

BRIEF STATEMENT OF ACCOUNTS
FOR THE SECOND 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/
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Scheduled date of filing of quarterly report:	November 8, 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 second quarter of the year ending March 31, 2019 (April 1, 2018 through September 30, 2018):

(1) Consolidated operating results (accumulated):

(The percentages indicate the rates of increase (decrease) from the second 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)	%
Second quarter of the year ending March 31, 2019	618,000	(1.4)	21,422	(28.1)	23,173	(24.6)	16,122	(23.2)	16,371	(20.6)	16,453	(30.3)
Second quarter of the year ended March 31, 2018	627,060	—	29,814	—	30,716	—	20,984	—	20,617	—	23,611	—

(yen)

	Earnings per share (basic)	Earnings per share (diluted)
Second quarter of the year ending March 31, 2019	152.30	150.58
Second quarter of the year ended March 31, 2018	194.42	194.31

(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.

(Note) 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)	(%)
Second quarter of the year ending March 31, 2019	748,863	428,338	423,753	56.6
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.)

	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)
Whole-year period	1,260,000	0.1	36,000	(21.4)	33,000	(37.5)	23,000	(38.8)	213.97

(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 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:
 Second 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:

Second quarter of the year ending March 31, 2019: 4,952 shares
Year ended March 31, 2018: 3,722 shares

- 3) Average number of shares outstanding during the period:
Second quarter of the year ending March 31, 2019: 107,493,080 shares
Second quarter of the year ended March 31, 2018: 106,048,412 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 2. First-time adoption” on page 23.

(Cautionary notice on information about the future)

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

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

- November 6, 2018 (Tuesday): Results briefing for institutional investors and analysts

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

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

(1) Explanation on the Operating Results:

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 second quarter of the fiscal year under review slowly recovered as employment and income environment continued to improve. 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, the trend of trade issues, and natural disaster occurring one after another remain unpredictable.

In the food and fresh meats industry, the business conditions remain severe with the prices of certain raw materials having soared, increases of costs for distribution and labors due to labor shortage, 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 improve profitability of the beef business in Australia as well as pursued efforts in stable sourcing of chicken within Thailand by collaborating with Panus Poultry Group Co., Ltd., a production and processing company for chicken in Thailand, in which the Group invested during the previous term. 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 second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales amounted to ¥618,000 million, decreasing 1.4% from the corresponding period of the previous fiscal year. With regard to profits, due to write-down of inventories and impairment losses of fixed assets at the distribution bases in the Kansai region and the chicken production bases in the Hokkaido Iburi region affected by typhoon No. 21 and Hokkaido Eastern Iburi Earthquake, operating income decreased 28.1% from the corresponding period of the previous fiscal year to ¥21,422 million, and the profit

before income taxes decreased 24.6% from the corresponding period of the previous fiscal year to ¥23,173 million. Profit attributable to owners of parent decreased 20.6% from the corresponding period of the previous fiscal year to ¥16,371 million.

Overview of Operating Segments

(Processed Foods Business Division)

With regards to the hams and sausages business, for the consumer products, “*SCHAU ESSEN*” showed steady performance as a result of active in-store promotional efforts and introduction of TV commercials. In addition, “*Hojyun Arabiki Wiener*”, of which sales promotions by area were conducted and “*Entier*”, whose package design was changed for easier use, sales grew steadily. However, with the sluggish growth of private brand products, sales remained unchanged from the previous fiscal year. For the summer gift blitz, promotion was strengthened mainly for “*Utsukushi-no-Kuni*” which was awarded “Premium Gift Award” of the “Japan Gift Award”, but due to the impact of the increase of the shipping price and the like, sales decreased. Regarding commercial-use products, sales volume decreased as a result of reducing low profit products and with other causes,. As a result, the overall sales of the hams and sausages business lead to a decrease from the corresponding period of the previous fiscal year.

With regards to the processed foods business, the sales of consumer products led to a significant increase from the corresponding period of the previous fiscal year thanks to the strong growth of “*Chuka Meisai*”, for which TV commercials were introduced, and “*Ishigama Kobo*” with expanded product line-up such as “*SCHAU ESSEN Pizza*”. Regarding the sales of the commercial-use 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 increased.

With regard to profits, although gross profits increased due to upturn of product mix in the manufacturing division, manufacturing expenses including distribution costs, electricity and fuel increased, which resulted in the decrease of profits.

