by the Company at the acquisition date.

Assets and liabilities which can be identified as of the acquisition date are recognized at their fair values as of the acquisition date, excluding the following items:

- Deferred tax assets (or deferred tax liabilities) and liabilities (or assets) related to employee benefit arrangements are each recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits.”
- Assets or disposal groups classified as for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are recognized and measured under such standard.

If the purchase price exceeds the fair value of the identifiable assets and liabilities, it is accounted for as goodwill in the consolidated statement of financial position. On the other hand, if the compensation is less than the fair value, it is promptly recognized as profit or loss in the consolidated statement of income.

For each transaction, the Group chooses to measure the non-controlling interests either at fair value or at the proportionate share of the recognized amount of the identifiable net assets.

Acquisition-related costs which are generated in relation to the business combination are accounted for as expenses at the time of incurrence.

If the initial accounting of the business combination is not completed by the consolidated closing date when the business combination occurred, incomplete items are measured at a provisional amount based on the best estimate. Thereafter, if the new information obtained during the measurement period within one year from the acquisition date influences the measurement of the amount recognized as of the acquisition date, the provisional amount recognized as of the acquisition date is retrospectively revised.

(3) Foreign currency translation

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency. Also, each entity within the Group has designated its functional currency and transactions of each entity are measured based on such functional currency.

Transactions denominated in foreign currencies are converted into the Company’s functional currency at the exchange rate as of the date of transaction or an approximate rate thereof. Monetary assets and liabilities in foreign currency are converted into the Company’s functional currency based on the exchange rate as of the closing date. Translation differences which arise due to such conversion or settlement are recognized as profit or loss.

Assets and liabilities of foreign operations are converted into yen, based on the exchange rate as of the closing date and income and expenses are converted at the average exchange rate of a period unless the exchange rate during such period significantly fluctuates. Such translation differences are recognized as other comprehensive income. When the foreign operations are subject to disposal, the cumulative translation difference related to such foreign operations is recognized as profit or loss in the period of disposal.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables as of the occurrence date. All the other financial assets are initially recognized as of the transaction date on which the Group becomes a contracting party of such financial instrument.

When the Group initially recognizes the non-derivative financial assets, they are classified into financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income or profit or loss. A summary of each classification and measurement model is as follows:

Financial assets measured at amortized cost

If the financial asset meets both of the following conditions, it is classified as financial assets at amortized cost.

- The financial asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are initially measured by adding the transaction cost to the fair value.

Financial assets measured at fair value through other comprehensive income

(a) Debt instruments measured at fair value through other comprehensive income

If the financial asset meets both of the following conditions, it is classified as a debt instrument measured at fair value through other comprehensive income.

- The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

(b) Equity instruments measured at fair value through other comprehensive income

Among financial assets other than financial assets at amortized cost and debt instruments measured at fair value through other comprehensive income, those equity instruments which made an irrevocable option at initial recognition to display subsequent fluctuation of fair value as other comprehensive income are classified as financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income are initially measured by adding the transaction cost to the fair value.

Financial assets measured at fair value through profit or loss

Financial assets other than financial assets at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially measured at fair value and transaction costs are recognized as profit or loss at the time of occurrence.

(ii) Subsequent measurement

After the initial recognition, financial assets are measured as follows, according to the classification.

Financial assets at amortized cost

Measured at amortized cost based on the effective interest method.

Financial assets measured at fair value through other comprehensive income

Measured at fair value, and changes in their fair values are recognized as other comprehensive income.

However, dividends from financial assets measured at fair value through other comprehensive income are recognized as profit or loss.

Financial assets measured at fair value through profit or loss

Measured at fair value and any fluctuations are recognized as profit or loss.

(iii) Derecognition

The Group derecognizes the financial assets if the contractual rights of cash flow generated from the financial assets expire, or if the said financial asset is transferred and all the risks and rewards of ownership are transferred. With regard to the transferred financial asset, the interests created by the Group or retained continuingly by the Group are recognized as separate assets or liabilities.

Financial assets measured at fair value through other comprehensive income

(a) Debt instrument measured at fair value through other comprehensive income

If such financial asset is derecognized, the cumulative amount of gain or loss recognized through other comprehensive income is reclassified to profit or loss.

(b) Equity instrument measured at fair value through other comprehensive income

If such financial asset is derecognized, the cumulative amount of gain or loss recognized through other comprehensive income is reclassified to retained earnings and is not recognized as profit or loss.

(iv) Impairment of financial assets

Financial assets measured at amortized cost and debt financial instruments measured at fair value through other comprehensive income are presented after deducting credit losses likely to occur in the future. The Group evaluates whether the credit risk of such financial assets has significantly increased or not since the initial recognition.

If such credit risk has not significantly increased since the initial recognition, allowance for credit losses of such financial assets is measured at the amount equivalent to 12-month expected credit losses. On the other hand, if the credit risk has substantially increased since the initial recognition, allowance for credit losses of such financial asset is measured at an amount equivalent to lifetime expected credit losses.

However, with respect to trade and other receivables, allowance for credit losses is measured at an amount equivalent to lifetime expected credit losses and such measured amount is recognized as profit or loss.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

The Group initially recognizes debt securities issued by the Group as of such issuance date. All the other financial liabilities are recognized as of the transaction date in which the Group becomes a contracting party of such financial instruments.

The Group holds interest-bearing liabilities, trade and other payables as non-derivative financial liabilities. At initial recognition, those are measured by subtracting from the fair value the transaction costs which are directly attributable to the relevant issuance.

(ii) Subsequent measurement

After the initial recognition, financial liabilities are measured at amortized cost based on the effective interest method.

(iii) Derecognition

The Group derecognizes the financial liabilities if they are extinguished, in other words, when contractual obligations are performed, discharged, cancelled or expire.

3) Derivative and hedge accounting

The Group uses derivatives such as foreign currency forward exchange contracts and interest rate swap contracts to hedge currency risks and interest rate risks. These derivatives are initially measured at fair value at the time the agreement is concluded, and continue to be measured at fair value thereafter.

Changes in fair value of derivatives are recognized as profit or loss in the consolidated statement of income.

Further, the Group has not adopted hedge accounting.

4) Fair value of financial instruments

The fair value of financial instruments traded in active financial markets as of each closing date refers to prices such as a published price of the market. The fair value of financial instruments which do not have an active financial market is measured using an appropriate evaluation method.

5) Offsetting of financial assets and financial liabilities

If an enforceable legal right to offset the recognized amount of financial assets and financial liabilities currently exists, and there are intentions to settle based on net amount or to settle the liabilities simultaneously to the assets being realized, they are offset and presented at net amount in the consolidated statement of financial position.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid short-term investments with original maturities of three months or less that are readily convertible to cash and are subject to insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. For calculation of the cost, the average cost method is used. The cost of the inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present locations and conditions.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Agricultural accounting

Biological assets are measured at fair value less costs to sell on initial recognition and at the end of each reporting period, if the fair value can be reliably measured. Changes in fair value according to such accounting are recognized as profit or loss. On the other hand, if the fair value measurements are determined to be clearly unreliable, they are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Harvested agricultural produce is reclassified from biological assets to inventories at the amount of fair value less costs to sell at the point of harvest.

(8) Property, plant and equipment

For measurement of property, plant and equipment, the cost model is adopted and they are carried at cost less any accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each asset.

Estimated useful lives of main property, plant and equipment are outlined as below:

Buildings: 20 - 40 years

Machinery and equipment: 5 - 15 years

Acquisition costs include any costs directly attributable to acquisition of such asset, initial estimated amount of costs for demolition, removal and restoration of the installation site, and borrowing cost which satisfies the conditions of asset capitalization.

Gains or losses incurred from derecognition of property, plant and equipment are included in profit or loss at the time of derecognition of such asset.

The depreciation method, the estimated useful life and the residual value are reviewed at the end of each fiscal year. If there are any changes, they are applied prospectively as changes in accounting estimates.

(9) Intangible assets and goodwill

1) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are measured at the fair value at the acquisition date.

For measurement of intangible assets, the cost model is adopted and they are carried at cost less any accumulated depreciation and any accumulated impairment losses.

For amortization of intangible assets with finite useful lives, the straight-line method is used over each estimated useful life.

Except for intangible assets with indefinite useful lives, the estimated useful lives of main intangible assets are outlined as below:

Software: 5 years

Amortization method, estimated useful life and residual value are reviewed at the end of each fiscal year. If there are any changes, they are applied prospectively as changes in accounting estimates.

2) Goodwill

Measurement of goodwill on initial recognition is as described in “Note 3. Significant accounting policies (2) Business combinations.”

For goodwill, the acquisition cost less accumulated impairment losses is recorded.

(10) Leases

The Group has adopted IFRS 16 from the beginning of the year ended March 31, 2020.

For the year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

If all the risks and rewards incidental to ownership of an asset are substantially transferred to the Group under a contract, a lease is classified as a finance lease and other leases are classified as operating leases.

Finance leases are initially recognized on the commencement date of the lease term at the lower of the fair value of the leased asset calculated on the commencement date and the present value of the total amount of minimum lease payments. After the initial recognition, leased assets are depreciated or amortized under the straight-line method over the shorter of the estimated useful lives and lease terms. Lease payment is allocated to financial costs and repayment of lease obligations under the interest method.

For operating leases, lease payment is recognized as expenses over the lease term under the straight-line method in the consolidated statement of income.

For the year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

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.

For such lease contracts, at the commencement date of the lease, the Group recognizes right-of-use assets and lease liabilities.

Lease liabilities are initially measured and recognized at the discounted present value of the total lease payments that are not paid at the commencement date. The interest rates implicit in the lease are used to measure the present value of the lease payments that are not paid, if those rates can be readily determined. If those cannot be readily determined, the lessee’s incremental borrowing rates are used. Lease liabilities are included in “Interest-bearing liabilities” in Current Liabilities and Non-current Liabilities in the consolidated statement of financial position. Lease payments are allocated to interest expenses and repayments of lease liabilities under the interest method. Interest expenses on the lease liabilities are separately presented from the depreciation charges for the right-of-use assets in the consolidated statement of income. The Group initially measures the right-of-use assets by adding any initial direct costs, any lease payments made before the commencement date, and any costs of obligations to restore the assets to the conditions required by the contracts, to the amount of the initial measurement of the lease liabilities. The right-of-use assets are depreciated under the straight-line basis or another systematic basis over the lease terms.

However, the Group elects not to recognize right-of-use assets and lease liabilities for either short-term leases with a lease term of 12 months or less, or leases for which the underlying assets are of low value. The total lease payments of these leases are recognized as expenses under the straight-line basis or another systematic basis over the lease terms.

