(TRANSLATION)

Information Disclosed on the Internet under Laws, Regulations and the Articles of Incorporation upon Issuing Notice of the 76th Ordinary General Meeting of Shareholders

NH Foods Ltd.

NH Foods Ltd. provides “Consolidated Statement of Changes in Equity,” “Notes to Consolidated Financial Statements,” “Non-consolidated Statement of Changes in Net Assets” and “Notes to Non-consolidated Financial Statements” to Shareholders by posting them on its website (http://www.nipponham.co.jp/eng/ir/events/generalmeeting/) pursuant to the provisions of laws, regulations and its Articles of Incorporation.

(TRANSLATION)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2020 to March 31, 2021)

(millions of yen)

Items	Equity attributable to owners of the parent									Non-controlling interests	Total equity
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Re-measurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal	Total		
Balance as of April 1, 2020	36,294	72,639	294,018	(173)	-	7,178	(5,542)	1,636	404,414	12,183	416,597
Profit			32,616					-	32,616	(1,558)	31,058
Other comprehensive income					3,384	2,598	4,604	10,586	10,586	113	10,699
Comprehensive income	-	-	32,616	-	3,384	2,598	4,604	10,586	43,202	(1,445)	41,757
Dividends			(9,263)					-	(9,263)	(6)	(9,269)
Acquisition of treasury stock		(2)		(3,565)				-	(3,567)		(3,567)
Disposal of treasury stock		(16)		206				-	190		190
Share-based payment transactions		87						-	87		87
Establishment of subsidiaries								-	-	2	2
Change in ownership interest of parent due to transactions with non-controlling interests		(1,468)						-	(1,468)	(20)	(1,488)
Transfer of accumulated other comprehensive income to retained earnings			3,206		(3,384)	178		(3,206)	-		-
Total transactions with owners	-	(1,399)	(6,057)	(3,359)	(3,384)	178	-	(3,206)	(14,021)	(24)	(14,045)
Balance as of March 31, 2021	36,294	71,240	320,577	(3,532)	-	9,954	(938)	9,016	433,595	10,714	444,309

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward.

(TRANSLATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Notes to the Basis for Preparing Consolidated Financial Statements)

(1) Basis for preparing consolidated financial statements:

Pursuant to the first paragraph of Article 120 of the Ordinance on Company Accounting, the consolidated financial statements of NH Foods Ltd. and its consolidated subsidiaries (collectively, the “Group”) are prepared in accordance with International Financial Reporting Standards (“IFRS”); however, in accordance with the provisions of the second sentence of said paragraph, certain statements and disclosures required under IFRS are omitted.

(2) Matters concerning the scope of consolidation and application of the equity method:

Number of consolidated subsidiaries:	81 companies
Number of equity-method companies:	9 companies

(3) Matters concerning accounting policies:

1. Method and basis of valuation of 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:

<u>Financial assets measured at amortized cost</u>

Initially measured by adding the transaction cost to the fair value.

<u>Financial assets measured at fair value through other comprehensive income</u>

Initially measured by adding the transaction cost to the fair value.

<u>Financial assets measured at fair value through profit or loss</u>

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 classification:

<u>Financial assets measured at amortized cost</u>

Measured at amortized cost based on the effective interest method.

<u>Financial assets measured at fair value through other comprehensive income</u>

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.

<u>Financial assets measured at fair value through profit or loss</u>

Measured at fair value, and changes in their fair values are recognized as profit or loss.

(TRANSLATION)

(iii) Derecognition

The Group derecognizes financial assets if the contractual rights of cash flow generated from the financial assets expire, or if the said financial assets are assigned and all the risks and rewards of ownership are transferred.

(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 substantially increased or not since the initial recognition.

If such credit risk has not substantially increased after 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 and 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.

Amount of changes in fair value of derivatives is recognized as profit or loss in the consolidated statement of income.

Further, the Group has not adopted hedge accounting.

2. Method and basis of valuation of 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.

(TRANSLATION)

3. 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.

