Nipponham Group

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

(Translation)

July 31, 2018

BRIEF STATEMENT OF ACCOUNTS
FOR THE FIRST QUARTER OF THE YEAR ENDING MARCH 31, 2019
(Under IFRS) (Consolidated)

Name of listed company:	NH Foods Ltd. (the "Company")
Listing exchange:	Tokyo Stock Exchange
Code number:	2282
URL:	http://www.nipponham.co.jp/en/
Representative:	Yoshihide Hata President and Representative Director
Further inquiries:	Yoshitaka Hasegawa General Manager of Accounting & Finance Department, Corporate Management Division
TEL:	+81-6-7525-3042
Scheduled date of filing of quarterly report:	August 9, 2018
Scheduled date of payment of dividends:	-
Preparation of supplementary information on quarterly statement of accounts:	Yes
Holding of quarterly results briefing:	Yes (results briefing for institutional investors and analysts)

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

1. Consolidated business results for the first quarter of the year ending March 31, 2019 (April 1, 2018 through June 30, 2018):

(1) Consolidated operating results (accumulated):

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

	Net sales		Operating income		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%
First quarter of the year ending March 31, 2019	304,378	0.4	13,800	(18.5)	15,268	(2.2)	11,045	4.5	11,105	7.6	11,501	(1.4)
First quarter of the year ended March 31, 2018	303,046	—	16,935	—	15,607	—	10,567	—	10,319	—	11,663	—

(yen)

	Earnings per share (basic)	Earnings per share (diluted)
First quarter of the year ending March 31, 2019	103.32	102.72
First quarter of the year ended March 31, 2018	97.83	97.76

(Note) 1. As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. “Basic earnings per share” and “Diluted earnings per share” were computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

2. Operating income is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales in accordance with the Japanese accounting practices.

(2) Consolidated financial position:

	Total assets	Total equity	Total equity attributable to owners of parent	Equity ratio of owners of parent
	(millions of yen)	(millions of yen)	(millions of yen)	(%)
First quarter of the year ending March 31, 2019	750,069	422,981	418,327	55.8
Year ended March 31, 2018	734,528	422,888	417,982	56.9

2. State of dividends:

(yen)

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Year ended March 31, 2018	—	—	—	53.00	53.00

Year ending March 31, 2019	—				
Year ending March 31, 2019 (forecast)		—	—	90.00	90.00

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

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. Dividends for the year ended March 31,2018 represent the actual amounts of dividends paid prior to the relevant share consolidation.

3. Forecast of consolidated business results for the year ending March 31, 2019 (April 1, 2018 through March 31, 2019):

(The percentages indicate the rates of increase (decrease) from the previous fiscal year in respect of the whole-year period, and from the second quarter (cumulative) period of the previous fiscal year in respect of the second quarter (cumulative) period, respectively.)

	Net sales		Operating income		Profit before tax		Profit attributable to owners of parent		Earnings per share (basic)
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Second quarter (cumulative)	650,000	3.7	30,000	(0.0)	28,000	(9.4)	19,500	(10.4)	181.41
Whole-year period	1,310,000	4.1	50,000	9.1	46,000	(12.9)	32,000	(14.8)	297.69

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

(Note) The percentages which indicate the rates of increase (decrease) from the previous fiscal year and the same quarter period of the previous fiscal year are calculated based on actual value of the year ended March 31, 2018 in compliance with the International Financial Reporting Standards (“IFRS”).

* Notes:

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

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

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

(3) Number of shares issued (shares of common stock):
1) Number of shares issued (including shares of treasury stock) as of the end of the period:
First quarter of the year ending March 31, 2019: 107,498,304 shares
Year ended March 31, 2018: 107,495,804 shares

2) Number of shares of treasury stock as of the end of the period:
First quarter of the year ending March 31, 2019: 4,704 shares
Year ended March 31, 2018: 3,722 shares

3) Average number of shares outstanding during the period:
First quarter of the year ending March 31, 2019: 107,492,645 shares
First quarter of the year ended March 31, 2018: 105,485,241 shares

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. The number of shares issued (shares of common stock) was computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

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

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

(Adoption of IFRS)

The Group has adopted IFRS from the year ending March 31, 2019. Regarding values of the first quarter of the year ended March 31, 2018 and the year ended March 31, 2018, they have been indicated in compliance with IFRS. For information on differences of financial values under IFRS and US GAAP, please refer to "2. Condensed Consolidated Financial Statements and Primary Notes (7) Note on Condensed Consolidated Financial Statements 6. First-time adoption" on page 36.

(Cautionary notice on information about the future)

The descriptions herein about the future, including the forecast of business results, are based on the information currently available to the Company and certain assumptions considered reasonable by the Company and are not contemplated to ensure the fulfillment thereof. The actual results may materially differ from such forecast and plans depending on various factors. The Company, therefore, wishes to caution that readers should not place undue reliance on these descriptions to make investment decisions. Further, unless obligated by laws or ordinances or the rules of financial instruments exchanges, the Company will not necessarily, or is not obligated to, revise such descriptions about the future, including the forecast of business results notwithstanding any information or event in the future or any result arising therefrom, or publicize such revised information. For information on the conditions precedent to the forecast of business results and cautionary notes for the use of the forecast of business results, please refer to "1. Qualitative Information on the Statements of Accounts for the First Quarter of the Fiscal Year under Review: (3) Explanation on the Forward-looking Information such as Forecast of Consolidated Business Results" on page 11.

CONTENTS OF ATTACHMENT

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

- August 2, 2018 (Thursday): Results briefing for institutional investors and analysts

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

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

(1) Explanation on the Operating Results:

The Group adopted IFRS starting this consolidated fiscal year under review. For the financial values of the same quarter of the previous year and the previous consolidated fiscal year, a comparative analysis has been carried out by applying IFRS.

Overview of Operating Results in General

The Japanese economy during the first quarter of the fiscal year under review continued on slow recovery as employment and income environment showed improvements. On the other hand, the economic conditions such as the future of the world economy, the fluctuation in the exchange rate arising from the uncertainty of the policies, and the trend of trade issues remain unpredictable.

In the food and fresh meats industry, the business conditions remain severe with the prices of certain raw materials having soared, increases of costs for distribution and labors, and intensifying sales competition.

Under these circumstances, NH Foods Ltd. and its subsidiaries (the “Group”), in this fiscal year, under the “Medium-Term Management Plan 2020” that commenced in April 2018 with the theme “Building systems that pave the way to the future”, has conducted business development based on its five management policies “Strengthen profitability by improving the efficiency of existing businesses,” “Create value through dialog with consumers,” “Enhance and develop technological capabilities for conceptualizing and realizing the future of food,” “Change gears in overseas market deployment”, and “Pursue sustainability” in order not only to further accelerate the growth strategy which has been implemented in the previous term but also to continue its business in the future and to contribute to achieving a sustainable society from food and health aspects. To be specific, the Group has implemented various measures, including reinforcement of its domestic farm business, expansion of plants specific for allergy-free food products, enhancement of the cost competitiveness and profitability such as improvement of productivity, development of human resources, and completion of risk management. Further, as to the overseas business, the Group has made efforts to reinforce its overseas beef business in Australia. As to the management system, the Group has continued to make efforts for enhancement in line with the “Nipponham Group Fundamental Policy on Corporate Governance”.

As a result of these activities, for the first quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales amounted to ¥304,378 million, increasing 0.4% from the corresponding period of the previous fiscal year. Operating income decreased 18.5% from the corresponding period of the previous fiscal year to ¥13,800 million, and the profit before income taxes decreased 2.2% from the corresponding period of the previous fiscal year to ¥15,268 million. Profit attributable to owners of parent increased 7.6% from the corresponding period of the previous fiscal year to ¥11,105 million.

Overview of Operating Segments

(Processed Foods Business Division)

With regards to sales of the hams and sausages business, for the consumer products, active promotional efforts focusing on main products such as "*SCHAU ESSEN,*" for which TV commercials started and *"Hojyun Arabiki Wiener"* were attempted, also with the package design of "*Entier*" changing for easier use, sales continued favorably, but with the sluggish growth of "*Irodori Kitchen,*" net sales remained unchanged from the previous fiscal year. Regarding the sales of commercial-use products, sales of products for major restaurants chains showed steady performance, but as a result of readjusting low profit products, sales volume decreased. As a result, the overall sales of the hams and sausages business decreased slightly.

With regards to sales of the processed foods business, for the consumer products, in addition to "*Chicken Nuggets,*" for which active promotion was carried out and "*Chuka Meisai*" which continued favorably, "*Ishigama Kobo*" with the expanded product lineup showed steady performance leading to an increase from the corresponding period of the previous fiscal year. Regarding the sales of the business purpose products, although sales targeting major restaurants chains struggled, the overall sales of the processed foods business were higher than that of the corresponding period of the previous fiscal year. As a result, the overall sales of the Processed Foods Business Division slightly increased.

With regard to profits, although efforts to increase productivity were made such as consolidating the products in the production division, expenses including distribution costs and labor costs increased which resulted in unchanged results from the previous fiscal year.

As a result, for the first quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Processed Foods Business Division amounted to ¥84,332 million, increasing 1.3% from the corresponding period of the previous fiscal year, and operating income increased 0.1% compared to the corresponding period of the previous fiscal year to ¥1,333 million.

(Fresh Meats Business Division)

In the fresh meats business, although the Company made an effort to expand the sales of the Company's branded fresh meat focusing on "*Sakurahime,*" *"Mugikomachi"* and *"Ohmugi Beef Angus"* by making active proposals to various channels including mass retailers, restaurant chains, and convenience stores; since the price of each domestic livestock species settled compared to the high price of the previous year and the supply volume of imported chicken in Japan increased, the price sagged. As a result, the overall sales of the fresh meats business decreased.