As a result, for the second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Processed Foods Business Division amounted to ¥174,463 million, increasing 1.1% from the corresponding period of the previous fiscal year, and operating income decreased 4.6% compared to the corresponding period of the previous fiscal year to ¥2,753 million.

(Fresh Meats Business Division)

In the fresh meats business, the Company aired TV commercials of “*Sakurahime*” and “*Mugikomachi*” also in this term in the Hokkaido and Aomori region, and conducted active promotional activities such as proposal and promotion of branded fresh meat on the radio and in-store. However, the overall sales of the fresh meats business decreased, because the market price of domestic pork and chicken dropped compared to the high price in the previous year and the price of imported chicken sagged due to the increasing supply volume in Japan.

With regard to profits, the production division made efforts to enhance the breeding results, percentage of branded fresh meat and the processing capability by installing new facilities. However, since the impacts of the dropping market price of domestic pork and chicken and of the increasing price of feed crop were strong, profits decreased. The sales division made efforts to strengthen sales of branded fresh meat for mass retailers, attempted to improve the sales system targeting restaurants, and carried out product proposals according to demand such as sales of processed meat based on customer's needs. However, due to a price increase of imported beef at the place of production led by the large demand in Asia, the reaction of imported chicken from the last year's high market trend, and the fluctuation of market price of domestic pork, overall profits decreased.

As a result, for the second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Fresh Meats Business Division amounted to ¥379,135 million, decreasing 2.7% from the corresponding period of the previous fiscal year and operating income amounted to ¥18,252 million, decreasing 28.4% from the corresponding period of the previous fiscal year.

(Affiliated Business Division)

In the marine products business, efforts were made to expand the sales of sushi topping, mainly on the leading tuna and prawns. Although sales to conveyor belt type sushi restaurants grew, decreasing items of low-profit products and struggling sales of marine raw materials due to soaring market price and increased competition resulted in decreased sales to mass retailer channel and restaurant channel other than sushi restaurants. As a result, the sales were lower than that of the corresponding period of the previous fiscal year.

Among the dairy products business, with regard to yogurt and lactic acid probiotic beverages, the main product, Vanilla Yogurt, and yogurt drinks remained strong and the new product, Greek yogurt, was introduced to major convenience store chains, but with the intensified competition, sales struggled for lactic acid probiotic beverages focusing on the series of smoothie products. As a result sales were lower than that of the corresponding period of the previous financial year. Further, with regard to cheese, although products for commercial-use targeting bakeries and restaurants showed a sluggish growth, sales of consumer products focusing on Baby Cheese grew strongly and net sales of the overall dairy products business grew slightly.

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 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 such as labor costs, profits were lower than that of the corresponding period of the previous fiscal year.

As a result, for the second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Affiliated Business Division amounted to ¥75,952 million, decreasing 5.0% from the corresponding period of the previous fiscal year and operating income amounted to ¥193 million, decreasing 83.4% 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 steady export of fresh meats and 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 processed food manufacturing plants in Thailand, and the soaring price of feed crop and materials 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 export, 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 second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Overseas Business Division amounted to ¥131,657 million, increasing 3.6% from the corresponding period of the previous fiscal year and operating loss amounted to ¥855 million (an operating loss of ¥1,361 million for the corresponding period of the previous fiscal year).

(2) Explanation on the Financial Position:

<Financial position>

At the end of the second quarter of the fiscal year under review, total assets increased by 2.0% from the end of the previous fiscal year to account for ¥748,863 million, due to the increases of the property, plant and equipment by ¥10,995 million, the inventories by ¥14,957 million respectively from the end of the previous fiscal year, etc., though the cash and cash equivalents decreased by ¥13,192 million from the end of the previous fiscal year. Liabilities increased by 2.9% from the end of the previous fiscal year to account for ¥320,525 million, due to the increases of interest-bearing debt by ¥14,492 million and trade and other payables by ¥7,127 million from the end of the previous fiscal year though other financial liabilities decreased by ¥5,273 million from the end of the previous fiscal year. In addition, interest-bearing debt accounts for ¥125,893 million.

The total equity attributable to owners of parent accounted for ¥423,753 million and increased 1.4%, but since the total assets increased, the equity ratio of owners of parent decreased by 0.3 percentage points from the end of the previous fiscal year to 56.6%.

<Cash flows>

With regard to operating activities, the increase of inventories amounted to ¥14,813

million, income tax paid amounted to ¥10,417 million, profit before tax amounted to ¥23,173 million, depreciation and amortization expenses amounted to ¥11,016 million, and trade and other payables increased by ¥7,226 million. As a result, net cash provided by operating activities amounted to ¥8,911 million.