4. 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.

5. Leases

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 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. 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.

6. Intangible assets and goodwill

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 life, the straight-line method is used over each estimated useful life.

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

7. 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.

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

8. Post-employment benefits

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

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.

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.

9. Share-based payment

1) Stock Option Plan

The Group has adopted the Stock Option Plan as equity-settled share-based payment plan. The values of stock options are estimated based on the fair value as of the grant date, which is recognized as expenses in the consolidated statement of income and a corresponding amount is recognized as an 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 by taking into account terms and conditions of the option.

2) Performance-Based Stock Compensation Plan

The Group has introduced the Performance-Based Stock Compensation Plan as an equity-settled share-based payment plan for officers. Under the Plan, services received are measured at the fair value of the Company’s shares as of the grant date, and recognized as expenses in the consolidated statement of income throughout the vesting period. A corresponding amount is recognized as an increase of equity in the consolidated statement of financial position. The fair value of the Company’s shares as of the grant date is measured based on observable market prices, and the expected dividends are incorporated in the measurement of the fair value.

3) Trust-type Employee Shareholding Incentive Plan

The Group has introduced the Trust-type Employee Shareholding Incentive Plan (hereinafter the "Plan") as a cash-settled share-based payment plan. Under the Plan, services received are measured at the fair value of the liabilities incurred, and recognized as expenses in the consolidated statement of income from the grant date to the trust expiration date. A corresponding amount is recognized as an increase of liabilities in the consolidated statement of financial position. The fair value of the liabilities is remeasured as of the end of each period until settlement, and the changes in the fair value are recognized as profit or loss.

10. Revenue

Pursuant to IFRS 15, 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 net sales or the sales amount, and the consideration expected to be refunded to the customer is reasonably estimated and is recorded 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.

11. Accounting treatment of consumption taxes

Consumption taxes are excluded from revenues, costs and expenses in the consolidated statement of income.

(4) Notes to accounting estimates:

1. Recoverability of deferred tax assets

1) Amount recorded in the consolidated financial statements

Deferred tax assets	¥26,056 million

2) Other matters

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the unused tax losses and deductible temporary differences can be utilized.
In considering the probability of the taxable income, the amount is determined by reasonably estimating the timing and amount of taxable income which will be available in the future.
The estimates may be affected by uncertain future changes in economic conditions or other factors. If the actual timing and amount of taxable income differ from their estimates due to

unpredictable situations, they might have a material impact on the amount of deferred tax assets in the consolidated financial statements for the fiscal year ending March 31, 2022.

2. Impairment of non-financial assets

1) Amounts recorded in the consolidated financial statements

Property, plant and equipment	¥325,629 million
Right-of-use assets	¥38,362 million
Intangible assets and goodwill	¥10,608 million
Impairment losses	¥7,069 million

2) Other matters

The details are the same as those provided in 7. Impairment of non-financial assets in "(3) Matters concerning accounting policies" and (1) Impairment of investments accounted for using the equity method in "(Other Notes)" in the consolidated financial statements.

(TRANSLATION)

(Notes to Consolidated Statement of Financial Position)

(1) Accumulated depreciation and accumulated impairment losses of property, plant and equipment: ¥351,232 million

(Notes to Consolidated Statement of Changes in Equity)

(1) Class and total number of issued shares as of March 31, 2021:

Issued shares	Common stock	102,958,904 shares

(2) Matters concerning dividends:

1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 11, 2020	Common stock	9,263	90.00	March 31, 2020	June 2, 2020

2) Dividends for which the record date is in the current fiscal year but the effective date is in the next fiscal year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 10, 2021	Common stock	9,675	94.00	March 31, 2021	June 2, 2021

(Note) The total amount of dividends includes dividends on the Company's shares held by the Board Incentive Plan Trust of ¥13 million and dividends on the Company's shares held by the NH Foods Group Employee Shareholding Association Trust (the "Shareholding Trust") of ¥57 million.