With regard to profits, for the production division, although efforts were made to increase productivity and to increase the percentage of branded fresh meat, since the market price of each of the livestock dropped and the price of feed crop increased, profits decreased. In the sales division, efforts to expand the strong sales of ground ingredients for hamburg (meat patty) and sales of domestic pork in mass retailers were reinforced, and product proposals according to demand such as sales of processed meat based on customer's needs were carried out, but due to a price increase of imported beef at the place of production led by the large demand in Asia and the drop of market price of domestic and imported chicken, pressure was put on the profit which led to an overall decrease in profits.

As a result, for the first quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Fresh Meats Business Division amounted to ¥189,228 million, decreasing 2.0% from the corresponding period of the previous fiscal year and operating income amounted to ¥9,757 million, decreasing 28.7% from the corresponding period of the previous fiscal year.

(Affiliated Business Division)

In the marine products business, efforts to expand the sales of sushi topping, mainly tuna and prawns, were made and although sales to conveyor belt type sushi restaurants chains grew, by decreasing low-profit products, sales to mass retailer channel struggled. As a result, the sales were lower than that of the corresponding period of the previous financial year.

Among the dairy products business, with regard to yogurt and lactic acid probiotic beverages, the main product, vanilla yogurt, and yogurt drinks remained strong but with the high competition, the series of smoothie products struggled which led to a slight decrease of net sales. Further, with regard to cheese, in addition to the main cheese products for business purposes, sales of consumer products focusing on baby cheese grew and net sales of the overall dairy products business were higher than that of the corresponding period of the previous fiscal year.

With regard to profits, in the marine products business, due to the price revision of sushi toppings and removal of low-profit products, gross profit rate improved, but due to a decrease in the sales quantity, sales were lower than that of the corresponding period of the previous financial year. In the dairy products business, due to increased prices for raw materials and increased expenses including labor costs and distribution costs, profits were lower than that of the corresponding period of the previous fiscal year.

As a result, for the first quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Affiliated Business Division amounted to ¥36,544 million, decreasing 4.5% from the corresponding period of the previous fiscal year and operating income amounted to ¥18 million, decreasing 97.3% from the corresponding period of the previous fiscal year.

(Overseas Business Division)

In Asia and Europe operations, although domestic sales in China grew, the net sales were lower than that of the corresponding period of the previous fiscal year due to the decrease of export sales to Japan in Thailand. In Americas operations, the net sales were higher than that of the corresponding period of the previous fiscal year due to a growth of domestic sales as a result of reinforcement of sales bases, etc. In Australia operations, the net sales were higher than that of the corresponding period of the previous fiscal year due to a favorable increase in beef export to Japan and increase in export sales to U.S. and Asia.

With regards to profits, for the Asia and Europe operations, due to the increase in labor costs in Thailand due to the increase of production volume of processed food, and the soaring price of feed crop for the poultry business in Turkey due to depreciation of Turkish lira, the profits were lower than that of the corresponding period of the previous fiscal year. In the Americas operations, the gross profits increased due to increase of fresh meat import, and the decrease of purchase cost for sales within the U.S. led to higher profit than that of the corresponding period of the previous fiscal year. For the Australia operations, while the production costs improved and the collection environment of cattle as a whole was strong, profits were higher than that of the corresponding period of the previous fiscal year.

As a result, for the first quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Overseas Business Division amounted to ¥64,158 million, increasing 12.5% from the corresponding period of the previous fiscal year and operating loss amounted to ¥57 million (an operating loss of ¥167 million for the corresponding period of the previous fiscal year).

(2) Explanation on the Financial Position:

<Financial position>

At the end of the first quarter period of the fiscal year under review, total assets increased by 2.1% from the end of the previous fiscal year to account for ¥750,069 million, due to the increases of the property, plant and equipment by ¥3,814 million, the inventories by ¥18,045 million respectively from the end of the previous fiscal year, etc., though the cash and cash equivalents decreased by ¥9,996 million from the end of the previous fiscal year. Liabilities increased by 5.0% from the end of the previous fiscal year to account for ¥327,088 million, due to the increases of interest-bearing debt by ¥11,614 million and trade and other payables by ¥8,168 million from the end of the previous fiscal year though the accrued income taxes decreased by ¥4,652 million respectively from the end of the previous fiscal year. In addition, interest-bearing debt accounts for ¥123,015 million.

The total equity attributable to owners of parent accounted for ¥418,327 million and remains unchanged from last year, but since the total assets increased, the equity ratio of owners of parent decreased by 1.1 percentage points from the end of the previous fiscal year to 55.8%.

<Cash flows>

With regard to operating activities, the increase of inventories amounted to ¥17,982 million, income tax paid amounted to ¥6,907 million, profit before tax amounted to ¥15,268 million, trade and other payables increased by ¥8,139 million and depreciation and amortization expenses amounted to ¥5,440 million. As a result, net cash provided by operating activities amounted to ¥4,448 million.

With regard to investing activities, acquisition of non-current assets amounted to ¥12,017 million. As a result, net cash used in investing activities amounted to ¥13,008 million.

With regard to financing activities, cash dividends amounted to ¥11,403 million, while short-term bank loans increasing by ¥9,135 million. As a result, net cash used in financing activities amounted to ¥1,639 million.

As a result, cash and cash equivalents at end of the first quarter period of the fiscal year under review decreased by ¥9,996 million in comparison with the end of the previous fiscal year to amount to ¥48,294 million.

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

With regards to the forecasts of consolidated business results for the second quarter period of the fiscal year under review, on a cumulative basis, and the whole-year period of the fiscal year ending March 31, 2019, there are no changes from the forecast published on the "Brief Statement of Accounts for the Year Ending March 31, 2018" as announced on May 10, 2018.

Cautionary notice on information about the future:

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

2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statements of Financial Position:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31,2018 (as of March 31, 2018)	First quarter period of year ending March 31, 2019 (as of June 30, 2018)
(Assets)			
Current assets			
Cash and cash equivalents	80,716	58,290	48,294
Trade and other receivables	132,423	154,781	155,548
Inventories	103,634	105,422	123,467
Biological assets	31,128	24,830	25,786
Other financial assets	19,919	14,558	16,030
Other current assets	4,572	4,893	5,772
Total current assets	372,392	362,774	374,897
Non-current assets			
Property, plant and equipment	244,583	269,143	272,957
Biological assets	1,743	2,057	2,062
Intangible assets and goodwill	4,594	10,329	10,329
Investments accounted for using equity	5,100	14,426	14,370
Other financial assets	36,699	40,638	40,773
Deferred tax assets	26,547	24,772	24,548
Other non-current assets	10,143	10,389	10,133
Total non-current assets	329,409	371,754	375,172
Total assets	701,801	734,528	750,069
(Liabilities and equity)			
Current liabilities			
Interest-bearing debt	61,750	48,979	59,092
Trade and other payables	102,208	113,984	122,152
Accrued income taxes	7,174	6,557	1,905
Other financial liabilities	11,123	23,560	21,993
Other current liabilities	36,436	38,904	40,764
Total current liabilities	218,691	231,984	245,906
Non-current liabilities			
Interest-bearing debt	76,659	62,422	63,923
Defined benefit liabilities	13,072	13,513	13,628
Other financial liabilities	6,331	1,187	1,128
Deferred tax liabilities	3,472	1,306	1,278
Other non-current liabilities	1,035	1,228	1,225
Total non-current liabilities	100,569	79,656	81,182
Total liabilities	319,260	311,640	327,088
Equity			
Common stock	31,806	36,291	36,294
Capital surplus	64,612	72,818	72,815

Retained earnings	271,988	300,076	299,787
Treasury stock	(41)	(16)	(21)
Accumulated other comprehensive income	10,236	8,813	9,452
Total equity attributable to owners of parent	378,601	417,982	418,327
Non-controlling interests	3,940	4,906	4,654
Total equity	382,541	422,888	422,981
Total liabilities and equity	701,801	734,528	750,069

(Note) Breakdown of other accumulated comprehensive income

	IFRS Transition Date	Year ended March 31, 2018	First quarter period of the year ending March 31, 2019
Financial assets measured at fair value through other comprehensive income	10,236	11,311	10,927
Translation difference on foreign operations	—	(2,498)	(1,475)

(2) Condensed Consolidated Statements of Income:

(millions of yen)

	Cumulative first quarter period of the year ended March 31, 2018 (consolidated) (April 1, 2017 through June 30, 2017)	Cumulative first quarter period of the year ending March 31, 2019 (consolidated) (April 1, 2018 through June 30, 2018)
Net sales	303,046	304,378
Cost of goods sold	246,752	250,029
Selling, general and administrative expense	39,359	40,549
Other income	1,638	3,633
Other expense	613	2,039
Finance income	507	445
Finance costs	3,000	751
Share of profit (loss) in investments accounted for using equity method	140	180
Profit before tax	15,607	15,268
Income tax expense	5,040	4,223
Profit	10,567	11,045
Profit attributable to:		
Owners of parent	10,319	11,105
Non-controlling interests	248	(60)
Profit	10,567	11,045

Earnings per share		
Earnings per share (basic)	97.83 yen	103.32 yen
Earnings per share (diluted)	97.76 yen	102.72 yen

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. “Basic earnings per share” and “Diluted earnings per share” were computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

(3) Condensed Consolidated Statements of Comprehensive Income

(millions of yen)