With regard to investing activities, acquisition of non-current assets amounted to ¥25,421 million. As a result, net cash used in investing activities amounted to ¥23,888 million.

With regard to financing activities, cash dividends amounted to ¥11,403 million and repayment of debt amounted to ¥9,901 million while short-term bank loans increased by ¥17,481 million. As a result, net cash provided in financing activities amounted to ¥1,195 million.

As a result, cash and cash equivalents at end of the second quarter of the fiscal year under review decreased by ¥13,192 million in comparison with the end of the previous fiscal year to amount to ¥45,098 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 whole-year period of the fiscal year ending March 31, 2019, there are no changes from the forecast published on the “Notice of the Adjustment to the Forecast of Business Results” as announced on October 29, 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	Year ended March 31, 2018	Second quarter of year ending March 31, 2019
	(as of April 1, 2017)	(as of March 31, 2018)	(as of September 30, 2018)
(Assets)			
Current assets			
Cash and cash equivalents	80,716	58,290	45,098
Trade and other receivables	132,423	154,781	156,302
Inventories	103,634	105,422	120,379
Biological assets	31,128	24,830	25,983
Other financial assets	19,919	14,558	14,880
Other current assets	4,572	4,893	5,918
Total current assets	372,392	362,774	368,560
Non-current assets			
Property, plant and equipment	244,583	269,143	280,138
Biological assets	1,743	2,057	1,989
Intangible assets and goodwill	4,594	10,329	10,713
Investments accounted for using equity	5,100	14,426	14,484
Other financial assets	36,699	40,638	38,053
Deferred tax assets	26,547	24,772	24,924
Other non-current assets	10,143	10,389	10,002
Total non-current assets	329,409	371,754	380,303
Total assets	701,801	734,528	748,863
(Liabilities and equity)			
Current liabilities			
Interest-bearing debt	61,750	48,979	72,180
Trade and other payables	102,208	113,984	121,111
Accrued income taxes	7,174	6,557	3,240
Other financial liabilities	11,123	23,560	18,410
Other current liabilities	36,436	38,904	34,687
Total current liabilities	218,691	231,984	249,628
Non-current liabilities			
Interest-bearing debt	76,659	62,422	53,713
Defined benefit liabilities	13,072	13,513	13,687
Other financial liabilities	6,331	1,187	1,064
Deferred tax liabilities	3,472	1,306	1,208
Other non-current liabilities	1,035	1,228	1,225
Total non-current liabilities	100,569	79,656	70,897
Total liabilities	319,260	311,640	320,525
Equity			
Common stock	31,806	36,291	36,294

Capital surplus	64,612	72,818	72,815
Retained earnings	271,988	300,076	306,117
Treasury stock	(41)	(16)	(22)
Accumulated other comprehensive income	10,236	8,813	8,549
Total equity attributable to owners of parent	378,601	417,982	423,753
Non-controlling interests	3,940	4,906	4,585
Total equity	382,541	422,888	428,338
Total liabilities and equity	701,801	734,528	748,863

(Note) Breakdown of other accumulated comprehensive income

	IFRS Transition Date	Year ended March 31, 2018	Second quarter of the year ending March 31, 2019
Financial assets measured at fair value through other comprehensive income	10,236	11,311	8,844
Translation difference on foreign operations	—	(2,498)	(295)

(2) Condensed Consolidated Statements of Income:

[Cumulative second quarter]

(millions of yen)

	Cumulative second quarter of the year ended March 31, 2018 (consolidated) (April 1, 2017 through September 30, 2017)	Cumulative second quarter of the year ending March 31, 2019 (consolidated) (April 1, 2018 through September 30, 2018)
Net sales	627,060	618,000
Cost of goods sold	517,249	514,481
Selling, general and administrative expense	79,997	82,097
Other income	3,088	6,565
Other expense	1,652	3,848
Finance income	910	872
Finance costs	1,988	2,483
Share of profit (loss) in investments accounted for using equity method	544	645
Profit before tax	30,716	23,173
Income tax expense	9,732	7,051
Profit	20,984	16,122
Profit attributable to:		
Owners of parent	20,617	16,371
Non-controlling interests	367	(249)
Profit	20,984	16,122

Earnings per share		
Earnings per share (basic)	194.42 yen	152.30 yen
Earnings per share (diluted)	194.31 yen	150.58 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.