(11) Impairment of non-financial assets

For impairment of non-financial assets excluding inventories, biological assets, deferred tax assets and assets related to retirement benefits, the Group determines whether there is any indication of impairment at the end of the reporting period. If there is an indication of impairment, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives, the recoverable amount of the asset is estimated every year at the same time and at any time there is an indication of impairment.

Cash-generating units are considered as minimum asset groups which generate cash inflow independently of other assets or asset groups.

The recoverable amount of assets or cash-generating units is the higher of the fair value less costs of disposal or value in use. For calculation of value in use, estimated future cash flow is discounted to the present value by using the pre-tax discount rate which reflects the time value of money and specific risk of such asset.

If the recoverable amount of assets or cash-generating units is lower than the carrying amount, the carrying amount is reduced to the recoverable amount and impairment losses are recognized.

For impairment losses recognized in the past, the Group determines as of the closing date of each reporting period whether there is an indication of possible decrease or extinguishment of loss.

If there is an indication of reversal of impairment losses, recoverable amount of the asset is estimated. Further, if such recoverable amount is more than the carrying amount, impairment losses are reversed.

The maximum amount reversed is an amount which is not higher than the carrying cost less the depreciation cost or amortization cost if impairment losses are not recognized.

Impairment losses recognized in relation to goodwill are not reversed.

(12) Post-employment benefits

The Group adopted a defined benefit plan comprised of a defined benefit corporate pension plan and retirement lump-sum severance plan and defined contribution pension plan, as post-employment benefit plans.

1) Defined benefit plan

The liabilities or assets of the defined benefit plan are recognized at an amount representing the present value of the defined benefit obligations less the fair value of the plan assets (the effect of the asset ceiling may be taken into account if necessary).

The present value of the defined benefit obligations is calculated by using the projected unit credit method. The discount rate used in this calculation is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds for the period until the expected date of future benefit payment.

Remeasurement of the net defined benefit liabilities or assets is recognized as other comprehensive income at the time of occurrence and is immediately reclassified as retained earnings. Past service cost and any gain or loss on settlement are recognized as profit or loss.

2) Defined contribution pension plan

Expenses related to post-employment benefits of the defined contribution pension plan are recognized as expenses at the time an employee provides the relevant service.

(13) Share-based payment

The Group has adopted the stock option plan as equity-settled share-based payment plan. The values of stock options are estimated based on fair value as of the grant date, which is recognized in the consolidated statement of income as an expense and a corresponding amount is recognized as increase of equity in the consolidated statement of financial position.

The fair value of the granted option is calculated using the Black Scholes Model and other models, and takes into account terms and conditions of the option.

(14) Revenue

Pursuant to IFRS 15 “Revenue from Contracts with Customers,” the Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group mainly engages in the sales of hams and sausages, processed food products, fresh meats, marine products and dairy products.

With respect to the sales contracts of products with customers, since control over the products transfers to the customer and the performance obligations are satisfied as of when the products are delivered to the customer, revenue is recognized at such time.

Revenue is determined as the amount of the consideration in the sales contract less the rebates and discounts based on the net sales or the sales amount, and the consideration expected to be refunded to the customer is reasonably estimated and is recognized as refund liabilities.

In addition, if the Group is involved in the sales of products as an agent, revenue is recognized as a net amount.

The consideration in a sales contract for products is primarily recovered within one year from when the products are delivered to the customer. Furthermore, significant financing components are not included.

(15) Government grants

Regarding government grants, if the conditions for government grants are met and there is a reasonable guarantee for receiving government grants, government grant income is recognized at fair value. Government grants for incurred expenses are recognized as a profit or loss in the same consolidated fiscal year. Regarding government grants for acquiring assets, the amount of such grants is deducted from the acquisition cost of the assets.

(16) Income tax

Income tax is composed of current tax and deferred tax. Excluding items relating to business combinations and direct equity or items recognized as other comprehensive income, they are recognized as a profit or loss.

1) Current tax

Current tax is determined with the amount expected to be paid to or refunded from the tax authorities. The determination of the tax amount is based on the tax rate and tax laws that are enacted, or are substantively enacted, by the closing date of the reporting period in the country where the Group conducts its business activities and the profit or loss subject to taxation is earned.

2) Deferred tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the accounting carrying amount and the tax amount of assets and liabilities, unused tax losses and unused tax credits as of the closing date of the reporting period.

Deferred tax assets are recognized in respect of deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against such deferred tax assets. And deferred tax liabilities are, in principle, recognized in respect of future taxable temporary differences.

The carrying amount of deferred tax assets is reviewed every year, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are re-evaluated every year, and the Group recognizes deferred tax assets that were unrecognized in the past to the extent that future taxable income is highly likely to make the recovery of deferred tax assets possible.

Furthermore, deferred tax assets and liabilities are not recognized for the following temporary differences:

- Future taxable temporary differences arising from the initial recognition of goodwill
- Temporary differences that arise from the initial recognition of assets and liabilities incurred due to transactions that have no effect on accounting profits or taxable income for tax purposes, except for business combination transactions
- Taxable temporary differences on investment in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deductible temporary differences on investment in subsidiaries and associates when it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are determined according to the tax rate that is expected to be applied to the year the asset is realized or the liability is settled, based on the tax rate and tax laws that are enacted, or are substantively enacted, by the closing date of the reporting period.

Deferred tax assets and liabilities are offset, if there is a legally enforceable right to set off current tax liabilities and current tax assets and such deferred tax assets and liabilities are imposed on the same taxable entity by the same tax authorities.

If an uncertain tax position of income tax being incurred is highly possible, a reasonable estimated amount is recognized as an asset or liability.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted-average number of shares of common stock outstanding during the period, adjusted for shares of treasury stock held.

Diluted earnings per share are calculated by adjusting for the effects of all dilutive potential common stocks.

(18) Equity

1) Common stock

Regarding shares of common stock issued by the Company, issue price is recorded in common stock and capital surplus, and direct issuance costs are excluded from the capital surplus.

2) Treasury stock

If shares of treasury stock are acquired, the consideration paid including direct transaction costs is recognized as an excludable item from equity. If shares of treasury stock are disposed of, the difference between the carrying value and consideration received is recognized as an increase in equity.

(19) Changes in the accounting policy

The Group has adopted the following standard from the consolidated fiscal year ended March 31, 2020.

Standard	Name of standard	Outline of new establishment or revision
IFRS 16	Leases	Revision of accounting treatment regarding 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 of 12 months or less, or leases for which the underlying assets are of low value. When applying IFRS 16, the Group took over 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 elects to recognize the cumulative effect of applying IFRS 16 to all of its leases at the date of initial application.

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 consolidated statement of financial position at the date of initial application is 0.4%. The interest rates implicit in the lease are used to measure the discounted present value of the total lease payments that are not paid, if those rates can be readily determined. If those cannot be readily determined, the lessee’s incremental borrowing rates are used. Lease payments are allocated to interest expenses and repayments of lease liabilities under the interest method. Interest expenses on the lease liabilities are separately presented from the depreciation charges for the right-of-use assets in the consolidated statement of income.

The Group initially measures the right-of-use assets by adding any initial direct costs, any lease payments made before the commencement date, and any costs of obligations to restore the assets, to the conditions required by the contracts to the amount of the initial measurement of the lease liabilities. 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 consolidated statement of financial position at the date of initial application is as follows:

(millions of yen)

Discounted amount of operating lease commitments as of March 31, 2019	8,846
Finance lease obligations 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 previous accounting standards were applied, the asset balance in the consolidated statement of financial position at the date of initial application 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.

4. Significant accounting estimates and judgments

The Group's consolidated financial statements include measurements of income and expenses and of assets and liabilities, and estimates and assumptions of management regarding disclosures of contingencies as of the closing date of the consolidated fiscal year. These estimates and assumptions are based on the best judgments of management that have taken into consideration past performance and various factors that can be thought to be reasonable as of the closing date of the consolidated fiscal year. Based on the nature of said assumptions, there is the possibility that the actual results will differ from these estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of the review of these estimates and assumptions are recognized during the accounting period in which such estimates and assumptions are reviewed and future accounting periods thereafter.

The judgments and estimates performed by management that have significant effects on the amounts of the consolidated financial statements are as follows:

- Range of consolidated subsidiaries and associates (Note 3. Significant accounting policies (1) Basis of consolidation)
- Fair value of financial instruments (Note 3. Significant accounting policies (4) Financial instruments, Note 29. Financial instruments)
- Fair value of biological assets (Note 3. Significant accounting policies (7) Agricultural accounting, Note 9. Biological assets)
- Impairment of non-financial assets (Note 3. Significant accounting policies (11) Impairment of non-financial assets, Note 10. Property, plant and equipment, Note 11. Intangible assets and goodwill)
- Post-employment benefits (Note 3. Significant accounting policies (12) Post-employment benefits, Note 18. Post-employment benefit plans)
- Recoverability of deferred tax assets (Note 3. Significant accounting policies (16) Income tax, Note 13. Income taxes)

(Additional information)

Management have considered the effect of the novel coronavirus (COVID-19) infection "as an accounting estimate and assumption" and believe that it will continue for approximately six months after the end of the year ended March 31 2020, and will then be gradually contained. As a result, the impact on the year ended March 31, 2020 was determined to be immaterial. However, it may have a significant effect on the Group's financial position and operating results for the year ending March 31, 2021, depending on how the situation develops.

5. Segment information

(1) Overview of reportable segments

The Group's reportable segments are parts of its organizational units whose financial information is individually available, and are subject to regular review by the chief operating decision maker for the purpose of deciding the allocation of its operating resources and evaluating its business performance.

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 products 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

Intersegment transaction prices are determined with reference to transaction prices with external customers.

(Change in method of presentation)

Until the year ended March 31, 2019, "Segment profit" represented net sales less cost of goods sold and selling general and administrative expenses. However, from the year ended March 31, 2020, the method of calculating the said "Segment profit" has changed.

From the year ended March 31, 2020, the new "Segment profit" is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and accounting for foreign exchange gains and losses determined by the Group, while excluding adjustments in accordance with IFRS and non-recurring items. "Segment profit" for the year ended March 31, 2019 is presented by applying the new calculation method from the viewpoint of the comparability with the year ended March 31, 2020. The Group considers this change will provide more relevant information for users of the consolidated financial statements by clarifying income derived from business activities as an important management index of segment information.