	First quarter period of the year ended March 31, 2018 (consolidated) (April 1, 2017 through June 30, 2017)	First quarter period of the year ending March 31, 2019 (consolidated) (April 1, 2018 through June 30, 2018)
Profit	10,567	11,045
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	894	(382)
Total	894	(382)
Items that may be reclassified to profit or loss		
Translation difference on foreign operations	236	830
Share of other comprehensive income of investments accounted for using equity method	(34)	8
Total	202	838
Total other comprehensive income	1,096	456
Comprehensive income	11,663	11,501
Comprehensive income attributable to:		
Owners of parent	11,353	11,744
Non-controlling interests	310	(243)
Comprehensive income	11,663	11,501

(4) Condensed Consolidated Statements of Changes in Equity

Period for the consolidated cumulative first quarter period of the previous year (April 1, 2017 through June 30, 2017)

(millions of yen)

	Equity attributable to the owners of parent										
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Translation difference on foreign operations	Total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2017	31,806	64,612	271,988	(41)	—	10,236	—	10,236	378,601	3,940	382,541
Profit			10,319					—	10,319	248	10,567
Other comprehensive income						894	140	1,034	1,034	62	1,096
Comprehensive income	—	—	10,319	—	—	894	140	1,034	11,353	310	11,663
Dividends			(10,965)					—	(10,965)	(15)	(10,980)
Purchase of treasury stock				(3)				—	(3)	—	(3)
Disposal of treasury stock		(34)		34				—	0	—	0
Conversion of convertible bonds	320	679						—	999	—	999
Change in the ownership interest in a subsidiary		(82)						—	(82)	541	459
Capital increase of subsidiaries								—	—	220	220
Transfer of accumulated other comprehensive income to retained earnings			0			0		0	—	—	—
Other								—	—	(88)	(88)
Total transactions with owners	320	563	(10,965)	31	—	0	—	0	(10,051)	658	(9,393)

Balance as of June 30, 2017	32,126	65,175	271,342	(10)	—	11,130	140	11,270	379,903	4,908	384,811

Period for the consolidated cumulative first quarter period of the year ending March 31, 2019 (April 1, 2018 through June 30, 2018)

(millions of yen)

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

(5) Condensed Consolidated Statements of Cash Flows:

(millions of yen)

	First quarter period of the year ended March 31, 2018 (April 1, 2017 through June 30, 2017)	First quarter period of the year ending March 31, 2019 (April 1, 2018 through June 30, 2018)
Operating Activities		
Profit before tax	15,607	15,268
Depreciation and amortization expense	5,040	5,440
Impairment losses	112	77
Decrease (increase) in fair value of biological assets	(1,019)	(1,438)
Finance income and costs	2,493	306
Decrease (increase) in trade and other receivables	(2,526)	(535)
Decrease (increase) in inventories	(17,148)	(17,982)
Decrease (increase) in biological assets	1,796	211
Decrease (increase) in other assets	(23)	46
Decrease (increase) in trade and other payables	8,898	8,139
Decrease (increase) in other liabilities	3,064	1,927
Others - net	33	(482)
Interest received	205	107
Dividends received	682	442
Interest paid	(295)	(171)
Income tax paid	(7,639)	(6,907)
Cash flows from operating activities	9,280	4,448
Investing Activities:		
Capital expenditures	(7,886)	(12,017)
Proceeds from sales of capital assets	156	90
Decrease (increase) in time deposits	4,611	(11)
Acquisition of other financial assets	(22)	(1,017)
Sale and redemption of other financial assets	19	9
Investments to associate	0	—
Net decrease (increase) in cash and cash equivalents resulting from purchase of business	(13,610)	—
Net decrease (increase) in cash and cash equivalents resulting from sale of business	(40)	—
Others - net	(11)	(62)
Cash flows from investing activities	(16,783)	(13,008)
Financing Activities:		
Cash dividends	(10,980)	(11,403)
Increase (decrease) in short-term bank loans	6,869	9,135
Proceeds from debt	1,751	3,275
Repayments of debt	(2,708)	(2,641)
Contributions from non-controlling interests	765	—
Acquisition of treasury stock	(3)	(5)
Others - net	(86)	0
Cash flows from financing activities	(4,392)	(1,639)
Effect of exchange rate changes on cash and cash equivalents	64	203
Net increase (decrease) in cash and cash equivalents	(11,831)	(9,996)
Cash and cash equivalents at beginning of the period (year)	80,716	58,290
Cash and cash equivalents at end of the period (year)	68,885	48,294

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

Not applicable.

(7) Note on Condensed 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 and first-time adoption

The condensed 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 "Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Cabinet Office Order No. 64 of 2007) ("Ordinance") and thus have been prepared in compliance with International Accounting Standards No. 34 "Interim Financial Reporting" ("IAS 34") as stipulated in Article 93 of the Ordinance.

The Group has adopted IFRS starting from the first consolidated quarterly financial period of the Company's consolidated fiscal year starting April 1, 2018. The annual consolidated financial statements for the consolidated fiscal year under review are the first consolidated financial review prepared in compliance with IFRS. The transition date to IFRS is April 1, 2017 and upon transition to IFRS, IFRS 1 "First time Adoption of International Financial Reporting Standards" ("IFRS 1") has been adopted. Further, the impact the transition has on the financial condition, business performance and cash flow condition is as stated in "6. First-time Adoption."

(2) Basis of measurement

Unless indicated in "3. Significant accounting policies," the condensed consolidated financial statements of the Group are prepared at cost.

(3) Functional currency and presentation currency

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

(4) Standards and interpretations issued but not yet adopted

At the date of authorization of the condensed consolidated financial statements, new establishment or revision of the following standards and interpretations has been mainly issued, but has not been early adopted by the Group. Further, the impact of the adoption is currently under consideration.

Standards	Name of Standard	Effective for annual period beginning on or after	To be adopted by the Group from the fiscal year ending	Outline of new establishment or revision
IFRS 16	Leases	Jan 1, 2019	March, 2020	Revision of accounting treatment regarding recognition of lease transactions

3. Significant accounting policies

The following accounting policies shall be considered the same as the accounting policies applied throughout the period indicated in the condensed consolidated financial statements (including the statements of consolidated financial position as of the IFRS transition date), unless stated otherwise.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries mean 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 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 such subsidiary are adjusted as necessary. Important internal transactions as well as credits and debts between consolidated companies are subject to offset.

Changes in interest of subsidiaries which do not result in loss of control are accounted for as equity transaction. Carrying amounts of total equity attributable to owners of parent and non-controlling interests are revised to reflect the relative fluctuation of the interests to 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 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 to associates.

If it is not accepted for subsidiary to settle on the consolidated closing date under the local laws where the subsidiary is located, financial statements based on provisional settlement of account 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 great influence, but not control or joint control. If the Group possess 20% to 50% of voting rights of another entity, the Group is presumed to hold significant influence on such entity.

Associates are accounted for using equity method from the date the Group starts to have great influence until the date such influence is lost. If the accounting policies adopted by the associates differ from those adopted by the Group, 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 fluctuated according to the fluctuation of the Group's interest after the acquisition in relation to net asset of the associate.

Consolidated financial statements include the financial statements of associates with different closing dates, since unification of the closing date was 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 derived from the difference of the 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 asset transferred in exchange of control of the acquired company, assumed liabilities, fair value of 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 value as of the acquisition date, excluding below:

・ 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 to 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 as goodwill in the consolidated statements 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 statements of income.

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

Further, the Group has adopted the exemptions under IFRS 1 and has deemed cumulative translation difference related to foreign operations before the transition to be zero and reclassified everything to retained earnings.

(4) Financial instruments

The Group has early adopted IFRS 9 (issued 2014) on the IFRS transition date.

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 became a contracting party of such financial instrument.

When the Group initially recognizes the non-derivative financial assets, they are classified into financial assets at amortized cost or financial assets measured at fair value through other comprehensive income or profit or loss.

Summary of each classification and measurement model is as follows:

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

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

・Held for the purpose of collecting contractual cash flow of the said financial asset as part of the Group’s business model
・The terms of the contract are set so that cash flow is generated only from payment of the principal and the interest of the principal balance on a specified date

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

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

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

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

・Held for the purpose of collecting and selling contractual cash flow and sales of the said financial asset as part of the Group’s business model
・The terms of the contract are set so that cash flow is generated only from payment of the principal and the interest of the principal balance on a specified date

(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.

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

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.

<u>Financial assets 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 such fluctuation is 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 such fluctuation is 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 assigned 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 asset or liability.

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, accumulative 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, accumulative 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 at amortized cost and debt instrument 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 after the initial recognition.

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

The Group holds interest-bearing debt, trade and other payables as non-derivative financial liabilities. At initial recognition, measurements are made 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 effective interest method.

(iii) Derecognition

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

3) Derivative and hedge accounting

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

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

Further, the Group has not adopted hedge accounting.

4) Compound financial instruments

The Group initially recognizes and measures the liability portion of the compound financial instruments using the fair value of a similar debt which does not have an option to convert to equity. The equity portion is initially recognized and measured by deducting the fair value of the liability portion from the fair value of such compound financial instrument as a whole. Direct transaction costs are allocated based on the ratio of initial carrying amount of the liability portion to the equity portion.

After the initial recognition, the liability portion of the compound financial instruments is measured at amortized cost based on effective interest method. The equity portion of the compound financial instruments is not remeasured after the initial recognition.

Further, if all the requirements for bifurcation are met, embedded derivatives are separated from the host contract and are accounted as a derivative.

5) Fair value of financial instruments

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. Fair value of financial instruments which do not have an active financial market is measured using an appropriate evaluation method.

6) Offsetting of financial assets and financial liabilities

If currently an enforceable legal right to offset the recognized amount of financial assets and financial liabilities 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 statements of financial position.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments with original maturities of three months or less.