(Notes to Financial Instruments)

(1) Matters relating to the status of financial instruments:

The Group raises necessary funds primarily through bank loans and issuance of corporate bonds based on the demand for funds for conducting business activities.

With regard to trade notes and accounts receivable, the Group controls credit risks in relation to customers in accordance with their credit management rules. The Group holds securities and other financial instruments that are exposed to share price risk. The Group reviews all issues of such equity investments and their holding statuses once a year on an ongoing basis.

(TRANSLATION)

Bank loans, etc., are used for working capital (principally short term) and capital expenditures (long term). With regard to part of long-term bank loans, the Group fixes interest rates using interest rate swaps to eliminate interest rate risk relating to floating-rate borrowings.

The Group uses foreign currency forward exchange contracts to mitigate foreign exchange rate risk. The Group has a policy not to use derivatives for any purpose other than managing market risks.

(2) Matters concerning fair values of financial instruments:

The following table shows the carrying amounts and fair values as of March 31, 2021, along with their differences. Financial instruments measured at fair value and financial instruments whose fair values approximate their carrying amounts are not included in the table below.

(millions of yen)

	Carrying amount	Fair value	Difference
Bonds and borrowings (*)	108,652	109,403	751

(*) Bonds and borrowings, including current portion, are included within interest-bearing liabilities (current liabilities and non-current liabilities) in the consolidated statement of financial position.

(Note) The fair values of financial instruments are determined as follows:

1) Financial instruments measured at amortized cost

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

The fair values of these items, which are substantially equivalent to their carrying amounts as they are settled in a short period, are based on the carrying amounts.

(ii) Bonds and long-term bank loans

Bonds and long-term bank loans are measured by discounting the future cash flows to present value at a rate that would be applied to a similar new contract.

2) Financial instruments measured at fair value

(i) Investment securities

The fair values of marketable investment securities are based on quoted prices. The fair values of unlisted investment securities are measured by using valuation techniques, such as the market approach and the income approach.

(ii) Other financial assets

The fair values of foreign currency forward exchange contracts are determined by the discounted cash flow model for the contract term using observable market data such as forward exchange rates.

(iii) Other financial liabilities

The fair values of foreign currency forward exchange contracts and interest rate swap agreements are determined by the discounted cash flow model for the contract term using observable market data such as forward exchange rates and market interest rates.

(Notes to Per Share Information)

(1)	Total equity per share attributable to owners of the parent:	¥4,243.70
(2)	Basic earnings per share:	¥317.97
(3)	Diluted earnings per share:	¥317.89

(Note) In determining total equity per share attributable to owners of the parent, basic earnings per share and diluted earnings per share, 140,663 shares of the Company held by the Board Incentive Plan Trust and 608,600 shares of the Company held by the Shareholding Trust are accounted for as treasury stock. Accordingly, the number of these shares is deducted in determining the weighted-average number of shares.

(Other Notes)

(1) Impairment of investments accounted for using the equity method

In the fiscal year ended March 31, 2021, the Company determined that there is an indication of impairment of investment in Panus Poultry Group Company Limited, a Thai poultry producer and processor accounted for using the equity method, and conducted an impairment test by comparing the recoverable amount and the carrying amount. The Company also conducted an impairment test for intangible assets included in the investment accounted for using the equity method in the same way.
As a result, impairment losses of ¥5,291 million on investments accounted for using the equity method were recorded in “Other expenses” in the consolidated statement of income. Additionally, impairment losses of ¥1,785 million on intangible assets included in investments accounted for using the equity method were recorded in “Share of profit in investments accounted for using the equity method” in the consolidated statement of income.

(2) 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 some time after the end of the fiscal year ended March 31, 2021, and will then be gradually contained. As a result, the impact on the fiscal year ended March 31, 2021 was determined to be immaterial. However, it may have a significant effect on the Group’s financial position and operating results for the fiscal year ending March 31, 2022, depending on how the situation develops.

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward.