[Second quarter]

(millions of yen)

	Second quarter of the year ended March 31, 2018 (consolidated) (July 1, 2017 through September 30, 2017)	Second quarter of the year ending March 31, 2019 (consolidated) (July 1, 2018 through September 30, 2018)
Net sales	324,014	313,622
Cost of goods sold	270,497	264,452
Selling, general and administrative expense	40,638	41,548
Other income	1,450	2,932
Other expense	1,039	1,809
Finance income	1,753	427
Finance costs	338	1,732
Share of profit (loss) in investments accounted for using equity method	404	465
Profit before tax	15,109	7,905
Income tax expense	4,692	2,828
Profit	10,417	5,077
Profit attributable to:		
Owners of parent	10,298	5,266
Non-controlling interests	119	(189)
Profit	10,417	5,077

Earnings per share		
Earnings per share (basic)	96.60 yen	48.98 yen
Earnings per share (diluted)	94.39 yen	47.86 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

[Cumulative second quarter]

(millions of yen)

	Cumulative second quarter of the year ended March 31, 2018 (consolidated) (April 1, 2017 through September 30, 2017)	Cumulative second quarter of the year ending March 31, 2019 (consolidated) (April 1, 2018 through September 30, 2018)
Profit	20,984	16,122
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,485	(1,400)
Total	1,485	(1,400)
Items that may be reclassified to profit or loss		
Translation difference on foreign operations	1,117	1,583
Share of other comprehensive income of investments accounted for using equity method	25	148
Total	1,142	1,731
Total other comprehensive income	2,627	331
Comprehensive income	23,611	16,453
Comprehensive income attributable to:		
Owners of parent	23,151	17,171
Non-controlling interests	460	(718)
Comprehensive income	23,611	16,453

[Second quarter]

(millions of yen)

	Second quarter of the year ended March 31, 2018 (consolidated) (July 1, 2017 through September 30, 2017)	Second quarter of the year ending March 31, 2019 (consolidated) (July 1, 2018 through September 30, 2018)
Profit	10,417	5,077
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	591	(1,018)
Total	591	(1,018)
Items that may be reclassified to profit or loss		
Translation difference on foreign operations	881	753
Share of other comprehensive income of investments accounted for using equity method	59	140
Total	940	893
Total other comprehensive income (loss)	1,531	(125)
Comprehensive income	11,948	4,952
Comprehensive income attributable to:		
Owners of parent	11,798	5,427
Non-controlling interests	150	(475)
Comprehensive income	11,948	4,952

(4) Condensed Consolidated Statements of Changes in Equity

Consolidated cumulative second quarter of the previous year (April 1, 2017 through September 30, 2017)

(millions of yen)

	Equity attributable to the owners of parent									Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
					Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Translation difference on foreign operations	Total			
Balance as of April 1, 2017	31,806	64,612	271,988	(41)	—	10,236	—	10,236	378,601	3,940	382,541
Profit			20,617					—	20,617	367	20,984
Other comprehensive income						1,485	1,049	2,534	2,534	93	2,627
Comprehensive income	—	—	20,617	—	—	1,485	1,049	2,534	23,151	460	23,611
Dividends			(10,965)					—	(10,965)	(15)	(10,980)
Purchase of treasury stock				(7)				—	(7)	—	(7)
Disposal of treasury stock		(34)		33				—	(1)	—	(1)
Conversion of convertible bonds	3,070	6,254						—	9,324	—	9,324
Issuance of new shares through exercise of stock options	11	(11)						—	0	—	0
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	3,081	6,127	(10,965)	26	—	0	—	0	(1,731)	658	(1,073)
Balance as of September 30, 2017	34,887	70,739	281,640	(15)	—	11,721	1,049	12,770	400,021	5,058	405,079

Consolidated cumulative second quarter of the year ending March 31, 2019 (April 1, 2018 through September 30, 2018)

(millions of yen)

	Equity attributable to the owners of parent									Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
					Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Translation difference on foreign operations	Total			
Balance as of April 1, 2018	36,291	72,818	300,076	(16)	—	11,311	(2,498)	8,813	417,982	4,906	422,888
Profit			16,371					—	16,371	(249)	16,122
Other comprehensive income						(1,403)	2,203	800	800	(469)	331
Comprehensive income	—	—	16,371	—	—	(1,403)	2,203	800	17,171	(718)	16,453
Dividends			(11,394)					—	(11,394)	(9)	(11,403)
Purchase of treasury stock				(6)				—	(6)	—	(6)
Disposal of treasury stock		0		0				—	0	—	0
Issuance of new shares through exercise of stock options	3	(3)						—	0	—	0
Establishment of subsidiaries								—	—	406	406