(6) Inventories

Inventories are measured at lower of cost and net realizable value. For calculation of the cost, the average cost method is used. The cost of the inventories includes purchase costs, processing costs and all other costs incurred until the inventories reaches the present location and condition.

Further, net realizable value is calculated by deducting estimated cost required up to the completion of the process and estimated selling expenses from the estimated selling price in the ordinary course of business.

(7) Agricultural accounting

Biological assets are measured at fair value less selling expenses at the time of initial recognition and at the end of a period, if the fair value can be reliably measured. Amount of changes in fair value according to such accounting is recognized as profit or loss. On the other hand, if the fair value cannot be measured with reliability, it is measured using the amount of acquisition cost less accumulated depreciation and accumulated impairment losses.

Harvested agricultural produce are reclassified from biological assets to inventories at the amount of fair value less selling expenses at the point of harvest.

(8) Property, plant and equipment

For measurement of property, plant and equipment, cost model is adopted and the amount of acquisition cost less accumulated depreciation and accumulated impairment losses is recorded. Depreciation expense is calculated by allocating the depreciable amount over the estimated useful life under the straight-line method.

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

Buildings: 20 - 40 years

Machinery and equipment: 5 - 15 years

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

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

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

(9) Intangible assets and goodwill

1) Intangible assets

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

For measurement of intangible assets, cost model is adopted and the amount of acquisition cost less accumulated depreciation and accumulated impairment losses is recorded. For depreciation of intangible assets whose useful life can be determined, the straight-line method is used over each estimated useful life. Except for intangible assets which useful life cannot be determined, the estimated useful lives of main intangible assets are outlined 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, it is applied to the future as change in accounting estimates.

2) Goodwill

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

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

(10) Leases

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 property 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 finance 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 statements of income.

(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 as of the closing date of each reporting period whether there are any signs of impairment. If there are signs of impairment, recoverable amount of such asset is estimated. For goodwill and intangible assets whose useful life cannot be determined, recoverable amount of such asset is estimated at the same timing of the year or at each time there are signs of impairment.

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

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 is recognized.

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

If there are any signs of reversal of impairment losses, recoverable amount of such asset is estimated. Further, if such recoverable amount is more than the carrying amount, impairment losses is 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 is not recognized.

Impairment losses recognized in relation to goodwill is not reversed.

(12) Postretirement benefit

The Group adopted the (i) defined benefit plan comprised of defined benefit pension plan and retirement lump-sum severance plan and (ii) defined contribution pension plan, as postretirement benefit plans.

1) Defined benefit plan

The liabilities or assets of the defined benefit plan are recognized at an amount of the present value of the defined benefit obligations less the fair value of the plan assets (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 based on yield of gilt-edged corporate bonds as of the closing date corresponding to the discount period which is set based on the period before the future date when a benefit payment is expected.

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 profit or loss from settlement are recognized as profit or loss.

2) Defined contribution pension plan

Expenses related to postretirement benefit 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 adopted the stock option plan as equity-settled share-based payment plan. Stock options are estimated based on fair value as of the grant date, recognized in the consolidated statements of income as expense and the same amount is recognized as increase of equity in the consolidated statements 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

As of the IFRS transition date, the Group pre-applied IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). Pursuant to IFRS 15, revenue is recognized 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 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.

(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 grants income is measured at fair value and recognized. 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 in 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 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, net operating loss carryforwards and tax credit carryforwards, within a range that has a high probability of being used by future taxable income. And deferred tax liabilities are, in principle, recognized in respect of future taxable temporary differences.

The carrying amount of deferred tax assets are 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 revaluated 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
- Of the future taxable temporary differences regarding investment in subsidiaries and associates, temporary differences for which the reversal period of the temporary difference can be controlled and that have a high probability of not being reversed during the foreseeable period
- Of the future deductible temporary differences regarding investment in subsidiaries and associates, temporary differences that have a high probability of not being reversed during the foreseeable period

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.

Furthermore, income tax expense of the condensed consolidated statements of income is determined based on the estimated annual effective tax rate.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of parent by the weighted average number of common stocks outstanding during the period, adjusted for treasury stocks held.

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

(18) Equity

1) Common Stocks

Regarding the common stocks 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 stocks

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

4. Significant accounting estimates and determinations associated with estimates

The Group’s condensed 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 quarterly accounting period. These estimates and assumptions are based on the best determinations of management that have taken into consideration past performance and the various factors that can be thought to be reasonable as of the closing date of the consolidated quarterly accounting period. Based on its nature, there is the possibility that the actual results will differ from these estimates and assumptions.

The estimates and their assumptions are continuously reviewed by the 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 determinations and estimates conducted by management that have a significant effect on the amounts of the condensed consolidated financial statements are as follows:

- Range of consolidated subsidiaries and associates (3. Significant accounting policies (1) Basis of consolidation)
- Fair value of financial instruments (3. Significant accounting policies (4) Financial instruments)
- Fair value of biological assets (3. Significant accounting policies (7) Agricultural accounting)
- Impairment of non-financial assets (3. Significant accounting policies (11) Impairment of non-financial assets)
- Postretirement benefits (3. Significant accounting policies (12) Postretirement benefit)
- Recoverability of deferred tax assets (3. Significant accounting policies (16) Income tax)

5. Segment information:

Information regarding the reportable segments

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

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

Furthermore, the Group consists of 85 subsidiaries and 10 associates.

For the consolidated cumulative first quarter period of the year ended March 31, 2018 (April 1, 2017 through June 30, 2017):

(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	79,857	165,886	37,371	25,949	309,063	(6,017)	303,046
Intersegment sales	3,371	27,215	911	31,061	62,558	(62,558)	-
Total	83,228	193,101	38,282	57,010	371,621	(68,575)	303,046
Segment income (loss)	1,332	13,690	670	(167)	15,525	1,410	16,935

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

(millions of yen)

	Processed Foods Business Division	**Fresh Meats Business Division**	**Affiliated Business Division**	**Overseas Business Division**	**Total**	**Eliminations, adjustments and others**	**Consolidated**
Net sales							
Sales to external customers	80,860	160,723	35,579	33,192	310,354	(5,976)	304,378
Intersegment sales	3,472	28,505	965	30,966	63,908	(63,908)	-
Total	84,332	189,228	36,544	64,158	374,262	(69,884)	304,378
Segment income (loss)	1,333	9,757	18	(57)	11,051	2,749	13,800

(Note) 1. "Eliminations, adjustments and others" includes unallocated items and intersegment eliminations.
2. Except for a few unallocated items, corporate overhead expenses and profit or loss of certain subsidiaries are allocated to each reportable operating segment. These subsidiaries provide indirect services and operational support for the companies included in each reportable operating segment.
3. Segment income (loss) represents net sales less cost of goods sold and selling, general and administrative expenses.

6. First-time adoption

The Group prepared its consolidated financial statements in compliance with US GAAP until the year ended March 31, 2018, and has adopted IFRS from the year beginning April 1, 2018. The transition date to IFRS is April 1, 2017. The accounting policies adopted for the preparation of the consolidated financial statements complying with IFRS are provided in "3. Significant accounting policies."

In transitioning to IFRS, the Group made necessary adjustments to the values that were reported in compliance with US GAAP thus far. The methods of the first-time adoption of IFRS adopted by the Group and the adjustments for transitioning to IFRS have the following effects on the Group's financial position, business results and cash flow circumstances:

(1) Exemption of IFRS 1

IFRS 1 requires companies that are applying IFRS for the first time apply IFRS retrospectively, but it grants certain exemptions, and the Company has applied such exemptions for the following:

- IFRS 3 "Business Combination" is not applied to business combinations made prior to March 31, 2008.
- The Group measures certain property, plant and equipment and investment property with the fair value as of the transition date, and uses the fair value as the deemed cost at that date.
- The cumulative translation difference as of the IFRS transition date regarding investments to foreign operations is deemed to be zero.
- With respect to the designation of financial instruments recognized prior to the IFRS transition date, designations of financial instruments pursuant to IFRS 9 is made based on the facts and circumstances existing as of the transition date.

(2) Mandatory exemptions on retrospective application of IFRS 1

Under IFRS 1, retrospective application of IFRS is prohibited for "estimates," "derecognition of financial assets and financial liabilities," "non-controlling interests," and "classification and measurement of financial assets." The Group has applied IFRS for these items from the transition date and onwards.

(3) Adjustments from US GAAP to IFRS

The reconciliation, the disclosure of which is required for the first-time adoption of IFRS, is as follows.

The Group adjusted the amounts in the consolidated financial statements prepared in compliance with US GAAP upon preparing the consolidated statements of financial position as of the transition date.

The transition from US GAAP to IFRS has the following effects on the Company's consolidated financial position, business results and circumstances of cash flow.

Items that do not have an effect on retained earnings and comprehensive income are presented under "Reclassification" of the adjustments, and items that have an effect on retained earnings and comprehensive income are presented under "Difference of recognition and measurement" thereof.