(2) Information regarding the reportable segments

The reportable segment information for the years ended March 31, 2019 and 2020 is as follows:

Year ended March 31, 2019 (April 1, 2018 through March 31, 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	338,854	649,820	151,781	128,540	1,268,995	(34,815)	1,234,180
Intersegment sales	14,237	107,173	3,292	126,669	251,371	(251,371)	-
Total	353,091	756,993	155,073	255,209	1,520,366	(286,186)	1,234,180
Segment profit (loss)	7,797	35,743	441	(3,753)	40,228	(1,917)	38,311
Segment assets	187,547	359,847	86,675	125,146	759,215	(17,827)	741,388
Other items							
Depreciation and amortization	6,859	8,058	2,453	2,722	20,092	2,325	22,417
Capital expenditures	11,981	19,776	9,107	4,903	45,767	2,053	47,820
Investments accounted for using the equity method	267	896	22	13,024	14,209	191	14,400

Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(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	339,089	658,664	139,443	129,610	1,266,806	(36,980)	1,229,826
Intersegment sales	14,692	113,180	3,465	125,377	256,714	(256,714)	-
Total	353,781	771,844	142,908	254,987	1,523,520	(293,694)	1,229,826
Segment profit	11,357	32,773	1,095	1,849	47,074	(3,302)	43,772
Segment assets	188,027	364,088	80,522	115,226	747,863	20,998	768,861
Other items							
Depreciation and amortization	7,388	8,834	2,698	3,115	22,035	11,003	33,038
Capital expenditures	13,810	12,506	2,414	6,032	34,762	13,040	47,802
Investments accounted for using the equity method	270	730	37	12,873	13,910	-	13,910

- (Notes)
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 consolidated 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 accounting for foreign exchange gains and losses determined by the Group, while excluding adjustments in accordance with IFRS and non-recurring items.
 4. Segment assets included in "Eliminations, adjustments and others" mainly consist of adjustments to right-of-use assets and others in accordance with IFRS, cash and cash equivalents of the parent company, and investment securities.
 5. "Depreciation and amortization" represents depreciation and amortization expenses for property, plant and equipment, right-of-use assets, and intangible assets. "Depreciation and amortization" in each reportable segment does not include depreciation and amortization expenses included in corporate overhead expenses and profit or loss of certain subsidiaries stated in Note 2.
 6. "Capital expenditures" represent increases in property, plant and equipment, right-of-use assets and intangible assets.

Reconciliations of the aggregate segment profit (loss) and profit before tax for the years ended March 31, 2019 and 2020 are as follows:

	(millions of yen)	
	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Aggregate segment profit (loss)	38,311	43,772
IFRS adjustments (Note 1)	(1,986)	(1,230)
Disaster-related losses (Note 2)	(995)	(840)
Foreign exchange gains and losses (Note 3)	(3,065)	(2,202)
Other income	8,510	3,592
Other expenses	9,292	14,790
Financial income	1,427	1,285
Financial costs	3,561	3,903
Share of profit in investments accounted for using the equity method	918	1,355
Profit before tax	30,267	27,039

- (Notes)
- The major IFRS adjustments are the changes in fair value of biological assets under IAS 41 “Agriculture” and adjustments under IFRIC 21 “Levies.”
 - Disaster-related losses for the year ended March 31, 2019 were primarily due to valuation loss on inventories and repair expenses for fixed assets arising from Typhoon No. 21 and the Hokkaido Eastern Iburi Earthquake. Disaster-related losses for the year ended March 31, 2020 were mainly repair expenses for fixed assets related to the Hokkaido Eastern Iburi Earthquake.
 - Foreign exchange gains and losses arising from the settlement of business transactions are included in the reconciliations of “Segment profit (loss).”

(3) Information about geographical areas

Sales information about geographical areas for the years ended March 31, 2019 and 2020 is as follows:

	(millions of yen)	
	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Japan	1,106,029	1,100,512
Other areas	128,151	129,314
Total	1,234,180	1,229,826

(Note) Sales are broken down by geographical area of the distributor’s domicile.

Non-current assets (excluding financial assets, deferred tax assets and assets related to retirement benefits) by geographical area as of March 31, 2019 and 2020 are as follows:

	(millions of yen)	
	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Japan	271,957	302,923
Other areas	29,940	30,136
Total	301,897	333,059

(4) Information about major customers

Disclosure is omitted because there were no sales to a single external customer exceeding 10% of net sales in the consolidated statement of income.

6. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Cash and deposits	59,602	83,322
Time deposits with maturities over three months	(11,494)	(10,923)
Total	48,108	72,399

(Note) The balance of “Cash and cash equivalents” in the consolidated statement of financial position matches the balance of “Cash and cash equivalents” in the consolidated statement of cash flows.

7. Trade and other receivables

Trade and other receivables consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Trade notes receivable	629	515
Accounts receivable—trade	147,967	126,245
Accounts receivable—other	5,061	4,138
Less: Allowance for doubtful receivables	(397)	(685)
Total	153,260	130,213

(Note) Trade and other receivables are classified into financial assets measured at amortized cost.

8. Inventories

Inventories consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Finished goods and merchandise	91,298	91,869
Raw materials and work-in-process	18,400	19,023
Supplies	3,717	3,628
Total	113,415	114,520

The amount of inventories recognized as expenses in the fiscal years ended March 31, 2019 and 2020 was ¥1,021,815 million and ¥1,012,582 million, respectively.

The Group measured inventories at the net realizable value, resulting in the write-down of ¥720 million and ¥815 million as of March 31, 2019 and 2020, respectively.

There was no significant reversal of write-down of inventories for the fiscal years ended March 31, 2019 and 2020.

9. Biological assets

The Group produces and raises cattle, hogs and chickens mainly in Japan. Overseas, the Group raises cattle in Australia, and produces and raises chickens in Turkey.

Biological assets recorded in current assets mainly consisted of three livestock species—cattle, hogs, and chickens—reared for fresh meat production. Biological assets recorded in non-current assets mainly consisted of cattle and hogs raised for breeding.

Biological assets held by the Group consisted of the following:

	Year ended March 31, 2019 (as of March 31, 2019)		Year ended March 31, 2020 (as of March 31, 2020)	
	Amount (millions of yen)	Volume	Amount (millions of yen)	Volume
Cattle	16,050	81,000	11,480	56,101
Hogs	6,421	374,681	5,996	377,492
Chickens	4,826	16,041	5,010	20,186
Others	551	10,029	732	9,026
Biological assets measured at fair value	27,848		23,218	
Current	25,971		21,335	
Non-current	1,877		1,883	

The production volume of biological assets for the years ended March 31, 2019 and 2020 is as follows:

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)		Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)	
	Amount (millions of yen)	Volume	Amount (millions of yen)	Volume
Cattle	23,964	108,344	24,921	116,492
Hogs	22,397	650,244	22,500	653,848
Chickens	58,451	352,714	60,306	388,937
Others	708	6,660	468	3,803

Volume units are as follows:

Cattle: heads

Hogs: heads

Chickens: tons

Changes in biological assets for the years ended March 31, 2019 and 2020 are as follows:

(millions of yen)

Beginning of the year ended March 31, 2019 (as of April 1, 2018)	26,887
Increase due to birth, purchase and breeding	83,811
Decrease due to sale	(3,984)
Decrease due to slaughter	(77,307)
Gain or loss on changes in fair value	(697)
Exchange differences on translation	(862)
Total	27,848
Current	25,971
Non-current	1,877
End of the year ended March 31, 2019 (as of March 31, 2019)	27,848
Increase due to birth, purchase and breeding	78,947
Decrease due to sale	(4,286)
Decrease due to slaughter	(75,986)
Gain or loss on changes in fair value	(1,205)
Exchange differences on translation	(2,100)
Total	23,218
Current	21,335
Non-current	1,883
End of the year ended March 31, 2020 (as of March 31, 2020)	23,218

Gain (loss) on changes in the fair value of biological assets is included in “Cost of Goods Sold” of the consolidated statement of income.

With respect to cattle and hogs, which are the Group’s biological assets, the fair value is measured according to the valuation model based on the market approach, wherein the input is the sales price of similar types of assets, and since unobservable inputs are included, it is classified as Level 3. In addition, with respect to chickens, the fair value is measured according to the valuation model based on the cost approach, wherein the acquisition costs are inputs, and since unobservable inputs are included, it is classified as Level 3.

In the Group’s activities to produce biological assets, there is a time gap between cash-out for the costs of production/feeding and cash-in from sales to third parties. In order to manage such financial risk, the Group strives to maintain working capital at an appropriate level.

10. Property, plant and equipment

(1) Changes in carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses are as follows:

(millions of yen)

Carrying amount	Land	Buildings	Machinery and equipment	Construction in progress	Total
Beginning of the year ended March 31, 2019 (as of April 1, 2018)	51,437	126,173	82,725	8,808	269,143
Acquisition	1,428	4,185	14,481	25,658	45,752
Disposal	(127)	(348)	(796)	(42)	(1,313)
Reclassification	(714)	16,982	11,985	(28,896)	(643)
Depreciation	-	(8,786)	(12,138)	-	(20,924)
Impairment losses	(63)	(586)	(483)	-	(1,132)
Foreign exchange translation differences	(164)	(91)	(134)	(254)	(643)
Others	-	26	6	(374)	(342)
End of the year ended March 31, 2019 (as of March 31, 2019)	51,797	137,555	95,646	4,900	289,898
Effect of changes in the accounting policy (Note)	(365)	(3,031)	(8,019)	-	(11,415)
Restated balance after changes in the accounting policy (as of April 1, 2019)	51,432	134,524	87,627	4,900	278,483
Acquisition	1,605	3,988	10,317	14,771	30,681
Disposal	(228)	(305)	(658)	(59)	(1,250)
Reclassification	(10)	6,775	5,884	(12,644)	5
Depreciation	-	(8,828)	(10,306)	-	(19,134)
Impairment losses	(38)	(1,258)	(1,427)	(17)	(2,740)
Foreign exchange translation differences	(370)	(998)	(893)	(363)	(2,624)
Others	637	(28)	47	(17)	639
End of the year ended March 31, 2020 (as of March 31, 2020)	53,028	133,870	90,591	6,571	284,060

(Note) The amounts represent the impact of the adoption of IFRS 16.

(millions of yen)

Acquisition cost	Land	Buildings	Machinery and equipment	Construction in progress	Total
Beginning of the year ended March 31, 2019 (as of April 1, 2018)	52,066	299,721	246,502	8,808	607,097
End of the year ended March 31, 2019 (as of March 31, 2019)	52,264	315,432	260,887	4,900	633,483
End of the year ended March 31, 2020 (as of March 31, 2020)	53,492	316,589	247,196	6,588	623,865

(millions of yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings	Machinery and equipment	Construction in progress	Total
Beginning of the year ended March 31, 2019 (as of April 1, 2018)	629	173,548	163,777	-	337,954
End of the year ended March 31, 2019 (as of March 31, 2019)	467	177,877	165,241	-	343,585
End of the year ended March 31, 2020 (as of March 31, 2020)	464	182,719	156,605	17	339,805

Depreciation of property, plant and equipment is included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

The amount of expenditures for property, plant and equipment under construction is included in “Construction in progress” in the table above.