Transfer of accumulated other comprehensive income to retained earnings			1,064			(1,064)		(1,064)	—	—	—
Total transactions with owners	3	(3)	(10,330)	(6)	—	(1,064)	—	(1,064)	(11,400)	397	(11,003)
Balance as of September 30, 2018	36,294	72,815	306,117	(22)	—	8,844	(295)	8,549	423,753	4,585	428,338

(5) Condensed Consolidated Statements of Cash Flows:

(millions of yen)

	Second quarter of the year ended March 31, 2018 (April 1, 2017 through September 30, 2017)	Second quarter of the year ending March 31, 2019 (April 1, 2018 through September 30, 2018)
Operating Activities:		
Profit before tax	30,716	23,173
Depreciation and amortization expense	10,343	11,016
Impairment losses	454	574
Decrease (increase) in fair value of biological assets	(1,197)	(992)
Finance income and costs	1,078	1,611
Decrease (increase) in trade and other receivables	(26,989)	(1,475)
Decrease (increase) in inventories	(15,575)	(14,813)
Decrease (increase) in biological assets	1,174	(652)
Decrease (increase) in other assets	(580)	(448)
Decrease (increase) in trade and other payables	18,960	7,226
Decrease (increase) in other liabilities	(5,457)	(4,215)
Others - net	2,858	(2,517)
Interest received	284	224
Dividends received	724	1,110
Interest paid	(606)	(494)
Income tax paid	(10,134)	(10,417)
Cash flows from operating activities	6,053	8,911
Investing Activities:		
Capital expenditures	(16,102)	(25,421)
Proceeds from sales of capital assets	142	140
Decrease (increase) in time deposits	4,614	2,184
Acquisition of other financial assets	(41)	(1,037)
Sale and redemption of other financial assets	20	519
Investments to associate	0	(38)
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	608	—
Others - net	(54)	(235)
Cash flows from investing activities	(24,423)	(23,888)
Financing Activities:		
Cash dividends	(10,980)	(11,403)
Increase (decrease) in short-term bank loans	5,273	17,481
Proceeds from debt	2,512	4,618
Repayments of debt	(4,785)	(9,901)
Contributions from non-controlling interests	765	406
Acquisition of treasury stock	(7)	(6)
Others - net	(86)	0
Cash flows from financing activities	(7,308)	1,195
Effect of exchange rate changes on cash and cash equivalents	326	590
Net increase (decrease) in cash and cash equivalents	(25,352)	(13,192)
Cash and cash equivalents at beginning of the period (year)	80,716	58,290
Cash and cash equivalents at end of the period (year)	55,364	45,098

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

Not applicable.

(7) Note on Condensed Consolidated Financial Statements

1. Segment information:

Information regarding the reportable segments

The Group categorizes the business segments into the following four business segments according to the nature of products and providing services, and the geographical areas 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 11 associates.

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

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
Sales to external customers	165,715	333,610	78,019	62,352	639,696	(12,636)	627,060
Intersegment sales	6,798	55,987	1,906	64,756	129,447	(129,447)	-
Total	172,513	389,597	79,925	127,108	769,143	(142,083)	627,060
Segment income (loss)	2,887	25,505	1,164	(1,361)	28,195	1,619	29,814

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

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
Sales to external customers	167,307	322,920	74,140	67,049	631,416	(13,416)	618,000
Intersegment sales	7,156	56,215	1,812	64,608	129,791	(129,791)	-
Total	174,463	379,135	75,952	131,657	761,207	(143,207)	618,000
Segment income (loss)	2,753	18,252	193	(855)	20,343	1,079	21,422

- (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.

For the consolidated second quarter of the year ended March 31, 2018 (July 1, 2017 through September 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	85,858	167,724	40,648	36,403	330,633	(6,619)	324,014
Intersegment sales	3,427	28,772	995	33,695	66,889	(66,889)	-
Total	89,285	196,496	41,643	70,098	397,522	(73,508)	324,014
Segment income (loss)	1,555	11,815	494	(1,194)	12,670	209	12,879

For the consolidated second quarter of the year ending March 31, 2019 (July 1, 2018 through September 30, 2018):

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
Sales to external customers	86,447	162,197	38,561	33,857	321,062	(7,440)	313,622
Intersegment sales	3,684	27,710	847	33,642	65,883	(65,883)	-
Total	90,131	189,907	39,408	67,499	386,945	(73,323)	313,622
Segment income (loss)	1,420	8,495	175	(798)	9,292	(1,670)	7,622

- (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.