(4) Adjustments to equity as of April 1, 2017 (transition date)

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current Assets						Current Assets
Cash and cash equivalents	82,639	―	(1,923)	80,716		Cash and cash equivalents
Time deposits	18,616	(18,616)	―	―		
	―	131,444	979	132,423		Trade and other receivables
Trade notes and accounts receivable	128,579	(128,579)	―	―		
Allowance for doubtful receivables	(373)	373	―	―		
Inventories	132,697	(29,459)	396	103,634		Inventories
	―	29,433	1,695	31,128	A	Biological assets
Deferred income taxes	6,650	(6,650)	―	―		
	―	20,184	(265)	19,919		Other financial assets
Other current assets	10,590	(6,119)	101	4,572		Other current assets
Total current assets	379,398	(7,989)	983	372,392		Total current assets
						Non-current assets
Property, Plant and Equipment − At Cost, Less Accumulated Depreciation	283,364	(4,002)	(34,779)	244,583	B	Property, plant and equipment
	―	1,743	―	1,743		Biological assets
Intangible Assets − Less Accumulated Amortization	4,715	―	(121)	4,594		Intangible assets and goodwill
Investment and Other Assets						
Investments in associated companies	5,100	―	―	5,100		Investments accounted for using equity method
	―	34,328	2,371	36,699	C	Other financial assets
Other investment securities	28,828	(28,828)	―	―		
Other assets	11,244	(11,244)	―	―		
Total investments and other assets	45,172					
Deferred Income Taxes − Non-current	7,627	7,744	11,176	26,547	D	Deferred tax assets
	―	8,202	1,941	10,143	B, E	Other non-current assets
				329,409		Total non-current assets
Total Assets	720,276	(46)	(18,429)	701,801		Total Assets

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Liabilities and Equity						Liabilities and equity
Current Liabilities						Current liabilities
Short-term bank loans	48,804	(48,804)	—	—		
Current maturities of long-term debt	12,822	(12,822)	—	—		
	—	61,626	124	61,750		Interest-bearing debt
Trade notes and accounts payable	101,857	—	351	102,208		Trade and other payables
Accrued income taxes	8,920	(1,382)	(364)	7,174	D	Accrued income taxes
Deferred income taxes	1,402	(1,402)	—	—		
Accrued expenses	22,357	(22,357)	—	—		
	—	11,296	(173)	11,123		Other financial liabilities
Other current liabilities	21,591	11,839	3,006	36,436	F	Other current liabilities
Total current liabilities	217,753	(2,006)	2,944	218,691		Total liabilities
						Non-current liabilities
Long-term Debt, Less Current Maturities	76,658	—	1	76,659		Interest-bearing debt
Liability under Retirement and Severance Programs	13,268	604	(800)	13,072	E	Defined benefit liabilities
	—	1,133	5,198	6,331	G	Other financial liabilities
Deferred Income Taxes - Non-current	2,561	1,402	(491)	3,472	D	Deferred tax liabilities
Other Long-term Liabilities	1,680	(1,179)	534	1,035		Other non-current liabilities
				100,569		Total non-current liabilities
Total liabilities	311,920	(46)	7,386	319,260		Total liabilities
NH Foods Ltd. Shareholders' Equity						Equity
Common stock	31,806	—	—	31,806		Common stock
Capital surplus	58,873	—	5,739	64,612	G	Capital surplus
Retained earnings	311,483	—	(39,495)	271,988	J	Retained earnings
Treasury stock, at cost	(41)	—	—	(41)		Treasury stock
Accumulated other comprehensive income	2,005	—	8,231	10,236	C, E, H	Accumulated other comprehensive income
Total NH Foods Ltd. shareholders' equity	404,126	—	(25,525)	378,601		Equity attributable to the owners of parent
Noncontrolling Interests	4,230	—	(290)	3,940		Non-controlling interests
Total Equity	408,356	—	(25,815)	382,541		Total equity
Total Liabilities and Equity	720,276	(46)	(18,429)	701,801		Total liabilities and equity

Notes regarding adjustments to equity as of April 1, 2017 (transition date)

(Notes regarding presentation reclassification)

The following items are changes in presentation of the consolidated statements of financial position and have no effect on retained earnings.

1) Under US GAAP, deferred tax assets/liabilities were classified and presented in current assets/liabilities and non-current assets/liabilities, but since presentation using current assets/liabilities is not allowed under IFRS, they have been reclassified to non-current assets/liabilities.
2) Under IFRS, items classified as biological assets under IAS 41 “Agriculture” (“IAS 41”) are separately stated.
3) Aggregated or separate statements are made according to the other IFRS items.

(Notes regarding difference of recognition and measurement)

A. Biological assets

Under IFRS, biological assets are measured at fair value less selling expenses if the fair value can be measured with reliability.

With respect to beef and pork, which are the Group’s biological assets, the fair value is valuated according to the valuation model based on the market approach, wherein the sales price of similar types of assets is inputs, and since unobservable inputs are included, it is classified as level 3 under IFRS 13 “Fair value measurement.” In addition, with respect to chicken, the fair value is valuated 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.

On the transition date, the carrying amount of biological assets included in inventories under US GAAP is ¥ 29,433 million, and the fair value is ¥ 31,128 million.

B. Deemed cost

The Group has applied an optional exemption to use the fair value as of the transition date as the deemed cost for certain property, plant and equipment and investment property. The fair value has been valuated based on the market approach wherein the valuation by outside experts are inputs, and since unobservable inputs are included, it is classified as level 3. On the transition date, the carrying amount of property, plant and equipment and investment property under US GAAP to which such provision is applied is ¥ 65,801 million, and the fair value is ¥ 31,520 million, and compared to US GAAP, property plant and equipment and other non-current assets have decreased by ¥ 34,060 million and ¥ 221 million, respectively.

C. Financial instruments

Under US GAAP, non-marketable equity securities were valuated at cost when their fair value was not easily available. In addition, gains or losses on sale and impairment losses were recorded in profit.

Under IFRS, if financial instruments are classified in equity instruments measured at fair value through other comprehensive income under IFRS 9, they are measured at fair value irrespective of their marketability, and their change is recognized as other comprehensive income.

As a result, compared to US GAAP on the transition date, accumulated other comprehensive income and other financial assets (non-current) have increased by ¥ 1,656 million and ¥ 2,399 million, respectively.

D. Income tax

Along with the IFRS adjustments, deferred tax assets (liabilities) have increased or decreased due to the origination (reversal) of temporary differences.

In addition, with respect to the treatment of tax effects regarding internal unrealized transactions, the tax expenses of the sellers were processed by the deferral method under US GAAP, but under IFRS, with respect to deductible temporary differences, their recoverability is considered based on the asset and liability method and deferred tax assets are recognized at the buyers' tax rate.

As a result, the deferred tax assets (net setoff with deferred tax liabilities) on the transition date have increased by ¥ 11,667 million.

E. Postretirement benefits

Under US GAAP, with respect to defined benefit retirement benefit plans, the fair value of plan assets and the difference of the estimated benefit obligations were recognized as assets or liabilities. The balance of actuarial difference and past service obligations less tax effects were each recognized in the consolidated statements of financial position as accumulated other comprehensive income. In addition, the amount recognized as accumulated other comprehensive income was, thereafter, recognized as a part of retirement benefits expenses in the consolidated statements of income.

Under IFRS, with respect to defined benefit retirement benefit plans, the net amount of the fair value of plan assets and present value of defined benefit obligations are recognized as assets or liabilities, and all actuarial differences arising from defined benefit retirement benefit plans are recognized as other comprehensive income ("Remeasurement of defined benefit plan") and are immediately reclassified in retained earnings. In addition, past service costs are immediately recognized as part of retirement benefits expenses.

Therefore, the entire amount of accumulated other comprehensive income under US GAAP on the transition date was reclassified to retained earnings. As a result, accumulated other comprehensive income increased by ¥ 3,655 million.

In addition, compared to US GAAP on the transition date, other non-current assets have increased by ¥ 1,898 million, and defined benefit liabilities have decreased by ¥ 821 million.

F. Levies

Under US GAAP, items corresponding to levies, such as property taxes, were recognized through the fiscal year in which payment was made, but they are recognized on the day the event giving rise to payables occurs under IFRS.

As a result, on the transition date, compared to US GAAP, other current liabilities have increased by ¥ 1,922 million.

G. Convertible bond with stock acquisition right

Under US GAAP, the Group recorded the warranty portion of the convertible bond with stock acquisition rights in the equity portion without separating from a convertible bond. Compared to that, under IFRS, the warranty portion is cut off from the main contract and processed pursuant to the provision of IAS 32 “Financial Instruments: Presentation” (“IAS 32”). Therefore, stock acquisition rights and acquisition provisions of the convertible bonds issued by the Company are recorded as derivative obligations in liability only under IFRS, and their fair value are valuated. In addition, as of their exercise, such derivative obligations are reclassified as equity items.

As a result, on the transition date, compared to US GAAP, other financial liabilities (non-current) and capital surplus have increased by ¥ 5,198 million and ¥ 5,739 million, respectively.

H. Translation differences on foreign operations

The Group has selected to deem the cumulative amount of translation differences on foreign operations as of the transition date to be zero. This exemption is in compliance with IFRS 1, and is applied to all of the foreign operations.

Therefore, the entire amount of accumulated other comprehensive income on the transition date under US GAAP were reclassified to retained earnings. As a result, accumulated other comprehensive income has increased by ¥ 2,989 million, but it is a reclassification within equity and there is no effect on net assets.

I. Unification of reporting period

Under US GAAP, even if the closing dates of some of the consolidated subsidiaries or associates were different from the Company’s closing date, consolidated financial statements were prepared based on the financial statements as of the closing dates of such consolidated subsidiaries or associates.

Under IFRS, some of the consolidated subsidiaries with different closing dates prepare consolidated financial statements based on the financial statements that are based on provisional settlements as of the consolidated closing date.

In addition, some of the associates make some adjustments for important transactions or events that occur during the period derived from the difference of the closing dates in preparing consolidated financial statements.

J. Retained earnings

The effects on retained earnings associated with the transition from US GAAP to IFRS are as follows.

Adjustments to retained earnings as of April 1, 2017 (transition date)

	Notes	(millions of yen)
Biological assets	A	1,054
Deemed cost	B	(23,654)
Postretirement benefit expense	E	(1,779)
Levies	F	(1,327)
Convertible bonds with share acquisition rights	G	(9,356)
Translation differences on foreign operations	H	(2,989)
Unification of reporting period	I	(1,834)
Other		390
Total modification to retained earnings		(39,495)

*Tax differences are taken into account for A through I and Other above.