(2) Leased assets under finance leases

The carrying amount of leased assets under finance leases included in property, plant and equipment is as follows:

(millions of yen)

	Land	Buildings	Machinery and equipment	Total
Beginning of the year ended March 31, 2019 (as of April 1, 2018)	-	3,316	7,394	10,710
End of the year ended March 31, 2019 (as of March 31, 2019)	365	3,031	8,019	11,415

(Note) With the adoption of IFRS 16, leased assets included in property, plant and equipment have been reclassified as right-of-use assets from the fiscal year ended March 31, 2020.

(3) Commitments

The amount of commitments for the acquisition of property, plant and equipment as of March 31, 2019 and 2020 was ¥52,811 million and ¥50,513 million, respectively. Commitments as of March 31, 2019 and 2020 include the contract amount of ¥49,700 million for the design and construction of a new baseball stadium, which represents an expected maximum contract amount and does not mean the actual payment amount.

(4) Impairment losses

Impairment losses were included in “Other Expenses” in the consolidated statement of income.

The Group recognized impairment losses on property, plant and equipment of ¥1,132 million for the fiscal year ended March 31, 2019. The impairment losses, which were principally associated with idle assets related to the Processed Foods Business Division, resulted mainly from a decline in market value of the assets.

The Group recognized impairment losses on property, plant and equipment of ¥2,740 million for the fiscal year ended March 31, 2020. The impairment losses, which were principally associated with business assets used for the Fresh Meats Business Division and the Affiliated Business Division, resulted mainly from expected decreases in profitability of some subsidiaries.

The fair value less costs of disposal, which formed the basis of calculation, was determined based on the appraisal value or market value of the assets, or by other means considered appropriate by management. The determined fair value falls under the Level 3 category of the fair value hierarchy.

11. Intangible assets and goodwill

(1) Changes in carrying amount, acquisition cost, and accumulated amortization and accumulated impairment losses are as follows:

(millions of yen)

Carrying amount	Goodwill	Software	Software in progress	Other	Total
Beginning of the year ended March 31, 2019 (as of April 1, 2018)	4,250	2,953	767	2,359	10,329
Acquisition	-	816	1,232	1	2,049
Disposal	-	(13)	-	(4)	(17)
Reclassification	-	1,244	(1,336)	1	(91)
Amortization	-	(1,216)	-	(277)	(1,493)
Impairment losses	(3,793)	(4)	-	(8)	(3,805)
Exchange differences on translation	175	(2)	(1)	(21)	151
Others	-	10	(31)	(5)	(26)
End of the year ended March 31, 2019 (as of March 31, 2019)	632	3,788	631	2,046	7,097
Effect of changes in the accounting policy (Note)	-	-	-	0	0
Restated balance after changes in the accounting policy (as of April 1, 2019)	632	3,788	631	2,046	7,097
Acquisition	-	499	3,943	422	4,864
Disposal	-	(13)	-	(63)	(76)
Reclassification	-	1,397	(1,387)	0	10
Amortization	-	(1,409)	-	(270)	(1,679)
Impairment losses	(177)	(15)	-	(859)	(1,051)
Exchange differences on translation	(18)	(7)	(22)	(109)	(156)
Others	-	0	239	(295)	(56)
End of the year ended March 31, 2020 (as of March 31, 2020)	437	4,240	3,404	872	8,953

(Note) The amounts represent the impact of the adoption of IFRS 16.

(millions of yen)

Acquisition cost	Goodwill	Software	Software in progress	Other	Total
Beginning of the year ended March 31, 2019 (as of April 1, 2018)	7,176	25,829	767	4,404	38,176
End of the year ended March 31, 2019 (as of March 31, 2019)	6,596	27,266	631	4,030	38,523
End of the year ended March 31, 2020 (as of March 31, 2020)	6,142	28,593	3,404	3,928	42,067

(millions of yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Software in progress	Other	Total
Beginning of the year ended March 31, 2019 (as of April 1, 2018)	2,926	22,876	-	2,045	27,847
End of the year ended March 31, 2019 (as of March 31, 2019)	5,964	23,478	-	1,984	31,426
End of the year ended March 31, 2020 (as of March 31, 2020)	5,705	24,353	-	3,056	33,114

Amortization of intangible assets is included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

(2) R&D expenditures

The expenditures for the research and development activities expensed during the years ended March 31, 2019 and 2020 were ¥3,159 million and ¥3,195 million, respectively, which are included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

(3) Impairment test for cash-generating units including goodwill

1) Cash-generating units

The Group tests goodwill for impairment at least once by the end of each fiscal year, or whenever there is an indication that the goodwill may be impaired. The carrying amount of goodwill for each cash-generating unit is as follows:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Breeders & Packers Uruguay S.A.	180	-
Others	452	437
Total	632	437

2) Calculation basis on which the recoverable amount has been determined

Goodwill impairment related to Breeders & Packers Uruguay S.A. was recorded in the fiscal year ended March 31, 2019.

The recoverable amount of Breeders & Packers Uruguay S.A. was determined at fair value less costs of disposal. The fair value less costs of disposal was determined by applying the income approach, discounting to the present value the estimated cash flows that took into account the five-year business plan approved by management and a future growth rate. The business plan was prepared based on the external and internal sources of information, reflecting management’s evaluation of future prospects of the industry and past data. The growth rate used for the measurement of the fair value was determined at 2.0% which is the estimated growth rate of the market to which the cash-generating unit belongs. The discount rate was determined at 9.1% on the basis of the weighted-average cost of capital (after tax), among others, of the market to which the cash-generating unit belongs. The fair value measurement is classified as Level 3 of the fair value hierarchy because the measurement includes significant unobservable inputs.

For the year ended March 31, 2020, a description is omitted because the amount of goodwill was insignificant.

(4) Impairment losses

Impairment losses are included in “Other Expenses” in the consolidated statement of income.

For the fiscal year ended March 31, 2019, impairment losses of ¥3,793 million were recorded for goodwill due to the decreasing profitability of Breeders & Packers Uruguay S.A. in the Overseas Business Division.

For the fiscal year ended March 31, 2020, impairment losses of ¥1,030 million were recorded for intangible assets and goodwill due to the decreasing profitability of Breeders & Packers Uruguay S.A. in the Overseas Business Division.

The recoverable amount of the intangible assets used as the basis for calculation was measured at value in use. The value in use was estimated based on future cash flows in the business plan over the next five years reflecting the past results. As the estimated value in use is expected to be negative, the recoverable amount is assessed to be zero.

12. Investments accounted for using the equity method

Investments in associates were accounted for using the equity method. There were no individually significant associates.

The carrying amount of the Group's interest in associates which were not individually significant is as follows:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Carrying amount of investments accounted for using the equity method	14,400	13,910

With respect to Panus Poultry Group Company Limited, the differences of ¥6,868 million and ¥6,715 million resulted mainly from the goodwill under the equity method between the carrying amount and the Group's interest in net assets as of March 31, 2019 and 2020, respectively.

The Group's interest in profit, other comprehensive income (loss) and comprehensive income of associates which were not individually significant is as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Profit	918	1,355
Other comprehensive income (loss)	84	(498)
Comprehensive income	1,002	857

13. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major cause and changes thereof are as follows:

For the year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

	Balance at beginning of the year (April 1, 2018)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Balance at end of the year (March 31, 2019)
Deferred tax assets:				
Inventories	1,167	98	-	1,265
Accrued enterprise taxes	732	(212)	-	520
Accrued bonuses	3,204	(58)	-	3,146
Property, plant and equipment and intangible assets	15,024	(1,024)	-	14,000
Retirement benefit liabilities	5,209	297	831	6,337
Unused tax losses and unused tax credits	527	151	-	678
Other temporary differences	3,652	1,027	-	4,679
Total	29,515	279	831	30,625
Deferred tax liabilities:				
Inventories	(901)	(146)	-	(1,047)
Property, plant and equipment and intangible assets	(389)	175	-	(214)
Financial assets	(4,578)	429	1,560	(2,589)
Investments in subsidiaries	(181)	84	-	(97)
Total	(6,049)	542	1,560	(3,947)
Net deferred tax assets (liabilities)	23,466	821	2,391	26,678

(Note) The difference between deferred income tax charges and the amount recognized in profit or loss is exchange differences on translation of foreign operations.

For the year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

	Balance at beginning of the year (April 1, 2019)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Balance at end of the year (March 31, 2020)
Deferred tax assets:				
Inventories	1,265	(87)	-	1,178
Accrued enterprise taxes	520	61	-	581
Accrued bonuses	3,146	2	-	3,148
Property, plant and equipment and intangible assets	14,000	660	-	14,660
Retirement benefit liabilities	6,337	(555)	798	6,580
Unused tax losses and unused tax credits	678	103	-	781
Other temporary differences	4,679	606	-	5,285
Total	30,625	790	798	32,213
Deferred tax liabilities:				
Inventories	(1,047)	303	-	(744)
Property, plant and equipment and intangible assets	(214)	214	-	-
Financial assets	(2,589)	270	(84)	(2,403)
Investments in subsidiaries	(97)	44	-	(53)
Total	(3,947)	831	(84)	(3,200)
Net deferred tax assets (liabilities)	26,678	1,621	714	29,013

(Note) The difference between deferred income tax charges and the amount recognized in profit or loss is exchange differences on translation of foreign operations.

Unused tax losses, unused tax credits and deductible temporary differences for which deferred tax assets were not recognized are as follows:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Unused tax losses and unused tax credits	21,789	20,474
Deductible temporary differences	4,596	6,199

The amount and expiration of unused tax losses and unused tax credits for which deferred tax assets were not recognized are as follows:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
1 year	142	134
2 years	143	416
3 years	438	1,036
4 years	1,052	4,483
5 years	4,596	3,231
Over 5 years	15,418	11,174
Total	21,789	20,474

The amount of future taxable temporary differences related to investments in the Group's subsidiaries for which deferred tax liabilities were not recognized was ¥34,358 million and ¥34,812 million as of March 31, 2019 and 2020, respectively. This is because the Group is able to control the timing of reversing the temporary differences, and it is probable that temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

Income tax expense consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Current tax expense	11,766	9,558
Deferred tax expense	(516)	(1,452)
Total	11,250	8,106

Current tax expense includes the amount of the benefit arising from previously unrecognized tax losses, tax credits, or temporary differences of a prior period. Current tax expense decreased by ¥1,081 million due to these factors in the fiscal year ended March 31, 2020. The amount of such current tax expense for the fiscal year ended March 31, 2019 was not material.