(TRANSLATION)

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2020 to March 31, 2021)

(millions of yen)

	Shareholders' Equity										
		Capital Surplus		Retained Earnings							
					Unappropriated						
	Common Stock	Capital Reserve	Total Capital Surplus	Appropriated for Legal Reserve	Reserve for Deferral of Capital Gain on Property	Reserve for Promotion of Open Innovation	General Reserve	Net Retained Earnings Forwarded	Total Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of April 1, 2020	36,294	55,212	55,212	6,041	726	-	95,000	13,329	115,096	(173)	206,429
Changes during the year											
Cash dividends								(9,263)	(9,263)		(9,263)
Profit								6,933	6,933		6,933
Acquisition of treasury stock										(3,565)	(3,565)
Disposal of treasury stock								(16)	(16)	206	190
Provision of reserve for promotion of open innovation						25		(25)			-
Changes in items other than shareholders' equity during the year–net											
Total changes during the year	-	-	-	-	-	25	-	(2,371)	(2,346)	(3,359)	(5,705)
Balance as of March 31, 2021	36,294	55,212	55,212	6,041	726	25	95,000	10,958	112,750	(3,532)	200,724

(TRANSLATION)

(millions of yen)

	Valuation and Translation Adjustments		Stock Acquisition Rights	Total Net Assets
	Unrealized Gains on Other Marketable Securities	Total Valuation and Translation Adjustments		
Balance as of April 1, 2020	3,665	3,665	41	210,135
Changes during the year				
Cash dividends				(9,263)
Profit				6,933
Acquisition of treasury stock				(3,565)
Disposal of treasury stock			(6)	184
Provision of reserve for promotion of open innovation				-
Changes in items other than shareholders' equity during the year–net	3,445	3,445	-	3,445
Total changes during the year	3,445	3,445	(6)	(2,266)
Balance as of March 31, 2021	7,110	7,110	35	207,869

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward.

(TRANSLATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Notes to Significant Accounting Policies)

1. Basis and method of valuation of assets:

(1) Basis and method of valuation of securities:

Capital stock of subsidiaries and associated companies: At cost, determined by the moving-average method.

Other securities:

Those with fair value:	At fair value, determined by quoted prices at the balance sheet date. (Unrealized gains (losses) are reported directly in net assets. Cost of sales is determined by the moving-average method).
Those without fair value:	At cost, determined by the moving-average method.

(2) Basis and method of valuation of inventories:

Merchandise and finished goods, work-in-process and raw materials and supplies:	At cost, determined by the moving-average method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability).

2. Method of depreciation of fixed assets:

(1) Property, plant and equipment (excluding leased assets):	By the straight-line method.
(2) Intangible assets (excluding leased assets):	By the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life (five years).
(3) Leased assets:	Leased assets related to finance lease transactions that do not transfer ownership: Leased assets are depreciated by the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

(TRANSLATION)

3. Basis for accounting for allowances and accrued liabilities:

(1) Allowance for doubtful accounts: For possible bad debt losses, allowances are provided by taking into consideration the actual loss rate in respect of general receivables and the individual collectibility in respect of specific claims such as probable non-performing receivables.

(2) Liability for retirement benefits: To prepare for retirement benefits for employees, liability for retirement benefits and prepaid pension expenses are recorded based on the projected benefit obligations and plan assets at the end of the fiscal year. Actuarial differences are amortized effective from the following fiscal year, using the straight-line method for a specific period of years (13 to 15 years) within the average remaining years of service of employees.

(3) Provision for loss on guarantees: For possible losses on debt guarantees, provisions are recorded by taking into consideration the financial position of guaranteed parties and other factors.

4. Method of hedge accounting:

(i) Method of hedge accounting:

In principle, gains or losses on derivatives are deferred until maturity of the hedged transactions. The interest rate swaps that meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

(ii) Hedging instruments and hedged items:

Hedging instruments: Interest rate swaps
Hedged items: Interest expenses on long-term debt

(iii) Hedging policy:

NH Foods Ltd. engages in interest rate swaps to mitigate exposure to interest rate fluctuations.