(5) Adjustments to equity as of June 30, 2017 (consolidated first quarter accounting period ended June 30, 2017)

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	69,098	—	(213)	68,885		Cash and cash equivalents
Term deposits	13,122	(13,122)	—	—		
	—	136,128	114	136,242		Trade and other receivables
Trade notes and accounts receivable	133,313	(133,313)	—	—		
Allowance for doubtful receivables	(342)	342	—	—		
Inventories	149,608	(27,860)	1,272	123,020		Inventories
	—	27,793	2,538	30,331	A	Biological assets
	—	14,961	432	15,393		Other financial assets
Other current assets	12,838	(6,398)	(1,223)	5,217		Other current assets
Total current assets	377,637	(1,469)	2,920	379,088		Total current assets
						Non-current assets
Property, Plant and Equipment - At Cost, Less Accumulated Depreciation	290,854	(4,253)	(33,935)	252,666	B	Property, plant and equipment
	—	1,824	—	1,824		Biological assets
Intangible Assets - Less Accumulated Amortization	9,975	—	298	10,273		Intangible assets and goodwill
Investment and Other Assets						
Investments in associated companies	4,789	—	—	4,789		Investments accounted for using equity method
	—	36,183	1,964	38,147	C	Other financial assets
Other investment securities	30,565	(30,565)	—	—		
Other assets	11,753	(11,753)	—	—		
Total investments and other assets.	47,107					
Deferred Income Taxes - Non-current	15,506	1,290	10,381	27,177	D	Deferred tax assets
	—	8,808	1,145	9,953	B, E	Other non-current assets
				344,829		Total non-current assets
Total Assets	741,079	65	(17,227)	723,917		Total Assets

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Liabilities and Equity						Liabilities and equity
Current Liabilities						Current liabilities
Short-term bank loans	56,170	(56,170)	—	—		
Current maturities of long-term debt	12,874	(12,874)	—	—		
	—	69,044	(438)	68,606		Interest-bearing debt
Trade notes and accounts payable	112,831	110	649	113,590		Trade and other payables
Accrued income taxes	3,350	(555)	139	2,934	D	Accrued income taxes
Accrued expenses	28,665	(28,665)	—	—		
	—	10,343	911	11,254	F	Other financial liabilities
Other current liabilities	23,446	18,254	(1,645)	40,055	F	Other current liabilities
Total current liabilities	237,336	(513)	(384)	236,439		Total current liabilities
						Non-current liabilities
Long-term Debt, Less Current Maturities	75,806	—	2	75,808		Interest-bearing debt
Liability under Retirement and Severance Programs	13,550	620	(912)	13,258	E	Defined benefit liabilities
	—	1,221	7,492	8,713	G	Other financial liabilities
Deferred Income Taxes - Non-current	3,681	2	165	3,848	D	Deferred tax liabilities
Other Long-term Liabilities	1,804	(1,265)	501	1,040		Other non-current liabilities
				102,667		Total non-current liabilities
Total Liabilities	332,177	65	6,864	339,106		Total liabilities
NH Foods Ltd. Shareholders' Equity						Equity
Common stock	32,126	—	—	32,126		Common stock
Capital surplus	59,077	—	6,098	65,175	G	Capital surplus
Retained earnings	309,886	—	(38,544)	271,342	J	Retained earnings
Treasury stock, at cost	(10)	—	—	(10)		Treasury stock
Accumulated other comprehensive income	3,041	—	8,229	11,270	C, E, H	Accumulated other comprehensive income
Total NH Foods Ltd. shareholders' equity	404,120	—	(24,217)	379,903		Equity attributable to the owners of parent
Noncontrolling Interests	4,782	—	126	4,908		Non-controlling interests
Total Equity	408,902	—	(24,091)	384,811		Total equity
Total Liabilities and Equity	741,079	65	(17,227)	723,917		Total liabilities and equity

(6) Adjustments to profit and comprehensive income for April 1, 2017 through June 30, 2017 (consolidated cumulative first quarter period ended June 30, 2017)

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net Sales	303,297	(4,407)	4,156	303,046		Net sales
Cost of Goods Sold	243,898	2,964	(110)	246,752	A, E, F	Cost of goods sold
Selling, General and Administrative Expenses	45,483	(6,136)	12	39,359	E, F	Selling, general and administrative expenses
	—	1,534	104	1,638		Other income
	—	609	4	613		Other expenses
Other Operating Costs and Expenses (Income) - Net	215	(215)	—	—		
	—	20	487	507	C	Finance income
	—	385	2,615	3,000	C, G	Finance costs
Interest Expense	304	(304)	—	—		
Other Income (Expenses) - Net	(156)	156	—	—		
	—	140	—	140		Share of profit (loss) in investments accounted for using equity method
Income before Income Taxes	13,241	140	2,226	15,607		Profit before tax
Income Taxes	3,990	—	1,050	5,040	D	Income tax expense
Income before Income Taxes and Equity in Earnings of Associated Companies	9,251					
Equity in Earnings of Associated Companies - Net of Applicable Income Taxes	140	(140)	—	—		
Net Income	9,391	—	1,176	10,567		Profit
Net Income Attributable to Noncontrolling Interests	(23)	23	—	—		
						Profit attributable to:
Net Income Attributable to NH Foods Ltd.	9,368	—	951	10,319		Owners of parent
	—	(23)	271	248		Non-controlling interests

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net income	9,391	—	1,176	10,567		Profit
Other comprehensive income - net of applicable income taxes						Other comprehensive income
						Items that will not be reclassified to profit or loss
Pension liability adjustments	54	—	(54)	—	E	Remeasurement of defined benefit plans
Net unrealized gains on securities available-for-sale	1,186	—	(292)	894	C	Financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(356)	—	592	236		Translation difference on foreign operations

	―	―	(34)	(34)		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	884	―	212	1,096		Total other comprehensive income
Comprehensive income	10,275	―	1,388	11,663		Comprehensive income
Comprehensive loss attributable to noncontrolling interests	129	―	(129)	―		
						Comprehensive income attributable to:
Comprehensive income attributable to NH Foods Ltd.	10,404	―	949	11,353		Owners of parent
	―	―	310	310		Non-controlling interests

Notes regarding adjustments to equity as of June 30, 2017 (consolidated first quarter accounting period ended June 30, 2017) and quarterly profit and quarterly comprehensive income for April 1, 2017 through June 30, 2017 (consolidated cumulative first quarter period ended June 30, 2017)

(Notes regarding presentation reclassification)

The following items are changes in presentation of the consolidated statements of financial position and consolidated statements of income, and there are no effects on retained earnings and comprehensive income.

1) Under IFRS, items classified as biological assets under IAS 41 are separately presented.
2) Finance income and finance costs are separated based on the presentation provisions of IFRS.
3) Distribution center fees are recorded in selling, general and administrative expenses, but due to revision of presentation, they are changed to be deducted from the net sales. As a result, in the consolidated cumulative first quarter period ended June 30, 2017, net sales and selling, general and administrative expenses decreased by ¥ 5,442 million.
4) Income and expenses of Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. were recorded in selling, general and administrative expenses, but due to revision of presentation they are changed to be recorded in each corresponding profit or loss item. As a result, in the consolidated cumulative first quarter period ended June 30, 2017, net sales and cost of goods sold have increased by ¥ 1,123 million and ¥1,801 million, respectively. In addition, selling, general and administrative expenses have decreased by ¥ 678 million.
5) Aggregated or separate statements are made according to the other IFRS items.

(Notes regarding difference of recognition and measurement)

A. Biological assets

Under IFRS, biological assets are measured at fair value less selling expenses if the fair value can be measured with reliability.

With respect to beef and pork, which are the Group's biological assets, the fair value is valuated according to the valuation model based on the market approach, wherein the sales price of similar types of assets is inputs, and since unobservable inputs are included, it is classified as level 3. In addition, with respect to chicken, the fair value is valuated according to the valuation model based on the cost approach, wherein the acquisition costs are inputs, and since unobservable inputs are included, it has been classified as level 3.

In the consolidated first quarter accounting period ended June 30, 2017, the carrying amount of the biological assets included in inventories under US GAAP to which such provision was applied was ¥ 27,793 million, and the fair value was ¥ 30,331 million. In addition, as a result, compared to US GAAP in the consolidated cumulative first quarter period ended June 30, 2017, cost of goods sold have decreased by ¥ 1,019 million.

B. Deemed cost

The Group has applied an optional exemption to use the fair value as of the transition date as the deemed cost for certain property, plant and equipment and investment property. The fair value is valuated based on the market approach wherein the valuation by outside experts is inputs, and since unobservable inputs are included, it is classified as level 3.

C. Financial instruments

Under US GAAP, non-marketable equity securities were valuated at cost when their fair value was not easily available. In addition, gains or losses on sale and impairment losses were recorded in profit.

Under IFRS, if financial instruments are classified in equity instruments measured at fair value through other comprehensive income under IFRS 9, they are measured at fair value irrespective of their marketability, and their change is recognized as other comprehensive income.

As a result, compared to US GAAP in the consolidated first quarter accounting period ended June 30, 2017, accumulated other comprehensive income and other financial assets (non-current) have increased by ¥ 1,364 million and ¥ 1,976 million, respectively.

D. Income tax

Along with the IFRS adjustments, deferred tax assets (liabilities) have increased or decreased due to the origination (reversal) of temporary differences.

Under US GAAP, income tax in quarterly period was calculated by the same method as used for the annual settlement but under IFRS, the amount of income tax is adjusted due to it being determined based on the estimated annual effective tax rate for the entire business year.