Deferred tax expense arising from the write-down and the reversal of the previous write-down of deferred tax assets was not material for the fiscal years ended March 31, 2019 and 2020.

The Group is subject to income taxes, inhabitants taxes, and enterprise taxes. The effective statutory tax rate for income tax expense calculated based on these taxes was approximately 31.0% for the fiscal years ended March 31, 2019 and 2020. Foreign subsidiaries are subject to the tax rates of the countries in which they operate.

Factors that caused differences between the effective statutory tax rate and the average effective tax rate are as follows:

(%)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Effective statutory tax rate	31.0	31.0
(Adjustments)		
Difference in tax rates of foreign subsidiaries	0.0	(0.8)
Change in recoverability of deferred tax assets	2.6	(1.0)
Permanently non-deductible expenses	0.6	1.0
Tax credit	(0.9)	(1.0)
Impairment losses on goodwill	3.9	0.2
Other	0.0	0.6
Average effective tax rate	37.2	30.0

14. Interest-bearing liabilities

Interest-bearing liabilities consisted of the following:

(millions of yen)

Category	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
With collateral:		
Loans mainly from banks and insurance companies		
Maturing through 2020		
Interest rates: 3.25% (Year ended March 31, 2019)	300	
Interest rates: 3.50% (Year ended March 31, 2020)		300
Without collateral:		
Loans mainly from banks and insurance companies		
Maturing through 2028		
Interest rates: 0.24% to 25.0% (Year ended March 31, 2019)	85,546	
Interest rates: 0.12% to 10.50% (Year ended March 31, 2020)		85,669
Installment payables	64	-
Bonds with 0.551% coupon due September 2019	9,997	-
Bonds with 0.934% coupon due September 2022	9,982	9,987
Bonds with 0.15% coupon due February 2024	9,954	9,964
Bonds with 0.25% coupon due February 2026	9,954	9,961
Bonds with 0.36% coupon due February 2029	9,948	9,954
Bonds with 0.60% coupon due August 2039	-	14,910
Finance lease obligations:		
Maturing through 2035		
Interest rates: 0.0% to 4.9% (Year ended March 31, 2019)	11,264	
Lease liabilities:		
Maturing through 2047		
Interest rates: 0.0% to 25.31% (Year ended March 31, 2020)		35,748
Total	147,009	176,493
Current	62,746	55,924
Non-current	84,263	120,569

15. Leases

For the year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(1) Finance lease obligations

The Group leases buildings, machinery and equipment under finance leases.

The total minimum lease payments under finance lease contracts and present value thereof consist of the following:

(millions of yen)

	Total minimum lease payments	Present value of total minimum lease payments
	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2019 (as of March 31, 2019)
Within 1 year	2,912	2,827
1 to 5 years	6,408	6,173
Over 5 years	2,434	2,264
Total	11,754	11,264
Less: Future financial costs	(490)	
Present value of total minimum lease payments	11,264	

Certain lease contracts have renewal options or purchase options.

There are no escalation clauses or restrictions imposed by lease contracts (including restrictions on additional loans and additional leases).

(2) Operating leases

The Group leases office space, employee housing and office equipment under operating leases.

Lease payments under these leases recognized in the fiscal year ended March 31, 2019 were ¥10,578 million

The total future minimum lease payments under non-cancelable operating leases consist of the following:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)
Within 1 year	2,301
1 to 5 years	4,463
Over 5 years	1,879
Total	8,643

Certain lease contracts have renewal options or purchase options.

There are no escalation clauses or restrictions imposed by lease contracts (including restrictions on additional loans and additional leases).

For the year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

The Group leases assets including land, buildings, machinery and equipment as a lessee. Certain lease contracts have renewal or termination options, which are exercised as necessary. There are no important incidental matters such as restrictions or covenants imposed by lease contracts.

(1) Gains and losses related to leases are as follows:

	(millions of yen)
	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Depreciation charges for the right-of-use assets	
Land	419
Buildings	7,783
Machinery and equipment	4,013
Other	4
Total	12,219
Interest expense on lease liabilities	210
Lease expense applying the recognition exemption for short-term leases	1,164
Lease expense applying the recognition exemption for low-value assets	1,569
Variable lease payments not included in the measurement of lease liabilities	74

Depreciation charges for the right-of-use assets is included in “Cost of Goods Sold” and “Selling, General and Administrative Expenses” in the consolidated statement of income.

(2) The carrying amount of right-of-use assets is as follows:

	(millions of yen)
	Year ended March 31, 2020 (as of March 31, 2020)
Land	2,668
Buildings	18,835
Machinery and equipment	14,039
Other	3
Total	35,545

The increase in right-of-use assets is described in “Note 28. Cash flow information (1) Significant non-cash transactions.”

The maturity analysis of lease liabilities is provided in “Note 29. Financial instruments (2) Financial risk management 3) Liquidity risk.”

(3) Total cash outflow for leases is as follows:

	(millions of yen)
	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Total cash outflow for leases	15,273

16. Trade and other payables

Trade and other payables consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Trade notes payable	11,658	10,477
Accounts payable—trade	67,057	59,991
Accounts payable—other	25,902	22,477
Refund liabilities	6,956	6,857
Total	111,573	99,802

(Note) Trade and other payables are classified into financial liabilities measured at amortized cost.

17. Other current liabilities

Other current liabilities consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Accrued expenses	26,806	25,961
Accrued consumption taxes	9,263	6,798
Contract liabilities	1,850	2,371
Other	869	836
Total	38,788	35,966

18. Post-employment benefit plans

(1) Overview of post-employment benefit plans

The Company has a retirement lump-sum severance plan and a defined benefit corporate pension plan based on a formula for determining benefits including a “point-based benefits system” under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification, performance and years of service. Market-related interest is added to the benefit of the defined benefit corporate pension plan. The defined benefit corporate pension plan provides annuity payments for the periods of 10 to 20 years commencing with mandatory retirement. The Company also has a defined contribution pension plan.

The Company has a contract-type corporate pension plan based on pension rules. The Company has established rules on the defined benefit corporate pension plan stipulating the details of the pension plan, such as eligibility requirements, contents and method for determining benefit payments and burden of contributions, by agreement with its employees and has had these rules approved by the Minister of Health, Labour and Welfare. The Company maintains the plans by signing contracts such as with trust banks and insurance companies for the payment of contributions and the management of accumulated funds. The trust banks administer and manage the plan assets while they perform actuarial calculations and payments of annual and lump-sum benefits.

The Company is responsible for executing its duties faithfully for the participants in compliance with laws and regulations and any orders issued by the Minister of Health, Labour and Welfare. Furthermore, the Company is prohibited from entering into any contracts or giving any directions on the administration and management of the pension reserves for the purpose of looking after its own interests or the interests of third parties other than the participants.

Plan assets are legally separate from the Company. Asset management trustees are responsible for plan assets and have a duty of loyalty to pension plan participants, such management responsibilities as a dispersed investment obligation, and a duty to prevent conflicts of interest.

Plan assets are invested on the basis of soundness. However, financial instruments have inherent investment risks. Defined benefit obligations are measured based on various pension actuarial assumptions, such as discount rates. Accordingly, there exists a risk that these assumptions may change.

Certain subsidiaries have defined benefit corporate pension plans, retirement lump-sum severance plans and defined contribution pension plans. Assumptions used for those plans are generally the same as those used for the Company’s plans.

(2) Defined benefit plan

The amounts related to the defined benefit plan on the consolidated statement of financial position are as follows:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Present value of defined benefit obligations	55,686	54,312
Fair value of plan assets	46,267	43,141
Net defined benefit liabilities (assets)	9,419	11,171
Amounts on the consolidated statement of financial position		
Retirement benefit liabilities	14,118	14,920
Other non-current assets	4,699	3,749

1) Changes in the present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Balance of defined benefit obligations at beginning of the year	54,851	55,686
Service cost	2,949	3,100
Interest cost	273	221
Remeasurement	552	(28)
Actuarial losses (gains) arising from changes in demographic assumptions	(141)	3
Actuarial losses (gains) arising from changes in financial assumptions	693	(31)
Benefits paid from the plan	(2,939)	(4,667)
Balance of defined benefit obligations at end of the year	55,686	54,312

The weighted-average duration of defined benefit obligations as of March 31, 2019 and 2020 was 11.5 years and 11.4 years, respectively.

2) Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Fair value of plan assets at beginning of the year	48,765	46,267
Interest income (Note)	284	221
Remeasurement	(2,126)	(2,602)
Return on plan assets (excluding the amount included in net interest cost)	(2,126)	(2,602)
Employer contribution	909	893
Benefits paid from the plan	(1,565)	(1,638)
Fair value of plan assets at end of the year	46,267	43,141

(Note) Interest income is measured as the fair value of plan assets multiplied by the discount rate.

The Group plans to contribute ¥883 million to the defined benefit corporate pension plan during the fiscal year ending March 31, 2021.

3) Components of plan assets

The Group's plan assets as of March 31, 2019 and 2020 consisted of the following:

Year ended March 31, 2019 (as of March 31, 2019)

(millions of yen)

	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market
Equity instruments:		
Domestic stocks	13,756	-
Foreign stocks	4,207	-
Debt instruments:		
Domestic public and corporate bonds	4,049	-
Foreign public and corporate bonds	3,686	-
Life insurance company general accounts	-	10,099
Others	4,226	6,244
Total	29,924	16,343

Year ended March 31, 2020 (as of March 31, 2020)

(millions of yen)

	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market
Equity instruments:		
Domestic stocks	10,951	-
Foreign stocks	2,758	-
Debt instruments:		
Domestic public and corporate bonds	5,478	-
Foreign public and corporate bonds	4,058	-
Life insurance company general accounts	-	10,252
Others	3,674	5,970
Total	26,919	16,222

The Group's fundamental policy for the investment of plan assets is to secure the necessary profit on a long-term basis to enable the Group to fund the payments for future pension benefits to eligible participants. Plan assets are allocated in accordance with the plan assets allocation policy, which is established for the purpose of achieving a stable rate of return on a medium to long-term basis, by taking into account the expected rate of return on each plan asset, a standard deviation and a correlation coefficient. The variance between expected long-term return and actual return on invested plan assets is evaluated on an annual basis. The plan assets allocation policy is revised, when considered necessary, to achieve the expected long-term rate of return.