(iv) Method of evaluating hedge effectiveness:

Evaluation of effectiveness is omitted for interest rate swaps that meet specific matching criteria.

(TRANSLATION)

5. Other significant fundamental matters for the preparation of non-consolidated financial statements:

(1) Accounting treatment of consumption taxes:

Consumption taxes are excluded from revenues, costs and expenses in the non-consolidated statement of income.

(2) Application of consolidated taxation system:

The consolidated taxation system is applied.

(3) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system:

For the transition to the group tax sharing system, which has been established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), and the items under the non-consolidated taxation system that have been reviewed in conjunction with the transition to the group tax sharing system, the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of February 16, 2018) are not applied, as permitted by paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 of March 31, 2020). As a result, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the amendment.

(TRANSLATION)

(Notes to Change in Method of Presentation)

(Change according to the application of the "Accounting Standard for Disclosure of Accounting Estimates")

As the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 of March 31, 2020) has been applied since the fiscal year ended March 31, 2021, notes to significant accounting estimates are provided.

(Non-consolidated balance sheet)

"Software in progress," which was included in "Software" in "Intangible assets" in the fiscal year ended March 31, 2020, has been separately presented since the fiscal year ended March 31, 2021 because the amount has become more material.

(Notes to Accounting Estimates)

1. Valuation of capital stock of subsidiaries and associated companies:

(1) Amounts recorded in the non-consolidated financial statements:

Capital stock of subsidiaries and associated companies	¥46,758 million
Valuation loss on capital stock of subsidiaries and associated companies	¥12,685 million

(2) Other matters:

In the valuation of capital stock of subsidiaries and associated companies without quoted prices whose fair value is deemed difficult to monitor, impairment accounting is applied if the net asset value of the capital stock significantly decreases and is not expected to recover. In considering the recoverability, it is considered whether the net asset value will recover to the acquisition price in five years by reasonably estimating the future net asset value based on the business plan of subsidiaries and associated companies and other materials.
The estimates may be affected by uncertain future changes in economic conditions or other factors. If the business performance of subsidiaries and associated companies deteriorates and is not expected to recover in the future due to unpredictable situations, it might have a material impact on the amount of capital stock of subsidiaries and associated companies in the non-consolidated financial statements for the fiscal year ending March 31, 2022.

2. Valuation of loans receivable from subsidiaries and associated companies:

(1) Amounts recorded in the non-consolidated financial statements:

Loans receivable from subsidiaries and associated companies	¥206,542 million
Allowance for doubtful accounts receivable from subsidiaries and associated companies	¥5,032 million

(2) Other matters:

In the valuation of loans receivable from subsidiaries and associated companies, allowances for doubtful accounts receivable are individually recorded if the financial position of subsidiaries and associated companies, as the borrowers, deteriorates and a material concern is likely to occur with the collection of receivables. In determining the amount of the allowances for doubtful accounts receivable, the recoverable amount is reasonably estimated by considering the future solvency based on the business plan of subsidiaries and associated companies and other materials.
The estimates may be affected by uncertain future changes in economic conditions or other factors. If the business performance of subsidiaries and associated companies differs from the estimates due to unpredictable situations, it might have a material impact on the amount of loans receivable from subsidiaries and associated companies in the non-consolidated financial statements for the fiscal year ending March 31, 2022.

3. Recoverability of deferred tax assets:

(1) Amount recorded in the non-consolidated financial statements:

Deferred tax assets	¥193 million

(2) Other matters:

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the unused tax losses and deductible temporary differences can be utilized.
In considering the probability of the taxable income, the amount is determined by reasonably estimating the timing and amount of taxable income which will be available in the future.
The estimates may be affected by uncertain future changes in economic conditions or other factors. If the actual timing and amount of taxable income differ from their estimates due to unpredictable situations, they might have a material impact on the amount of deferred tax assets in the non-consolidated financial statements for the fiscal year ending March 31, 2022.