2. 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.

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 "First-time Adoption of International Financial Reporting Standards" ("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 “Financial Instruments” (“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 Group’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.

Adjustments to equity as of transition date (April 1, 2017) and as of the end of the previous consolidated fiscal year (March 31, 2018) as well as adjustments to profit and comprehensive income for the previous consolidated fiscal year (April 1, 2017 through March 31, 2018) are indicated in “(7) Note on Condensed Consolidated Financial Statements 6. First-time adoption” of Brief Statement of Accounts for the First Quarter of the Year Ending March 31, 2019.

(4) Adjustments to equity as of September 30, 2017 (consolidated second quarter of the year ended March 31, 2018)

(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	56,055	—	(691)	55,364		Cash and cash equivalents
Time deposits	13,628	(13,628)	—	—		
	—	161,974	(1,114)	160,860		Trade and other receivables
Trade notes and accounts receivable	159,255	(159,255)	—	—		
Allowance for doubtful receivables	(370)	370	—	—		
Inventories	149,170	(28,247)	764	121,687		Inventories
	—	27,987	3,410	31,397	A	Biological assets
	—	15,008	336	15,344		Other financial assets
Other current assets	11,322	(5,723)	(193)	5,406		Other current assets
Total current assets	389,060	(1,514)	2,512	390,058		Total current assets
Property, Plant and Equipment						Non-current assets
– At Cost, Less Accumulated Depreciation	294,826	(3,949)	(34,152)	256,725	B	Property, plant and equipment
	—	1,980	—	1,980		Biological assets
Intangible Assets						Intangible assets and goodwill
– Less Accumulated Amortization	9,868	—	186	10,054		
Investment and Other Assets						
Investments in associated companies	5,217	—	—	5,217		Investments accounted for using equity method
	—	37,010	1,917	38,927	C	Other financial assets
Other investment securities	31,463	(31,463)	—	—		
Other assets	11,674	(11,674)	—	—	F	
Total investments and other assets	48,354					
Deferred Income Taxes – Non-current	13,923	1,205	10,113	25,241	D	Deferred tax assets
	—	8,442	1,284	9,726	B, E	Other non-current assets
				347,870		Total non-current assets
Total Assets	756,031	37	(18,140)	737,928		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	53,996	(53,996)	—	—		
Current maturities of long-term debt	20,886	(20,886)	—	—		
	—	74,882	(67)	74,815		Interest-bearing debt
Trade notes and accounts payable	123,358	82	334	123,774		Trade and other payables
Accrued income taxes	6,000	(988)	1,498	6,510	D	Accrued income taxes
Accrued expenses	23,717	(23,717)	—	—		
	—	8,593	3,901	12,494	F	Other financial liabilities
Other current liabilities	22,837	15,480	(3,606)	34,711	F	Other current liabilities
Total current liabilities	250,794	(550)	2,060	252,304		Total liabilities
Long-term Debt, Less Current Maturities	62,294	—	1	62,295		Non-current liabilities
Liability under Retirement and Severance Programs	13,617	632	(883)	13,366	E	Interest-bearing debt
	—	1,234	—	1,234	G	Defined benefit liabilities
Deferred Income Taxes - Non-current	1,246	1	1,361	2,608	D	Other financial liabilities
Other Long-term Liabilities	1,820	(1,280)	502	1,042		Deferred tax liabilities
				80,545		Other non-current liabilities
Total liabilities	329,771	37	3,041	332,849		Total non-current liabilities
NH Foods Ltd. Shareholders' Equity						Equity
Common stock	34,887	—	—	34,887		Common stock
Capital surplus	61,800	—	8,939	70,739	G	Capital surplus
Retained earnings	317,895	—	(36,255)	281,640	J	Retained earnings
Treasury stock, at cost	(15)	—	—	(15)		Treasury stock
Accumulated other comprehensive income	6,613	—	6,157	12,770	C, E, H	Accumulated other comprehensive income
Total NH Foods Ltd. shareholders' equity	421,180	—	(21,159)	400,021		Equity attributable to the owners of parent
Noncontrolling Interests	5,080	—	(22)	5,058		Non-controlling interests
Total Equity	426,260	—	(21,181)	405,079		Total equity
Total Liabilities and Equity	756,031	37	(18,140)	737,928		Total liabilities and equity