The Group's portfolio consists of four major components. Equity instruments consist primarily of stocks that are listed on the stock exchanges. The Group investigates the business condition of the investee companies and appropriately diversifies investments by industry type and other relevant factors. The debt instruments consist primarily of government bonds, public bonds and corporate bonds. The Group investigates the quality of the bonds, including credit rating, interest rate and repayment dates, and appropriately diversifies the investments. Mutual funds are invested using the strategy consistent with equity instruments and debt instruments described above. As for the life insurance company general accounts, life insurance companies guarantee certain interest rates and repayment of principal.

4) Actuarial assumptions

Assumptions (weighted-average) used to measure the defined benefit obligations of the plans above are as follows:

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Discount rate	0.4%	0.6%

The Company has adopted the "point-based benefits system." Accordingly, rate of increase in future compensation levels was not used to determine retirement benefit expenses for the fiscal years ended March 31, 2019 and 2020.

Assumptions used for the plans of subsidiaries were generally the same as those used for the Company's plans.

5) Sensitivity analysis for significant actuarial assumptions

The effects of a change in discount rate on defined benefit obligations as of March 31, 2019 and 2020 are shown below. The sensitivity analysis is based on the assumption that there are no changes in other assumptions, but, in fact, changes in other assumptions may affect the sensitivity analysis.

		(millions of yen)	
		Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Discount rate	0.5% increase	(2,907)	(2,808)
	0.5% decrease	3,132	3,048

The method and assumptions used in the sensitivity analysis as of March 31, 2020 are the same as those used as of March 31, 2019.

(3) Defined contribution pension plans

The Group recognized that the expenses related to the defined contribution plan are ¥10,458 million and ¥10,451 million for the fiscal years ended March 31, 2019 and 2020, respectively.

19. Common stock and other equity items

(1) Number of shares authorized and shares issued

Changes in number of shares authorized and shares issued are as follows:

(shares)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Number of shares authorized		
Common stock	285,000,000	285,000,000
Number of shares issued		
Balance at beginning of the year	214,991,609	102,958,904
Increase during the year (Note 2)	2,500	-
Decrease during the year (Note 3)	(112,035,205)	-
Balance at end of the year	102,958,904	102,958,904

(Notes) 1. All shares issued by the Company are common stock with no par value that has no limitation set on the rights of holders.

The shares issued have been fully paid in.

2. Increase during the fiscal year ended March 31, 2019 is due to issuance of new shares through exercise of stock options.

3. Decrease during the fiscal year ended March 31, 2019 is due to the share consolidation (at a ratio of one share for each two shares of common stock) effective from April 1, 2018 and cancellation of treasury stock.

(2) Treasury stock

Changes in number of shares of treasury stock are as follows:

(shares)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Balance at beginning of the year	7,444	46,288
Increase during the year (Notes 1 and 2)	4,582,016	836
Decrease during the year (Notes 3 and 4)	(4,543,172)	(7,582)
Balance at end of the year	46,288	39,542

(Notes) 1. Increase during the fiscal year ended March 31, 2019 is due to purchase of shares less than one unit and purchase from market.

2. Increase during the fiscal year ended March 31, 2020 is due to purchase of shares less than one unit.

3. Decrease during the fiscal year ended March 31, 2019 is due to the share consolidation (at a ratio of one share for each two shares of common stock) effective from April 1, 2018, sale of shares in response to requests for additional purchase of shares less than one unit, and cancellation of treasury stock.

4. Decrease during the fiscal year ended March 31, 2020 is due to sale of shares in response to requests for additional purchase of shares less than one unit and exercise of stock options.

(3) Common stock and capital surplus

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the payment or delivery upon issuance of shares shall be credited to common stock, and the remainder shall be credited to legal capital surplus included under capital surplus. The Companies Act permits, upon approval at the General Meeting of Shareholders, the transfer of legal capital surplus to common stock.

(4) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings paid shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be appropriated for deficit disposition and also may be reversed upon approval at the General Meeting of Shareholders.

(5) Accumulated other comprehensive income

1) Remeasurement of defined benefit plans

A reassessment of defined benefit obligations that identifies the difference between actuarial assumptions at the beginning of the fiscal year and actual results, a return on plan assets at fair value (excluding the amount included in net interest cost) and other components.

2) Financial assets measured at fair value through other comprehensive income

Differences between the fair value and the acquisition price of financial assets measured at fair value through other comprehensive income, accumulated until derecognition.

3) Exchange differences on translation of foreign operations

Exchange differences attributable to the consolidation of the financial results of foreign operations whose financial statements are prepared in foreign currencies.

4) Share of other comprehensive income of investments accounted for using the equity method

The Company's share of exchange differences on translation of foreign operations accounted for using the equity method.

20. Dividends

Dividends paid for the fiscal years ended March 31, 2019 and 2020 are as follows:

Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 10, 2018	Common stock	11,394	53.00	March 31, 2018	June 4, 2018

(Note) Effective from April 1, 2018, the Company carried out a share consolidation at a ratio of one share for each two shares of common stock. Dividends per share whose record date is before March 31, 2018 represent the actual amounts of dividends per share prior to the relevant share consolidation.

Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019	Common stock	9,262	90.00	March 31, 2019	June 3, 2019

Dividends with effective dates in the following fiscal year are as follows:

Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

Resolution	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019	Common stock	Retained earnings	9,262	90.00	March 31, 2019	June 3, 2019

Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

Resolution	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 11, 2020	Common stock	Retained earnings	9,263	90.00	March 31, 2020	June 2, 2020

21. Share-based payment

(1) Terms and conditions of stock options

The Company has previously adopted a stock option plan. On May 9, 2008, however, the Board of Directors resolved to abolish the stock option plan except for those stock options granted on or before March 31, 2008.

Title of grantees: Director, Executive Officer, Audit & Supervisory Board Member and Executive Officer of the Company

Settlement: Equity-settled

Exercise period: 20 years after grant date

Vesting conditions: Pursuant to the “Stock Acquisition Rights Allotment Agreement”

Existing stock options of the Company as of March 31, 2020 are as follows:

	Number of shares (shares)	Number of outstanding options (units)	Exercise price (yen)	Expiry	Vesting conditions
Issue in July 2004	9,000	18	1	June 30, 2024	Note 1
Issue in July 2005	5,500	11	1	June 30, 2025	Note 1
Issue in July 2006	9,000	18	1	June 30, 2026	Note 2
Issue in July 2007	8,500	17	1	June 30, 2027	Note 2
Total	32,000	64			

(Notes) Vesting conditions are as follows:

1. An individual to whom stock acquisition rights are allotted may exercise stock acquisition rights from the date following the date one year after losing any titles, including corporate officer, of the Company. Any other conditions, based on the resolution by the Board of Directors, shall be as set forth in the “Stock Acquisition Rights Allotment Agreement” to be entered into between the Company and each individual to whom the stock acquisition rights are allotted.
2. A holder of stock acquisition rights may exercise stock acquisition rights within four years from the date following the date one year after losing any titles, including Director, Audit & Supervisory Board Member and Executive Officer, of the Company and its associates (20% or more owned by the Company). Any other conditions, based on the resolution by the Board of Directors, shall be as set forth in the “Stock Acquisition Rights (stock options as share-based payment) Allotment Agreement” to be entered into between the Company and each individual to whom the stock acquisition rights are allotted.

(2) Changes in stock options granted

Changes in stock options granted are as follows:

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)		Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)	
	Stock options (shares)	Average exercise price per share (yen)	Stock options (shares)	Average exercise price per share (yen)
Outstanding at beginning of the year	42,000	1	39,500	1
Exercised during the year	(2,500)	1	(7,500)	1
Outstanding at end of the year	39,500	1	32,000	1
Exercisable at end of the year	12,500	1	10,000	1

(Notes) 1. The number of stock options is translated into the number of shares.

2. The weighted-average share price at exercise of stock options during the year was ¥4,545 for the fiscal year ended March 31, 2019 and ¥3,746 for the fiscal year ended March 31, 2020.

3. The weighted-average remaining life of the outstanding stock options was 5.0 years for the fiscal year ended March 31, 2019 and 4.4 years for the fiscal year ended March 31, 2020.

22. Net sales

(1) Disaggregation of revenue

The Group disaggregates revenue from each of the four reportable segments, the “Processed Foods Business Division,” the “Fresh Meats Business Division,” the “Affiliated Business Division,” and the “Overseas Business Division,” into the categories of “Hams and sausages,” “Processed foods,” “Fresh meats,” “Marine products,” “Dairy products,” and “Others,” depending on the type of goods and services.

Net sales by product type for the fiscal years ended March 31, 2019 and 2020 are as follows:

Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Hams and sausages	136,618	908	-	2,320	139,846	(11,490)	128,356
Processed foods	178,220	28,639	30,880	13,070	250,809	(17,154)	233,655
Fresh meats	15,904	609,404	-	93,347	718,655	(15,098)	703,557
Marine products	-	95	80,403	9,267	89,765	(1,627)	88,138
Dairy products	-	-	36,871	-	36,871	(3,601)	33,270
Others	8,112	10,774	3,627	10,536	33,049	14,155	47,204
Total	338,854	649,820	151,781	128,540	1,268,995	(34,815)	1,234,180

Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Hams and sausages	138,128	931	-	2,521	141,580	(10,598)	130,982
Processed foods	175,661	31,482	25,164	14,706	247,013	(18,180)	228,833
Fresh meats	16,656	615,693	1	95,687	728,037	(16,284)	711,753
Marine products	-	54	73,550	8,632	82,236	(1,512)	80,724
Dairy products	-	-	37,297	-	37,297	(3,683)	33,614
Others	8,644	10,504	3,431	8,064	30,643	13,277	43,920
Total	339,089	658,664	139,443	129,610	1,266,806	(36,980)	1,229,826

(2) Balances from contracts with customers

Balances from contracts with customers are as follows:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Contract liabilities	1,850	2,372
Refund liabilities	6,956	6,857

Of the contract liability balances above, the amount of those recognized as revenue for the fiscal years ended March 31, 2019 and 2020 is as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Amount included in the opening balance of contract liabilities	2,827	1,714

The Group receives payments from customers according to the contractual billing schedule.

Contract liabilities represent payments received prior to the performance under the contract. Accordingly, their balances vary

depending on the Group's status of performance obligation in the contract.

The amount of income recognized from performance obligations satisfied in the fiscal years ended March 31, 2019 and 2020 is not material.

23. Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Labor costs	72,603	71,625
Distribution costs	40,528	41,169
Advertising expenses	7,964	6,748
Lease payments	8,539	1,014
Depreciation and amortization	5,775	13,990
Other	32,929	31,484
Total	168,338	166,030

24. Other income and other expenses

(1) Other income

Other income consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Gain on sale of fixed assets	927	263
Foreign exchange gains	6,039	1,656
Subsidy income	134	739
Other	1,410	934
Total	8,510	3,592

(2) Other expenses

Other expenses consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Impairment losses	4,937	3,904
Loss on sale and retirement of fixed assets	2,096	1,972
Foreign exchange losses	1,901	87
Special retirement expenses (Note)	-	8,472
Other	358	355
Total	9,292	14,790

(Note) The Company expanded its optional retirement system as a temporary measure in the year ended March 31, 2020. Special retirement expenses included additional special payments and other payments to employees who retired under the system.

25. Financial income and financial costs

(1) Financial income

Financial income consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Dividend income		
Financial assets measured at fair value through other comprehensive income	506	580
Interest income		
Financial assets measured at amortized cost	710	666
Gain on valuation of derivatives		
Financial assets and financial liabilities measured at fair value through profit or loss	209	30
Other	2	9
Total	1,427	1,285

(2) Financial costs

Financial costs consisted of the following:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Interest expenses		
Financial liabilities measured at amortized cost	1,311	1,597
Commission expenses		
Financial liabilities measured at amortized cost	101	104
Loss on valuation of derivatives		
Financial assets measured at fair value through profit or loss	929	234
Foreign exchange losses	1,215	1,913
Other	5	55
Total	3,561	3,903

26. Other comprehensive income

Changes in each item of other comprehensive income during the year are as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans		
Amount recognized during the year	(2,678)	(2,574)
Before tax effects	(2,678)	(2,574)
Tax effects	831	798
After tax effects	(1,847)	(1,776)
Financial assets measured at fair value through other comprehensive income		
Amount recognized during the year	(5,658)	(135)
Before tax effects	(5,658)	(135)
Tax effects	1,560	(84)
After tax effects	(4,098)	(219)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount recognized during the year	289	(3,744)
Reclassification adjustments	46	(10)
Before tax effects	335	(3,754)
Tax effects	-	-
After tax effects	335	(3,754)
Share of other comprehensive income of investments accounted for using the equity method		
Amount recognized during the year	84	(498)
Before tax effects	84	(498)
Tax effects	-	-
After tax effects	84	(498)
Total	(5,526)	(6,247)

27. Earnings per share

(1) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary shareholders of parent by the weighted-average number of shares of common stock outstanding during the fiscal years ended March 31, 2019 and 2020. The weighted-average number of shares of common stock outstanding does not include shares of common stock repurchased as shares of treasury stock.

Diluted earnings per share are calculated by adjusting the profit and weighted-average number of shares of common stock outstanding on the assumption that all dilutive potential shares of common stock have been converted to shares of common stock. The Group holds stock options, which are dilutive potential shares of common stock. For stock options, the expected number of shares acquired at fair value (determined at the average share price of the Company's stock during the year) is calculated based on the exercise price of outstanding stock options granted, which is added to the weighted-average number of shares of common stock outstanding.

(2) Amount of basic earnings per share and basis of calculation

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Basic earnings per share (yen)	183.21	186.70
Basis for calculation:		
Profit attributable to owners of the parent (millions of yen)	19,561	19,214
Amount not attributable to ordinary shareholders of the parent (millions of yen)	-	-
Profit used in the calculation of basic earnings per share (millions of yen)	19,561	19,214
Weighted-average number of shares of common stock (thousands of shares)	106,765	102,914

(3) Amount of diluted earnings per share and basis of calculation

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Diluted earnings per share (yen)	181.48	186.64
Basis for calculation:		
Profit used in the calculation of diluted earnings per share		
Profit used in the calculation of basic earnings per share (millions of yen)	19,561	19,214
Adjustment to profit (millions of yen)	(178)	-
Profit used in the calculation of diluted earnings per share (millions of yen)	19,383	19,214
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share		
Weighted-average number of shares of common stock used in the calculation of basic earnings per share (thousands of shares)	106,765	102,914
Dilutive effect of stock options granted (thousands of shares)	40	37
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share (thousands of shares)	106,805	102,951

28. Cash flow information

(1) Significant non-cash transactions

Non-cash transactions (investing and financing transactions that do not require the use of cash or cash equivalents) are as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Acquisition of assets under finance lease transactions	3,746	-
Acquisition of right-of-use assets under lease transactions	-	12,057

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(millions of yen)

	Balance at beginning of the year (April 1, 2018)	Changes associated with cash flows	Changes not associated with cash flows		Balance at end of the year (March 31, 2019)
			Exchange differences on translation	Others	
Short-term bank loans	40,920	9,026	(2,076)	1,988	49,858
Long-term bank loans	34,415	3,490	135	(2,052)	35,988
Bonds	25,178	24,780	-	(123)	49,835
Lease obligations	10,888	(3,360)	0	3,736	11,264
Total	111,401	33,936	(1,941)	3,549	146,945

Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(millions of yen)

	Balance at end of the previous year (March 31, 2019)	Effect of changes in the accounting policy (Note 1)	Restated balance after changes in the accounting policy (as of April 1, 2019)	Changes associated with cash flows	Changes not associated with cash flows		Balance at end of the year (March 31, 2020)
					Exchange differences on translation	Others	
Short-term bank loans	49,858	-	49,858	(2,001)	(4,834)	1,505	44,528
Long-term bank loans	35,988	-	35,988	7,042	(148)	(1,441)	41,441
Bonds	49,835	-	49,835	4,909	-	32	54,776
Lease liabilities (Note 2)	11,264	25,690	36,954	(12,256)	(46)	11,096	35,748
Total	146,945	25,690	172,635	(2,306)	(5,028)	11,192	176,493

(Notes) 1. The amounts represent the impact of the adoption of IFRS 16.

2. This item was presented as "Lease obligations" in the year ended March 31, 2019, but has been renamed to reflect the adoption of IFRS 16.

29. Financial instruments

(1) Capital management

Aiming for stable and sustainable growth of corporate value, the Group prioritizes the distribution of profit to shareholders as a key management issue. To that end, the Group maintains an optimal capital structure that ensures capital efficiency improvement as well as financial soundness as its basic policy for capital management, ensuring a balance among cash and cash equivalents, interest-bearing liabilities, and capital. The Group is not subject to particular significant capital requirements (other than general rules such as the Companies Act of Japan).

The balances of cash and cash equivalents, interest-bearing liabilities, and capital (equity attributable to owners of the parent) as of March 31, 2019 and 2020 are as follows:

	(millions of yen)	
	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Cash and cash equivalents	48,108	72,399
Interest-bearing liabilities	147,009	176,493
Capital (equity attributable to owners of the parent)	401,014	404,414

(2) Financial risk management

In the normal course of business, the Group is exposed to financial risks, including market risk, credit risk, and liquidity risk. In order to mitigate these risks, the Group conducts risk management in accordance with certain policies. The Group uses derivative transactions in order to mitigate risks described hereafter, and not for speculative purposes.

1) Market risk

(i) Currency risk

The Group also operates businesses overseas, and thus is exposed to foreign currency exchange rate risk in relation to its transactions conducted in currencies other than the functional currency as well as its net investments in foreign operations. In order to mitigate this risk, the Group uses derivatives, such as foreign currency forward exchange contracts. In addition, the Group continually monitors the foreign exchange markets and periodically assesses foreign currency exchange rate risk in accordance with its currency risk management policies. All derivative transactions are conducted in accordance with the currency risk management policies and the internal regulations that specify transaction authority and transaction amount limits.

The major net exposures to currency risk of the Group (excluding exposures hedged by such means as forward exchange contracts) as of March 31, 2019 and 2020 are as follows:

	(millions of yen)	
	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
U.S. dollar	26,516	40,198
Chilean peso	7,188	6,359

Sensitivity analysis of currency risk

For the fiscal years ended March 31, 2019 and 2020, if the U.S. dollar and the Chilean peso each appreciated against the functional currency by 1%, the effects on profit before tax in the consolidated statement of income would be as follows. This analysis assumes that all other variables remain unchanged, and does not include the effects of translation into the presentation currency of financial instruments denominated in the functional currency, income and expenses as well assets and liabilities of foreign operations.

	(millions of yen)	
	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Profit before tax		
U.S. dollar	265	402
Chilean peso	72	64

(ii) Share price risk

The Group holds shares in companies, such as business partners, to promote smooth business operations in relation to maintaining and developing business relationships. As such, the Group is exposed to share price risk. In order to mitigate the risk, the Group reviews all holdings of shares annually. Only when the Group determines that a holding of shares contributes to closer cooperation for stable transactions and business expansion and is thus indispensable for its sustainable growth, the Group continues the holding of shares. If there is less need for a holding of shares, the holding of shares is disposed of appropriately in light of share prices and market conditions.

Sensitivity analysis of share price risk

If the prices of shares in companies, such as business partners, held by the Group as of March 31, 2019 and 2020 increased by 1%, the effects on other comprehensive income (before tax effects) in the consolidated statement of income would be as follows. This analysis assumes that all other variables remain unchanged.

	(millions of yen)	
	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Effects on other comprehensive income	220	207

(iii) Interest rate risk

The Group holds interest-bearing liabilities with floating interest rates. As such, the Group is exposed to interest rate risk. In order to mitigate the risk, the Group uses interest rate swap contracts. Accordingly, the Group's exposure to interest rate risk is limited, and the effect on profit before tax in the consolidated statement of income is immaterial.

2) Credit risk

The Group holds trade and other receivables. As such, the Group is exposed to credit risk. In order to mitigate the risk, the Group controls due dates and balances in accordance with sales management policies and other regulations and also ensures regular monitoring of the credit standing of business partners. The Group is not exposed to credit risk that is excessively concentrated in a particular counterparty. Derivative transactions entered into to mitigate currency risk and interest rate risk are exposed to the credit risk of the counterparty financial institutions. Those financial institutions are creditworthy, and therefore the credit risk is considered to be extremely limited. The carrying amount of financial assets less impairment losses in the consolidated statement of financial position represents the maximum credit risk exposure. The amount of receivables that are past due but not impaired is immaterial.

3) Liquidity risk

The Group raises funds necessary for its business operations through bank loans and issuance of bonds, and accordingly is exposed to liquidity risk, which is the risk of failure to meet payment obligations at due dates. The Company manages financial plans by continually monitoring and updating them through the cash management system and reports from the subsidiaries. The Group strives to reduce the liquidity risk by maintaining the level of necessary working capital under this framework as well as by entering into commitment line agreements with financial institutions.