(TRANSLATION)

4. Impairment of fixed assets:

(1) Amount recorded in the non-consolidated financial statements:

Property, plant and equipment	¥30,818 million
Intangible assets	¥6,634 million
Impairment losses	¥958 million

(2) Other matters:

If there is an indication of impairment of fixed assets, the necessity of impairment is determined based on the future cash flows of the assets. Units for determining the necessity of impairment are considered as minimum units which generate cash flows independently of other assets or asset groups.
In determining the necessity of impairment, certain assumptions are set for the amount of future cash flows, long-term growth rate and other items.
The estimates may be affected by uncertain future changes in economic conditions or other factors. If the condition of cash flows differs from the estimates due to unpredictable situations, it might have a material impact on the amount of fixed assets in the non-consolidated financial statements for the fiscal year ending March 31, 2022.

(Notes to Non-consolidated Balance Sheet)

1. Assets pledged:

NH Foods Ltd. has pledged time deposits in banks in the amount of ¥51 million as security for guarantees for transactions.

2. Accumulated depreciation of property, plant and equipment: ¥31,744 million

3. Guarantee obligations:

(millions of yen)

Guarantee	Description	Guarantee amount
NH Foods Australia Pty. Ltd. and eight other companies	Guarantee for loans and transactions	18,083

4. Accounts receivable from and payable to subsidiaries and associated companies:

Short-term monetary claims	¥83,103 million
Long-term monetary claims	¥98,506 million
Short-term monetary liabilities	¥85,424 million

(TRANSLATION)

(Notes to Non-consolidated Statement of Income)

1. Transactions with subsidiaries and associated companies:

Net sales	¥589,560 million
Purchases	¥512,516 million
Transactions other than ordinary business	¥17,154 million

2. Valuation loss on capital stock of subsidiaries and associated companies (Extraordinary Losses):

   Valuation loss on capital stock of subsidiaries and associated companies in extraordinary losses was attributable to a significant decrease in the net asset value of capital stock of consolidated subsidiaries. It mainly consisted of ¥7,553 million for S.A.E Holding Pte. Ltd. and ¥4,718 million for Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi.

(TRANSLATION)
(Notes to Non-consolidated Statement of Changes in Net Assets)

1. Class and number of shares of treasury stock as of March 31, 2021:

Common stock	784,890 shares

The number of shares of treasury stock as of March 31, 2021 includes 140,663 shares of the Company held by the Board Incentive Plan Trust and 608,600 shares of the Company held by the NH Foods Group Employee Shareholding Association Trust.

(Outline of the causes of the change)
Major causes:

Increase due to the purchase of shares of less than one unit	1,085 shares
Increase due to purchase by the Board Incentive Plan Trust	141,500 shares
Increase due to purchase by the NH Foods Group Employee Shareholding Association Trust	648,800 shares
Decrease due to the exercise of stock options	5,000 shares
Decrease due to the delivery of shares to target persons from trusts related to the Board Incentive Plan Trust	837 shares
Decrease due to disposal to the Employee Shareholding Association	40,200 shares

2. Class and number of shares to be issued or transferred upon exercise of stock acquisition rights (excluding those for which the exercise period has not started), as of March 31, 2021:

Common stock	24,500 shares

(TRANSLATION)
(Notes to Tax Effect Accounting)

Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets	(millions of yen)
Accrued bonuses	633
Liability for retirement benefits	1,480
Capital stock of subsidiaries and associated companies	13,739
Allowance for doubtful accounts	1,564
Impairment losses	1,755
Loss on valuation of investment securities	701
Others	1,091
Subtotal of deferred tax assets	20,963
Valuation allowance	(17,544)
Total deferred tax assets	3,419
Deferred tax liabilities	
Reserve for deferral of capital gain on property	(326)
Unrealized gains on other marketable securities	(2,889)
Others	(11)
Total deferred tax liabilities	(3,226)
Net deferred tax assets	193

(TRANSLATION)

(Notes to Related-Party Transactions)

