

(Translation)

January 31, 2019

BRIEF STATEMENT OF ACCOUNTS
FOR THE THIRD 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
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TEL:	+81-6-7525-3042
Scheduled date of filing of quarterly report:	February 8, 2019
Scheduled date of payment of dividends:	-
Preparation of supplementary information on quarterly statement of accounts:	Yes
Holding of quarterly results briefing:	Yes (results briefing for institutional investors and analysts)

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

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

(1) Consolidated operating results (accumulated):

(The percentages indicate the rates of increase (decrease) from the third 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)	%
Third quarter of the year ending March 31, 2019	953,761	(2.1)	33,861	(29.0)	34,684	(34.3)	23,896	(34.6)	24,046	(33.6)	19,931	(51.0)
Third quarter of the year ended March 31, 2018	974,254	—	47,674	—	52,761	—	36,534	—	36,221	—	40,675	—

(yen)

	Earnings per share (basic)	Earnings per share (diluted)
Third quarter of the year ending March 31, 2019	223.73	221.99
Third quarter of the year ended March 31, 2018	340.58	340.40

(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)	(%)
Third quarter of the year ending March 31, 2019	776,969	430,200	425,452	54.8
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.)

	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	1,250,000	(0.7)	30,000	(34.5)	27,000	(48.9)	19,000	(49.4)	177.38

(Note) Adjustment to the most recently publicized forecast of business results: Yes

(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:

Third 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:

Third quarter of the year ending March 31, 2019: 382,675 shares
Year ended March 31, 2018: 3,722 shares

- 3) Average number of shares outstanding during the period:
Third quarter of the year ending March 31, 2019: 107,475,594 shares
Third quarter of the year ended March 31, 2018: 106,351,255 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 third 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 24.

(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 Third 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.

- February 1, 2019 (Friday): 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 Third 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 third 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 uncertainty of the policies, the fluctuation of financial and capital markets arising from trade issues remain unpredictable.

In the food and fresh meats industry, the business conditions remain severe with the prices of certain raw materials having soared, increases of costs for distribution and labors due to labor shortage, 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, developments of new plants for producing processed food products and plants for producing yogurt and lactic acid probiotic beverage, 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 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 third quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales amounted to ¥953,761 million, decreasing 2.1% from the corresponding period of the previous fiscal year. With regard to profits, due to declaring write-down of inventories and impairment losses of fixed assets in the second quarter as an aftermath of typhoon No. 21 and Hokkaido Eastern Iburi Earthquake, operating income decreased 29.0% from the corresponding period of the previous fiscal year to ¥33,861 million, and the profit before income taxes decreased 34.3% from the corresponding period of the previous fiscal year to ¥34,684 million. Profit attributable to owners of parent decreased 33.6% from the corresponding period of the previous fiscal year to ¥24,046 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 implementing active in-store promotional efforts, and sales grew steadily for main brands such as “*Entier*”, whose package design was changed for easier use. However, with the sluggish growth of private brand products, sales decreased from the previous fiscal year. For the year-end gift blitz, in-store promotion was carried out mainly for the flag-ship brand “*Utsukushi-no-Kuni*” which was awarded “Premium Gift Award” of the “Japan Gift Awards”, and “*Utsukushi-no-Kuni*” showed steady performance, but due to the impact of the year-end gift market shrinking as a whole and the increase of the shipping price and the like, overall sales of gifts 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 led 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 an increase from the corresponding period of the previous fiscal year thanks to the strong growth of the leading product, “*Chuka Meisai*”, in addition to “*Ishigama Kobo*”, to which new products such as “*SHAU ESSEN Pizza*” were added. 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.

With regard to profits, although distribution costs, electricity and fuel expenses increased, the efficient management of promotional expenses, leveling of the operation, and manpower reduction in the manufacturing lines led the profit to increase.

As a result, for the third quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Processed Foods Business Division amounted to ¥273,046 million, decreasing 0.6% from the corresponding period of the previous fiscal year, and operating income increased 5.8% compared to the corresponding period of the previous fiscal year to ¥7,866 million.

(Fresh Meats Business Division)

In the fresh meats business, the Company aired TV commercials mainly of branded fresh meat such as “*Sakurahime*” and “*Mugikomachi*” in the Hokkaido and Tohoku region, and conducted active proposals and promotional activities such as campaigns targeting consumers and in-store promotion. However, the overall sales of the fresh meats business decreased, because the market price of domestic pork and chicken dropped compared to the previous year, sales volume of imported pork for raw materials for processing decreased, 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, continued high market price of domestic beef, surge of price of imported beef at the place of production led by the large demand in Asia, and decrease in market price of imported chicken put pressure on profit and overall profits decreased.