(5) Adjustments to profit and comprehensive income for April 1, 2017 through September 30, 2017 (consolidated cumulative second quarter of the 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	627,880	(5,325)	4,505	627,060		Net sales
Cost of Goods Sold	510,758	7,986	(1,495)	517,249	A, E, F	Cost of goods sold
Selling, General and Administrative Expenses	91,563	(10,993)	(573)	79,997	E, F	Selling, general and administrative expenses
	—	2,985	103	3,088		Other income
	—	3,509	(1,857)	1,652		Other expenses
Other Operating Costs and Expenses (Income) - Net	695	(695)	—	—		
	—	195	715	910	C	Finance income
	—	708	1,280	1,988	C, G	Finance costs
Interest Expense	635	(635)	—	—		
Other Income (Expenses) - Net	(1,903)	1,903	—	—		
	—	544	—	544		Share of profit (loss) in investments accounted for using equity method
Income before Income Taxes	22,326	422	7,968	30,716		Profit before tax
Income Taxes	5,245	(122)	4,609	9,732	D	Income tax expense
Income before Income Taxes and Equity in Earnings of Associated Companies	17,081					
Equity in Earnings of Associated Companies - Net of Applicable Income Taxes	544	(544)	—	—		
Net Income	17,625	—	3,359	20,984		Profit
Net Income Attributable to Noncontrolling Interests	(248)	248	—	—		Profit attributable to:
Net Income Attributable to NH Foods Ltd.	17,377	—	3,240	20,617		Owners of parent
	—	(248)	615	367		Non-controlling interests

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net income	17,625	—	3,359	20,984		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	107	—	(107)	—	E	Remeasurement of defined benefit plans
Net unrealized gains on securities available-for-sale	1,793	—	(308)	1,485	C	Financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss

Foreign currency translation adjustments	2,631	—	(1,514)	1,117	Translation difference on foreign operations
	—	—	25	25	Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	4,531	—	(1,904)	2,627	Total other comprehensive income
Comprehensive income	22,156	—	1,455	23,611	Comprehensive income
Comprehensive loss attributable to noncontrolling interests	(171)	—	171	—	Comprehensive income attributable to:
Comprehensive income attributable to NH Foods Ltd.	21,985	—	1,166	23,151	Owners of parent
	—	—	460	460	Non-controlling interests

(6) Adjustments to profit and comprehensive income for July 1, 2017 through September 30, 2017 (consolidated second quarter of the 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	324,583	(918)	349	324,014		Net sales
Cost of Goods Sold	266,860	5,022	(1,385)	270,497	A, E, F	Cost of goods sold
Selling, General and Administrative Expenses	46,080	(4,857)	(585)	40,638	E, F	Selling, general and administrative expenses
	—	1,451	(1)	1,450		Other income
	—	2,900	(1,861)	1,039		Other expenses
Other Operating Costs and Expenses (Income) - Net	480	(480)	—	—		
	—	175	1,578	1,753	C	Finance income
	—	323	15	338	C, G	Finance costs
Interest Expense	331	(331)	—	—		
Other Income (Expenses) - Net	(1,747)	1,747	—	—		
	—	404	—	404		Share of profit (loss) in investments accounted for using equity method
Income before Income Taxes	9,085	282	5,742	15,109		Profit before tax
Income Taxes	1,255	(122)	3,559	4,692	D	Income tax expense
Income before Income Taxes and Equity in Earnings of Associated Companies	7,830					
Equity in Earnings of Associated Companies - Net of Applicable Income Taxes	404	(404)	—	—		
Net Income	8,234	—	2,183	10,417		Profit
Net Income Attributable to Noncontrolling Interests	(225)	225	—	—		Profit attributable to:
Net Income Attributable to NH Foods Ltd.	8,009	—	2,289	10,298		Owners of parent
	—	(225)	344	119		Non-controlling interests

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net income	8,234	—	2,183	10,417		Profit
Other comprehensive income - net of applicable income taxes						Other comprehensive income
Pension liability adjustments	53	—	(53)	—	E	Items that will not be reclassified to profit or loss Remeasurement of defined benefit plans
Net unrealized gains on securities available-for-sale	607	—	(16)	591	C	Financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustments	2,987	—	(2,106)	881		Items that may be reclassified to profit or loss Translation difference on foreign operations
	—	—	59	59		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	3,647	—	(2,116)	1,531		Total other comprehensive income
Comprehensive income	11,881	—	67	11,948		Comprehensive income
Comprehensive (profit) loss attributable to noncontrolling interests	(300)	—	300	—		Comprehensive income attributable to:
Comprehensive income attributable to NH Foods Ltd.	11,581	—	217	11,798		Owners of parent
	—	—	150	150		Non-controlling interests