(millions of yen)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	NH Foods marketing Ltd.	100% held	Sales of products; Interlocking directorate	Sales of products (Note 2)	149,042	Accounts receivable–trade	14,217
	Naka Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	117,100	Accounts receivable–trade	13,872
				Management of funds (Note 3)	-	Deposits received from subsidiaries and associated companies	14,259
				Receipt of dividends (Note 5)	1,989		
	Kanto Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	128,620	Accounts receivable–trade	12,999
				Management of funds (Note 3)	-	Deposits received from subsidiaries and associated companies	11,910
				Receipt of dividends (Note 5)	2,664		
	Nishi Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	91,370	Accounts receivable–trade	11,087
				Management of funds (Note 3)	-	Deposits received from subsidiaries and associated companies	8,528
	Higashi Nippon Food, Inc.	100% held	Sales of products; Interlocking directorate	Sales of products (Note 2)	69,235	Accounts receivable–trade	8,000

(TRANSLATION)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	Japan Food Corporation	100% held	Purchases of products; Financial support; Interlocking directorate	Purchases of products (Note 2)	236,338	Accounts payable–trade	57,344
				Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	35,465
				Receipt of dividends (Note 5)	2,163		
	Nipponham Factory Ltd.	100% held	Purchases of products; Financial support; Interlocking directorate	Purchases of products (Note 2)	43,980	Accounts payable–trade	7,387
				Lending of funds (Note 4)	3,000	Long-term loans receivable	17,408
	Interfarm Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	6,000
				Lending of funds (Note 4)	1,000	Long-term loans receivable	8,044
	Nippon Pure Food, Inc.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	6,179
				Lending of funds (Note 4)	500	Long-term loans receivable	7,049

(TRANSLATION)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	Nippon Logistics Center, Inc.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	6,000
				Lending of funds (Note 4)	300	Long-term loans receivable	5,605
	Marine Foods Corporation	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	8,650
	Premium Kitchen Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	7,706
	Nipponham Processed Foods Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	2,500	Long-term loans receivable	9,941
	Hoko Co., Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	-	Long-term loans receivable	9,106
	Nippon White Farm Co., Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	-	Long-term loans receivable	6,556
	Niiburo, Co., Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	400	Long-term loans receivable	5,430
	Nippon Luna, Inc.	97.1% held	Safekeeping of funds; Interlocking directorate	Lending of funds (Note 4)	700	Long-term loans receivable	6,355
	NH Foods Australia Pty. Ltd.	100% held	Interlocking directorate; Debt guarantee	Debt guarantees (Note 6)	8,436		

(TRANSLATION)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi	100% held	Interlocking directorate; Debt guarantee	Debt guarantees (Note 6)	5,148		

(Note 1) In calculating the proportion of voting rights, voting rights that are held indirectly by the subsidiaries are included.

(Note 2) Prices and other terms and conditions of transactions are determined through negotiations by taking into consideration prevailing quoted prices.

(Note 3) NH Foods Ltd. has introduced a Cash Management System ("CMS") for the purpose of improving the efficiency of management of funds within the Group. Given that it is difficult in practice to tally the transaction amount of financial transactions using CMS on a transaction-by-transaction basis, the transaction amount is not shown. Interest rates and other terms and conditions of transactions are determined reasonably by taking into consideration market interest rates. No collateral is accepted or offered.

(Note 4) Interest rates and other terms and conditions of transactions are determined reasonably by taking into consideration market interest rates. No collateral is accepted or offered.

(Note 5) These are the dividends received in accordance with the dividend policy of the subsidiaries.

(Note 6) NH Foods Ltd. provides debt guarantees for bank loans. Guarantee commissions are determined by taking into consideration the standard guarantee ratios of financial institutions, etc.

(Note 7) For long-term loans receivable from subsidiaries, NH Foods Ltd. recorded an allowance for doubtful accounts totaling ¥5,032 million, and a reversal of allowance for doubtful accounts totaling ¥67 million in the fiscal year ended March 31, 2021.

(Note 8) The amounts of transactions do not include consumption taxes, while the year-end balances include consumption taxes (excluding short-term loans receivable from subsidiaries and associated companies, long-term loans receivable and deposits received from subsidiaries and associated companies).