The balance of financial liabilities by settlement date is as follows:

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)				
	Carrying amount	Contractual amount	Within 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term bank loans	49,858	49,858	49,858	-	-
Trade and other payables	111,573	111,573	111,573	-	-
Bonds	49,835	50,965	10,197	20,538	20,230
Long-term bank loans	35,988	37,312	279	11,847	25,186
Lease obligations	11,264	11,754	2,912	6,408	2,434
Derivative financial liabilities					
Derivatives	320	320	244	76	-
Total	258,838	261,782	175,063	38,869	47,850

(millions of yen)

	Year ended March 31, 2020 (as of March 31, 2020)				
	Carrying amount	Contractual amount	Within 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term bank loans	44,528	44,528	44,528	-	-
Trade and other payables	99,802	99,802	99,802	-	-
Bonds	54,776	57,522	259	20,789	36,474
Long-term bank loans	41,441	42,564	874	14,114	27,576
Lease liabilities (Note 2)	35,748	36,616	11,033	16,971	8,612
Derivative financial liabilities					
Derivatives	1,402	1,402	1,356	46	-
Total	277,697	282,434	157,852	51,920	72,662

(Notes) 1. The Group entered into commitment line agreements with financial institutions totaling ¥75,000 million as of March 31, 2019 and 2020, which are unused and readily available.

2. This item was presented as “Lease obligations” in the year ended March 31, 2019, but has been renamed to reflect the adoption of IFRS 16.

(3) Derivatives and hedging activities

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivatives are foreign currency exchange rate risk (principally in U.S. dollars and Chilean pesos) and interest rate risk. The Group uses foreign currency forward exchange contracts to mitigate foreign currency exchange rate risk. In addition, the Group uses interest rate swap contracts to mitigate interest rate risk.

The Group documents its risk management policies including strategies for the purpose of undertaking hedge transactions. All derivatives are entered into under the purpose, strategies and related rules which regulate transactions.

Derivatives which do not qualify for hedge accounting

These derivatives are used to mitigate foreign currency exchange rate risk and interest rate risk. Changes in fair value of derivatives which do not qualify for hedge accounting are recognized in profit or loss immediately.

As of March 31, 2019 and 2020, the contract amounts or notional principal amounts of derivatives held by the Group that did not qualify for hedge accounting are as follows:

	(millions of yen)	
	Year ended March 31, 2019 (as of March 31, 2019)	Year ended March 31, 2020 (as of March 31, 2020)
Interest rate swap contracts	3,000	3,000
Foreign currency forward exchange contracts	87,960	96,807

The Group also has a policy that derivatives are not to be used for purposes other than for hedging. The Group's derivatives contain no provisions that require such derivatives to maintain an investment grade credit rating from each of the major credit rating agencies.

(4) Fair value of financial instruments

1) Measurement of fair value

The Group measures the fair value of financial assets and financial liabilities as follows:

(Cash and cash equivalents, trade and other receivables, trade and other payables, short-term bank loans)

The fair values of these items are measured at the carrying amount because they are settled in the short term and the fair value is almost equivalent to the carrying amount.

(Investment securities)

The fair values of marketable investment securities are measured using market prices. The fair values of unlisted shares are measured using valuation techniques (such as the market approach and the income approach).

(Other financial assets)

The fair values of foreign currency forward exchange contracts are measured at the value determined using the discounted cash flow model for the contract term with observable market data including forward exchange rates.

(Bonds and long-term bank loans)

The fair values of bonds and long-term bank loans are measured at the present value of the future cash flows discounted by an assumed rate applied for a new similar contract.

(Other financial liabilities)

The fair values of foreign currency forward exchange contracts and interest rate swap contracts are measured at the value determined using the discounted cash flow model for the contract term with observable market data including forward exchange rates and market interest rates.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

The table below does not include financial instruments measured at fair value or financial instruments whose carrying amounts fairly approximate the fair value.

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)		Year ended March 31, 2020 (as of March 31, 2020)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Financial liabilities measured at amortized cost				
Bank loans	35,988	36,750	41,441	41,967
Bonds	49,835	50,383	54,776	54,986

Financial liabilities measured at amortized cost are classified as Level 2.

3) Financial instruments measured at fair value

The table below shows analytical results on financial instruments measured at fair value. Each level is defined as follows.

There are no financial instruments measured at fair value on a non-recurring basis.

Level 1: Fair value measured at quoted prices in active markets

Level 2: Fair value determined, either directly or indirectly, by using observable inputs other than Level 1

Level 3: Fair value determined using valuation techniques based on unobservable inputs

The Group recognizes transfers between the levels of the fair value hierarchy at the date when the event or the change in circumstances resulting in the transfer occurred.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for the fiscal years ended March 31, 2019 and 2020.

(millions of yen)

Year ended March 31, 2019 (as of March 31, 2019)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	351	482	-	833
Debt financial assets	-	287	742	1,029
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	22,044	-	5,117	27,161
Total financial assets	22,395	769	5,859	29,023
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	320	-	320
Total financial liabilities	-	320	-	320

(millions of yen)

Year ended March 31, 2020 (as of March 31, 2020)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	117	712	-	829
Debt financial assets	-	273	738	1,011
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	20,742	-	6,146	26,888
Total financial assets	20,859	985	6,884	28,728
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	1,402	-	1,402
Total financial liabilities	-	1,402	-	1,402

Reconciliation for financial instruments classified as Level 3

The reconciliation from the opening balances to the closing balances of financial instruments classified as Level 3 in fair value measurements is as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Balance at beginning of the year	6,405	5,859
Other comprehensive income	(534)	1,029
Purchase	0	0
Disposal	(13)	(4)
Others	1	0
Balance at end of the year	5,859	6,884

Financial assets classified as Level 3 mainly consist of unlisted shares, whose fair values are measured using valuation techniques based on market prices of peer companies and other methods.

Fair value measurements of unlisted shares use unobservable inputs, such as a valuation multiple. The fair value increases (decreases) as an operating income multiple rises (declines).

(5) Financial assets measured at fair value through other comprehensive income

The Group designates investments in equity financial assets held for maintaining and enhancing business relationships as financial assets measured at fair value through other comprehensive income, in light of the purpose of holding the assets.

1) Fair value by issuer of shares

The fair value of investments in equity financial assets designated as financial assets measured at fair value through other comprehensive income is as follows:

Year ended March 31, 2019 (as of March 31, 2019)

(millions of yen)

Issuer of shares	Amount
MOS FOOD SERVICES, INC.	4,039
Chubu Shiryō Co., Ltd.	2,466
Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd.	1,679
AEON CO., LTD.	1,541
AXYZ Co., Ltd.	1,149

Year ended March 31, 2020 (as of March 31, 2020)

(millions of yen)

Issuer of shares	Amount
MOS FOOD SERVICES, INC.	3,762
Chubu Shiryō Co., Ltd.	3,051
Luohe Shuanghui Wanzhong Poultry Development Co., Ltd.	2,689
Luohe Shuanghui Wanzhong Poultry Processing Co., Ltd.	1,702
AEON CO., LTD.	1,614

2) Dividend income

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Investments derecognized during the year	2	1
Investments held at end of the year	504	579
Total	506	580

3) Equity financial assets measured at fair value through other comprehensive income derecognized during the year

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Fair value upon derecognition	513	39
Accumulated gain upon derecognition	260	0

These were sold primarily as a result of reviewing business relationships.

4) Transfer to retained earnings

The Group transfers an accumulated gain or loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the investment is disposed of or when its fair value declines significantly.

Accumulated gains (losses) (after tax) in other comprehensive income that were transferred to retained earnings for the fiscal years ended March 31, 2019 and 2020 were ¥233 million and ¥(417) million, respectively.

30. Related parties

Compensation for major management executives is as follows:

(millions of yen)

	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Basic compensation	261	215
Performance-based compensation	35	11
Stock acquisition-based compensation	56	44
Total	352	270

31. Significant subsidiaries

Significant subsidiaries of the Group are as described in “I Overview of the Company, 4 Overview of affiliated entities.” Please note, however, that “I Overview of the Company, 4 Overview of affiliated entities” is not included in the English translation.

There were no subsidiaries that had individually significant non-controlling interests as of March 31, 2019 and 2020.

32. Contingent liabilities

There were no significant contingent liabilities.

33. Significant subsequent events

There were no applicable items.

34. Approval of consolidated financial statements

These consolidated financial statements were approved by Yoshihide Hata, President and Representative Director, and Fumio Maeda, CFO, as of June 26, 2020.

(2) Other

Quarterly information for the fiscal year ended March 31, 2020

(Cumulative period)	Three months ended June 30, 2019 (April 1, 2019 through June 30, 2019)	Six months ended September 30, 2019 (April 1, 2019 through September 30, 2019)	Nine months ended December 31, 2019 (April 1, 2019 through December 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 through March 31, 2020)
Net sales (millions of yen)	304,760	616,266	952,306	1,229,826
Profit before tax	12,344	14,963	33,400	27,039
Profit attributable to owners of the parent	8,651	10,331	23,927	19,214
Basic earnings per share	84.06	100.39	232.52	186.70

(Accounting period)	First quarter (April 1, 2019 through June 30, 2019)	Second quarter (July 1, 2019 through September 30, 2019)	Third quarter (October 1, 2019 through December 31, 2019)	Fourth quarter (January 1, 2020 through March 31, 2020)
Basic earnings (loss) per share	84.06	16.33	132.13	(45.81)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Management's Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Yoshihide Hata, President and Representative Director, and Fumio Maeda, Director and Managing Executive Officer and General Manager of Corporate Planning Division, are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2020, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of the assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal control over business processes. Regarding certain consolidated subsidiaries and equity-method affiliated companies that did not fall within the top 95% in terms of potential financial impact, calculated using net sales and other financial indicators, we concluded that they do not have any material impact on the consolidated financial statements, and thus, did not include them in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales and cost of sales (after elimination of inter-company transactions), and the top

twenty-one companies whose net sales and cost of sales reach two-thirds of the total sales and cost of sales on a consolidation basis, were selected as “significant locations and/or business units.” We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management’s judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company’s internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Supplementary information

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5. Other matters warranting special mention

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Yoshihide Hata

President and Representative Director

Fumio Maeda

Director and Managing Executive Officer and General Manager of Corporate Planning Division

NH Foods Ltd.

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

INDEPENDENT AUDITOR'S REPORT

June 26, 2020

To the Board of Directors of
NH Foods Ltd.:

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Engagement Partner,
Certified Public Accountant:

Wakyu Shinmen

Designated Engagement Partner,
Certified Public Accountant:

Kenichi Takai

Designated Engagement Partner,
Certified Public Accountant:

Shunsuke Matsumoto

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of NH Foods Ltd. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2019 to March 31, 2020, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial results of the operation and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to provisions of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of NH Foods Ltd. as of March 31, 2020.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of NH Foods Ltd. as of March 31, 2020, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.