In addition, with respect to the treatment of tax effects regarding internal unrealized transactions, the tax expenses of the sellers were processed by the deferral method under US GAAP, but under IFRS, with respect to deductible temporary differences, their recoverability is considered based on the asset and liability method and deferred tax assets are recognized at the buyers' tax rate.

As a result, under US GAAP, in the consolidated first quarter accounting period ended June 30, 2017 and the consolidated cumulative first quarter period ended June 30, 2017, the deferred tax assets (net offset with deferred tax liabilities) and the tax expenses have increased by ¥ 10,216 million and ¥ 1,050 million, respectively.

E. Postretirement benefits

Under US GAAP, with respect to defined benefit retirement benefit plans, the fair value of plan assets and the difference of the estimated benefit obligations were recognized as assets or liabilities. The balance of actuarial difference and past service obligations less tax effects were each recognized in the consolidated statements of financial position as accumulated other comprehensive income. In addition, the amount recognized as accumulated other comprehensive income was, thereafter, recognized as a part of retirement benefits expenses in the consolidated statements of income.

Under IFRS, with respect to defined benefit retirement benefit plans, the net amount of the fair value of plan assets and present value of defined benefit obligations is recognized as assets or liabilities, and all actuarial differences arising from defined benefit retirement benefit plans are recognized as other comprehensive income ("Remeasurement of defined benefit plan") and are immediately reclassified in retained earnings. In addition, past service expenses are immediately recognized as part of retirement benefits expenses.

Therefore, the entire amount of accumulated other comprehensive income under US GAAP in the consolidated first quarter accounting period ended June 30, 2017 has been reclassified to retained earnings. As a result, accumulated other comprehensive income has increased by ¥ 3,602 million.

In addition, compared to US GAAP in the consolidated first quarter accounting period ended June 30, 2017, other non-current assets have increased by ¥ 1,656 million, and defined benefit liabilities have decreased by ¥ 930 million.

F. Levies

Under US GAAP, items corresponding to levies, such as property taxes, were recognized through the fiscal year in which payment was made, but they are recognized on the day the event giving rise to payables occurs under IFRS.

As a result, in the consolidated first quarter accounting period ended June 30, 2017 and the consolidated cumulative first quarter period ended June 30, 2017, compared to US GAAP, other current assets and other current liabilities have decreased by ¥ 627 million and ¥ 555 million, respectively, and other financial liabilities have increased by ¥ 865 million. In addition, cost of goods sold and selling, general and administrative expenses have decreased by ¥ 296 million and ¥ 694 million, respectively.

G. Convertible bond with stock acquisition right

Under US GAAP, the Group recorded the warranty portion of the convertible bond with stock acquisition rights in the equity portion without separating from a convertible bond. Compared to that, under IFRS, the warranty portion is cut off from the main contract and processed pursuant to the provision of IAS 32. Therefore, stock acquisition rights and acquisition provisions of the convertible bonds issued by the Company are recorded as derivative obligations in liability only under IFRS, and their fair value are valuated. In addition, as of their exercise, such derivative obligations are reclassified as equity items.

As a result, in the consolidated first quarter accounting period ended June 30, 2017 and the consolidated cumulative first quarter period ended June 30, 2017, compared to US GAAP, other financial liabilities (non-current) and capital surplus have increased by ¥ 7,493 million and ¥ 6,098 million, respectively. In addition, finance costs have increased by ¥ 2,654 million.

H. Translation differences on foreign operations

The Group has selected to deem the cumulative amount of translation differences on foreign operations as of the transition date to be zero. This exemption is in compliance with IFRS 1, and is applied to all of the foreign operations.

Therefore, compared to US GAAP in the consolidated first quarter accounting period ended June 30, 2017, accumulated other comprehensive income has increased by ¥ 3,015 million.

I. Unification of reporting period

Under US GAAP, even if the closing dates of some of the consolidated subsidiaries or associates were different from the Company's closing date, consolidated financial statements were prepared based on the financial statements as of the closing dates of such consolidated subsidiaries or associates.

Under IFRS, some of the consolidated subsidiaries with different closing dates prepare consolidated financial statements based on the financial statements that are based on provisional settlements as of the consolidated closing date.

In addition, some of the associates make some adjustments for important transactions or events that occur during the period derived from the difference of the closing dates in preparing consolidated financial statements.

J. Retained earnings

The effects on retained earnings associated with the transition from US GAAP to IFRS are as follows.

Adjustments to retained earnings as of June 30, 2017 (consolidated first quarter accounting period ended)

	Notes	(millions of yen)

Biological assets	A	1,714
Deemed cost	B	(23,654)
Postretirement benefit expense	E	(1,816)
Levies	F	(644)
Convertible bonds with share acquisition rights	G	(11,290)
Translation differences on foreign operations	H	(3,015)
Unification of reporting period	I	5
Other		156
Total modification to retained earnings		(38,544)

* Tax effects are taken into account for A through I and Other above.

(7) Adjustments to equity as of March 31, 2018 (end of previous consolidated fiscal year)

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current Assets						Current assets
Cash and cash equivalents	60,335	—	(2,045)	58,290		Cash and cash equivalents
Time deposits	14,518	(14,518)	—	—		
	—	154,537	244	154,781		Trade and other receivables
Trade notes and accounts receivable	151,420	(151,420)	—	—		
Allowance for doubtful receivables	(386)	386	—	—		
Inventories	127,905	(23,673)	1,190	105,422		Inventories
	—	23,828	1,002	24,830	A	Biological assets
	—	14,656	(98)	14,558		Other financial assets
Other current assets	9,901	(4,690)	(318)	4,893		Other current assets
Total current assets	363,693	(894)	(25)	362,774		Total current assets
						Non-current asset
Property, Plant and Equipment - At cost, Less Accumulated Depreciation	307,558	(3,869)	(34,546)	269,143	B	Property, plant and equipment
	—	2,054	3	2,057		Biological assets
Intangible Assets - Less Accumulated Amortization	10,457	—	(128)	10,329		Intangible assets and goodwill
Investments and Other Assets						
Investments in associated companies	14,427	—	(1)	14,426		Investments accounted for using equity method
	—	38,593	2,045	40,638	C	Other financial assets
Other investment securities	32,535	(32,535)	—	—		
Other assets	12,897	(12,897)	—	—		
Total investment and other assets	59,859					
Deferred Income Taxes - Non-current	13,509	1,222	10,041	24,772	D	Deferred tax assets
	—	8,573	1,816	10,389	B, E	Other non-current assets
				371,754		Total non-current assets
Total Assets	755,076	247	(20,795)	734,528		Total assets

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Liabilities and Equity						Liabilities and equity
Current Liabilities						Current assets
Short-term bank loans	40,446	(40,446)	—	—		
Current maturities of long-term debt	8,051	(8,051)	—	—		
	—	48,497	482	48,979		Interest-bearing debt
Trade notes and accounts payable	113,654	—	330	113,984		Trade and other payables
Deferred income taxes	8,699	(1,295)	(847)	6,557	D	Accrued income tax
Accrued expenses	23,315	(23,315)	—	—		
		23,507	53	23,560		Other financial liabilities
Other current liabilities	35,149	832	2,923	38,904	F	Other current liabilities
Total current liabilities	229,314	(271)	2,941	231,984		Total current liabilities
						Non-current liabilities
Long-term Debt, Less Current Maturities	62,451	—	(29)	62,422		Interest-bearing debt
Liability under Retirement and Severance Programs	13,655	556	(698)	13,513	E	Defined benefit liabilities
	—	1,186	1	1,187	G	Other financial liabilities
Deferred Income Taxes - Non-current	1,613	1	(308)	1,306	D	Deferred tax liabilities
Other Long-term Liabilities	1,904	(1,225)	549	1,228		Other non-current liabilities
				79,656		Total non-current liabilities
Total Liabilities	308,937	247	2,456	311,640		Total liabilities
NH Foods Ltd. Shareholders' Equity						Equity
Common stock	36,291	—	—	36,291		Common stock
Capital surplus	63,190	—	9,628	72,818	G	Capital surplus
Retained earnings	337,665	—	(37,589)	300,076	J	Retained earnings
Treasury stock, at cost	(16)	—	—	(16)		Treasury stock
Accumulated other comprehensive income	3,663	—	5,150	8,813	C, E, H	Accumulated other comprehensive income
Total NH Foods Ltd. shareholders' equity	440,793	—	(22,811)	417,982		Equity attributable to the owners of parent
Noncontrolling Interests	5,346	—	(440)	4,906		Non-controlling interests
Total Equity	446,139	—	(23,251)	422,888		Total equity
Total Liabilities and Equity	755,076	247	(20,795)	734,528		Total liabilities and equity

(8) Adjustments to profit and comprehensive income for April 1, 2017 through March 31, 2018 (year ended March 31, 2018)

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net Sales	1,269,201	(11,623)	885	1,258,463		Net Sales
Cost of Goods Sold	1,033,355	13,534	589	1,047,478	A, E, F	Cost of goods sold
Selling, General and Administrative Expenses	186,628	(22,432)	959	165,155	E, F	Selling, general and administrative expenses
Other Operating Costs and Expenses (Income) - Net	(66)	66	—	—		
Gain From The Transfer Through The Posting System	2,273	—	—	2,273		Gain from the transfer through the posting system
	—	6,513	(7)	6,506		Other income
	—	6,041	(2,233)	3,808		Other expenses
	—	2,302	(82)	2,220	C	Finance income
	—	1,324	(32)	1,292	C, G	Finance costs
Interest Expense	1,172	(1,172)	—	—		
Other Income (Expenses) - Net	70	(70)	—	—		
	—	1,069	—	1,069		Share of profit (loss) in investments accounted for using equity
Current Profit Before Tax Adjustment	50,455	830	1,513	52,798		Profit before tax
Income Taxes	14,105	(239)	1,208	15,074	D	Income tax expense
Income Before Income Taxes and Equity in Earnings Of Associated Companies	36,350					
Equity in Earnings Of Associated Companies - Net of Applicable Income Taxes	1,069	(1,069)	—	—		
Net Income	37,419	—	305	37,724		Profit
Net Income Attributable to Noncontrolling Interests	(272)	272	—	—		Profit attributable to:
Net Income Attributable to NH Foods Ltd.	37,147	—	405	37,552		Owners of parent
	—	(272)	444	172		Non-controlling interests