(TRANSLATION)
(Notes to Per Share Information)

(i)	Net assets per share:	¥2,034.12
(ii)	Basic earnings per share:	¥67.59
(iii)	Diluted earnings per share:	¥67.57

In determining net assets per share, basic earnings per share and diluted earnings per share, the Company's shares held by the Board Incentive Plan Trust and the NH Foods Group Employee Shareholding Association Trust are accounted for as treasury stock. Accordingly, the number of these shares is deducted in determining the weighted-average number of shares.

(Other Notes)

Additional information

Management have considered the effect of the COVID-19 infection "as an accounting estimate and assumption" and believe that it will continue for some time after the end of the fiscal year ended March 31, 2021, and will then be gradually contained. As a result, the impact on the fiscal year ended March 31, 2021 was determined to be immaterial. However, it may have a significant effect on the Group's financial position and operating results for the fiscal year ending March 31, 2022, depending on how the situation develops.

Transactions related to the Board Incentive Plan Trust

The Company has adopted a scheme of the Board Incentive Plan Trust as the Performance-Based Stock Compensation Plan for the Directors, etc. to further clarify the linkage between the compensation for Directors, etc. and the Company's business performance and shareholder value. The trust agreement is accounted for pursuant to the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 of March 26, 2015).

(1) Overview of transactions

Under the Plan, a scheme called the officers compensation Board Incentive Plan Trust (the "BIP Trust") has been adopted. The BIP Trust is a plan, as with the performance based stock compensation (Performance Share) scheme and stock compensation with transfer restriction (Restricted Stock) scheme in Europe and America, under which the shares of the Company and the amount of money equivalent to the proceeds from the disposal of the shares of the Company will be delivered and paid to the Directors, etc. according to their position, achievement level of the performance goal, etc.

(2) Treasury stock remaining in the BIP Trust

The Company's shares remaining in the BIP Trust are recorded at the carrying amount in the BIP Trust as treasury stock in net assets in the non-consolidated balance sheet. The carrying amount and the number of shares of the treasury stock were ¥659 million and 140,663 shares, respectively, for the fiscal year ended March 31, 2021.

Trust-type Employee Shareholding Incentive Plan

(1) Overview of transactions

Upon resolution at the Board of Directors meeting held on May 11, 2020, the Company has adopted the "Trust-type Employee Shareholding Incentive Plan" (the "Plan") for the purpose of providing incentives to employees of the Group to improve the Company's corporate value over the medium and long term. Under the Plan, the Company establishes the "NH Foods Group Employee Shareholding Association Trust" (the "Shareholding Trust") at a trust bank. The Shareholding Trust acquires the Company's shares in advance for an amount expected to be acquired by the Shareholding Association over a certain period of time after the establishment. Thereafter, the Shareholding Trust makes sales of the Company's shares to the Shareholding Association on a continuous basis. Upon the conclusion of the trust, if there are any accumulated gains on sales of shares within the Shareholding Trust, such gains on sales of shares will be allocated as residual assets to employees who meet eligibility requirements as beneficiaries. Further, since the Company guarantees loans undertaken by the Shareholding Trust to acquire the Company's shares, if there are any accumulated loss on sales of shares within the Shareholding Trust due to the decline of the Company's share price and there are any remaining loan amounts equivalent to the loss on sales of shares as of the conclusion of the trust, the Company will repay such loans.

(2) Treasury stock remaining in the Shareholding Trust

The Company's shares remaining in the Shareholding Trust are recorded at the carrying amount in the Shareholding Trust as treasury stock in net assets in the non-consolidated balance sheet. The carrying amount and the number of shares of the treasury stock were ¥2,717 million and 608,600 shares, respectively, for the fiscal year ended March 31, 2021.

(3) Carrying amount of loans recorded by the application of the gross method

¥2,716 million for the fiscal year ended March 31, 2021

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward with the exception of per share amounts.