Notes regarding adjustments to equity as of September 30, 2017 (consolidated second quarter of the year ended March 31, 2018) and adjustments to profit and comprehensive income for the second quarter of previous consolidated cumulative fiscal year (April 1, 2017 through September 30, 2017)

(Notes regarding presentation reclassification)

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

- 1) Under IFRS, items classified as biological assets under International Accounting Standards 41 “Agriculture” (“IAS 41”) are separately stated.
- 2) Finance income and finance costs are separated based on the presentation provisions of IFRS.
- 3) Distribution center fees, etc. are recorded in selling, general and administrative expenses, but due to the revision of presentation, they are changed to be deducted from the net sales. As a result, in the consolidated cumulative second quarter of the year ended March 31, 2018, net sales and selling, general and administrative expenses decreased by ¥ 11,446 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 the revision of presentation they are changed to be recorded in each corresponding profit or loss item. As a result, in the consolidated cumulative second quarter of the year ended March 31, 2018, net sales and cost of goods sold have increased by ¥ 6,072 million and ¥5,796 million, respectively. In addition, selling, general and administrative expenses have increased by ¥ 276 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 valued 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 valued according to the valuation model based on the cost approach, wherein the acquisition costs are inputs, and since unobservable inputs are included, it is classified as level 3.

In the consolidated second quarter of the year ended March 31, 2018, the carrying amount of biological assets included in inventories under US GAAP to which such provision was applied was ¥ 27,987 million, and the fair value is ¥ 31,397 million. As a result, compared to US GAAP, during the consolidated second quarter of the year ended March 31, 2018, cost of goods sold have decreased by ¥ 1,809 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 valued 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 valued 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 during the consolidated second quarter of the year ended March 31, 2018, accumulated other comprehensive income and other financial assets (non-current) have increased by ¥ 1,365 million and ¥ 1,978 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 a 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 calculated 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, compared to US GAAP, during the consolidated second quarter of the year ended March 31, 2018 and the cumulative consolidated second quarter of the year ended March 31, 2018, the deferred tax assets (net setoff with deferred tax liabilities) and tax expenses have increased by ¥ 8,752 million and ¥4,487 million, respectively.

E. Postretirement benefits

Under US GAAP, with respect to defined 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 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 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 during the consolidated second quarter of the year ended March 31, 2018 was reclassified to retained earnings. As a result, accumulated other comprehensive income increased by ¥ 3,549 million.

In addition, compared to US GAAP during the consolidated second quarter of the

year ended March 31, 2018, other non-current assets have increased by ¥ 1,570 million, and defined benefit liabilities have decreased by ¥ 883 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, compared to US GAAP, during the consolidated second quarter of the year ended March 31, 2018 and the cumulative consolidated second quarter of the year ended March 31, 2018, other current assets and other current liabilities have decreased by ¥ 404 million and ¥ 988 million, respectively. Other financial liabilities have increased by ¥ 605 million. Further, cost of goods sold and selling, general and administrative expenses have decreased by ¥ 651 million and ¥ 1,249 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 “Financial Instruments: Presentation”. 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 valued. In addition, as of their exercise, such derivative obligations are reclassified as equity items.

As a result, compared to US GAAP, during the consolidated second quarter of the year ended March 31, 2018 and the cumulative consolidated second quarter of the year ended March 31, 2018, other financial liabilities and capital surplus have increased by ¥ 3,285 million and ¥ 8,938 million, respectively. In addition, finance costs have increased by ¥ 1,288 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 second quarter of the year ended March 31, 2018, accumulated other comprehensive income has increased by ¥ 1,436 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 September 30, 2017 (consolidated second quarter ended)

	Notes	(millions of yen)
Biological assets	A	2,374
Deemed cost	B	(23,633)
Postretirement benefit expense	E	(1,855)
Levies	F	(694)
Convertible bonds with share acquisition rights	G	(11,243)
Translation differences on foreign operations	H	(1,436)
Unification of reporting period	I	725
Other		(493)
Total modification to retained earnings		(36,255)

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

- (7) Note on cash flow for the consolidated cumulative second quarter ended (April 1, 2017 through September 30, 2017) and the previous consolidated fiscal year (April 1, 2017 through March 31, 2018)

There are no major differences between the consolidated statements of cash flow in the consolidated cumulative second quarter of the year ended March 31, 2018 and previous consolidated fiscal year disclosed based on IFRS and the consolidated statements of cash flow disclosed based on US GAAP.