(million yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net income	37,419	—	305	37,724		Net income
Other comprehensive income - net of applicable income taxes						Other comprehensive income
						Items that will not be reclassified to profit or loss
Pension liability adjustments	875	—	(130)	745	E	Remeasurement of defined benefit plans
Net unrealized gains on securities available-for-sale	1,251	—	581	1,832	C	Financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss

Foreign currency translation adjustments	(600)	—	(2,130)	(2,730)		Translation difference on foreign operations
		—	70	70		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	1,526	—	(1,609)	(83)		Total other comprehensive income
Comprehensive income	38,945	—	(1,304)	37,641		Comprehensive income
Net comprehensive income attributable to noncontrolling interests	(140)	—	140	—		
						Comprehensive income attributable to:
Net comprehensive income attributable to NH Foods Ltd.	38,805	—	(1,175)	37,630		Owners of parent
	—	—	11	11		Non-controlling interests

Notes regarding adjustments to equity as of March 31, 2018 (end of the previous consolidated fiscal year) and profit and comprehensive income for April 1, 2017 through March 31, 2018 (previous consolidated fiscal year)

(Notes regarding presentation reclassification)

The following items are changes in presentation of the consolidated statements of financial position and consolidated statements of income, and there are no effects on retained earnings and comprehensive income.

1) Under IFRS, items classified as biological assets based on IAS 41 are separately stated.
2) Finance income and finance costs are separated based on the presentation provisions of IFRS.
3) Distribution center fees are recorded in selling, general and administrative expenses, but due to revision of presentation they are changed to be deducted from the net sales. As a result, in the previous consolidated accounting period, net sales and selling, general and administrative expenses have decreased by ¥ 23,951 million.
4) Income and expenses of Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. are recorded in selling, general and administrative expenses, but due to revision of presentation they are changed to be recorded in each corresponding profit or loss item. As a result, in the previous consolidated accounting period, net sales and sales expenses have increased by ¥ 12,252 million and ¥11,084 million, respectively. Also, selling, general and administrative expenses and other expenses have increased by ¥ 1,163 million and ¥ 5 million, respectively.
5) Aggregated or separate statements are made according to the other IFRS items.

(Notes regarding difference of recognition and measurement)

A. Biological assets

Under IFRS, biological assets are measured at fair value less selling expenses if the fair value s can be measured with reliability.

With respect to beef and pork, which are the Group's biological assets, the fair value is valuated according to the valuation model based on the market approach, wherein the sales price of similar types of assets is inputs, and since unobservable inputs are included, it is classified as level 3. In addition, with respect to chicken, the fair value is valuated 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.

At the end of the previous consolidated fiscal year, the carrying amount of the biological assets included in inventories under US GAAP to which such provision was applied was ¥ 23,828 million, and the fair value was ¥ 24,830 million. In addition, as a result, compared to US GAAP in the previous consolidated fiscal year, cost of goods sold have increased by ¥ 461 million.

B. Deemed cost

The Group has applied an optional exemption to use the fair value as of the transition date as the deemed cost for certain property, plant and equipment and investment property. The fair value is valuated based on the market approach wherein the valuation by outside experts are inputs, and since unobservable inputs are included, it is classified as level 3.

C. Financial instruments

Under US GAAP, non-marketable equity securities were valuated when their fair value was not easily available. In addition, gains or losses on sale and impairment losses were recorded in profit.

Under IFRS, if financial instruments are classified in equity instruments measured at fair value through other comprehensive income under IFRS 9, they are measured at fair value irrespective of their marketability, and their change is recognized as other comprehensive income.

As a result, compared to US GAAP at the end of the previous consolidated fiscal year, accumulated other comprehensive income and other financial assets (non-current) have increased by ¥ 1,400 million and ¥ 2,029 million, respectively. In addition, the finance income in the previous consolidated fiscal year has decreased by ¥ 1,242 million.

D. Income tax

Along with the IFRS adjustments, deferred tax assets (liabilities) have increased or decreased due to the origination (reversal) of temporary differences.

In addition, with respect to the treatment of tax effects regarding internal unrealized transactions, the tax expenses of the sellers were processed by the deferral method under US GAAP, but under IFRS, with respect to deductible temporary differences, their recoverability are considered based on the asset and liability method and deferred tax assets are recognized at the buyers' tax rate.

As a result, under US GAAP, at the end of the previous consolidated fiscal year and in the previous consolidated fiscal year, the deferred tax assets (net offset with deferred tax liabilities) and the tax expenses have increased by ¥ 10,349 million and ¥ 1,208 million, respectively.

E. Postretirement benefits

Under US GAAP, with respect to defined benefit retirement benefit plans, the fair value of plan assets and the difference of the estimated benefit obligations were recognized as assets or liabilities. The balance of actuarial difference and past service obligations less tax effects were each recognized in the consolidated statements of financial position as accumulated other comprehensive income. In addition, the amount recognized as accumulated other comprehensive income was, thereafter, recognized as a part of retirement benefits expenses in the consolidated statements of income.

Under IFRS, with respect to defined benefit retirement benefit plans, the net amount of the fair value of plan assets and present value of defined benefit obligations is recognized as assets or liabilities, and all actuarial differences arising from defined benefit retirement benefit plans are recognized as other comprehensive income ("Remeasurement of defined benefit plan") and are immediately reclassified in retained earnings. In addition, past service costs are immediately recognized as part of retirement benefits expenses.

Therefore, the entire amount of accumulated other comprehensive income under US GAAP at the end of the previous consolidated fiscal year has been reclassified to retained earnings. As a result, accumulated other comprehensive income has increased by ¥ 2,780 million.

In addition, compared to US GAAP at the end of the previous consolidated fiscal year, other non-current assets and defined benefit liabilities have decreased by ¥ 1,727 million and ¥ 667 million, respectively.

F. Levies

Under US GAAP, items corresponding to levies, such as property taxes, were recognized through the fiscal year in which payment was made, but they are recognized on the day the event giving rise to payables occurs under IFRS.

As a result, at the end of the previous consolidated fiscal year and in the previous consolidated fiscal year, compared to US GAAP, other current liabilities, cost of goods sold and selling, general and administrative expenses have increased by ¥ 2,109, ¥ 53 million, and ¥ 134 million, respectively.

G. Convertible bond with stock acquisition right

Under US GAAP, the Group recorded the warranty portion of the convertible bond with stock acquisition rights in the equity portion without separating from a convertible bond. Compared to that, under IFRS, the warranty portion has been cut off from the main contract and processed, pursuant to the provision of IAS 32. Therefore, stock acquisition rights and acquisition provisions of the convertible bonds issued by the Company are recorded as derivative obligations in liability only under IFRS, and their fair value is valuated. In addition, as of their exercise, such derivative obligations are reclassified as equity items.

As a result, at the end of the previous consolidated fiscal year and in the previous consolidated fiscal year, compared to US GAAP, other financial liabilities (current) and capital surplus have increased by ¥ 210 million and ¥ 9,628 million, respectively. In addition, finance income has increased by ¥ 1,074 million.

H. Translation differences on foreign operations

The Group has selected to deem the cumulative amount of translation differences on foreign operations as of the transition date to be zero. This exemption is in compliance with IFRS 1, and is applied to all of the foreign operations.

Therefore, compared to US GAAP at the end of the previous consolidated fiscal year, accumulated other comprehensive income has increased by ¥ 1,016 million.

I. Unification of reporting period

Under US GAAP, even if the closing dates of some of the consolidated subsidiaries or associates were different from the Company's closing date, consolidated financial statements were prepared based on the financial statements as of the closing dates of such consolidated subsidiaries or associates.

Under IFRS, some of the consolidated subsidiaries with different closing dates prepare consolidated financial statements based on the financial statements that are based on provisional settlements as of the consolidated closing date.

In addition, some of the associates makes some adjustments for important transactions or events that occur during the period derived from the difference of the closing dates in preparing consolidated financial statements.

J. Retained earnings

The effects on retained earnings associated with the transition from US GAAP to IFRS are as follows.

Adjustments to retained earnings as of March 31, 2018 (end of consolidated accounting period ended)

	Notes	(millions of yen)
Biological assets	A	698
Deemed cost	B	(23,404)
Postretirement benefit expense	E	(1,128)
Levies	F	(1,455)
Convertible bonds with share acquisition rights	G	(9,813)
Translation differences on foreign operations	H	(1,016)
Unification of reporting period	I	(2,128)
Other		657
Total modification to retained earnings		(37,589)

* Tax effects are taken into account for A through I and Other above..

(9) Note on cash flow for the consolidated cumulative first quarter period ended (April 1, 2017 through June 30, 2017) and the previous consolidated fiscal year (April 1, 2017 - March 31, 2018)

There are no major differences between the consolidated statements of cash flow in the consolidated cumulative first quarter period ended June 30, 2017 and previous consolidated fiscal year disclosed based on IFRS and the consolidated statements of cash flow disclosed based on US GAAP.