As a result, for the third quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Fresh Meats Business Division amounted to ¥583,262 million, decreasing 3.0% from the corresponding period of the previous fiscal year and operating income amounted to ¥28,703 million, decreasing 25.9% 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, showed steady performance, but with the intensified competition, sales struggled for lactic acid probiotic beverages and yogurt drinks focusing on the series of smoothie products. As a result, sales were lower than that of the corresponding period of the previous financial year. With regard to cheese, for the consumer products, sales of cupped products grew with the year-end demand, but baby cheese struggled. For commercial-use products, sales targeting bakeries and restaurants showed a sluggish growth. Net sales of cheese were lower 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 sales quantity, sales were lower than that of the corresponding period of the previous fiscal 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 third quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Affiliated Business Division amounted to ¥121,706 million, decreasing 5.2% from the corresponding period of the previous fiscal year and operating income amounted to ¥1,068 million, decreasing 56.5% from the corresponding period of the previous fiscal year.

(Overseas Business Division)

In Asia and Europe operations, although domestic sales in Turkey and 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. 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 Asia.

With regards to profits, for the Asia and Europe operations, due to the increase in production volume of processed food in Thailand and increase in sales volume in China as well as the fresh meat procurement cost in the U.K. stabilizing, the profits were higher 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, as the production costs in Australia improved, the collection environment of cattle as a whole was strong, and stable sales prices were maintained, profits were higher than that of the corresponding period of the previous fiscal year.

As a result, for the third quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Overseas Business Division amounted to ¥197,459 million, increasing 1.8% from the corresponding period of the previous fiscal year and operating loss amounted to ¥1,958 million (an operating loss of ¥3,033 million for the corresponding period of the previous fiscal year).

(2) Explanation on the Financial Position:

<Financial position>

At the end of the third quarter of the fiscal year under review, total assets increased by 5.8% from the end of the previous fiscal year to account for ¥776,969 million, due to the increases of the property, plant and equipment by ¥14,213 million, the trade and other receivables by ¥36,452 million respectively from the end of the previous fiscal year, etc., though the cash and cash equivalents decreased by ¥12,186 million from the end of the previous fiscal year. Liabilities increased by 11.3% from the end of the previous fiscal year to account for ¥346,769 million, due to the increases of interest-bearing debt by ¥32,650 million and trade and other payables by ¥18,872 million from the end of the previous fiscal year though other current liabilities decreased by ¥7,808 million from the end of the previous fiscal year. In addition, interest-bearing debt accounts for ¥144,051 million.

The total equity attributable to owners of parent accounted for ¥425,452 million and increased 1.8%, but since the total assets increased, the equity ratio of owners of parent decreased by 2.1 percentage points from the end of the previous fiscal year to 54.8%.

<Cash flows>

With regard to operating activities, the increase of trade and other receivables amounted to ¥36,544 million, income tax paid amounted to ¥15,905 million, profit before tax amounted to ¥34,684 million, trade and other payables increased by ¥19,003 million, and depreciation and amortization expenses amounted to ¥16,807 million. As a result, net cash provided by operating activities amounted to ¥4,252 million.

With regard to investing activities, acquisition of non-current assets amounted to ¥37,679 million. As a result, net cash used in investing activities amounted to ¥35,497 million.

With regard to financing activities, repayment of debt amounted to ¥11,849 million and cash dividends amounted to ¥11,403 million while short-term bank loans increased by ¥36,295 million. As a result, net cash provided in financing activities amounted to ¥18,975 million.

As a result, cash and cash equivalents at end of the third quarter of the fiscal year under review decreased by ¥12,186 million in comparison with the end of the previous fiscal year to amount to ¥46,104 million.

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

With regards to net sales, the outlook is below the previous forecast due to the reduction of low-profit products for commercial-use in the processed foods business, which led to decrease in sales volume, and the decreasing gift sales attributed to the struggling year-end gift market.

With regards to profits, the business environment in the fourth quarter is expected to be harsh with the procurement cost for the beef business in Uruguay remaining high, the currency of the export competing countries depreciating, and the high price of the feed crop in the poultry business in Turkey continuing due to currency depreciation, in addition to the market price of domestic pork and chicken sagging and the soaring price of feed crop. As a result, the profit outlook for each stage is below the previous forecast.

In light of such situation, future outlook of business results were reviewed and as a result, the forecast of the consolidated business results for the whole-year period of the year ending March 31, 2019 in the “Notice of the Adjustment to the Forecast of Business Results” announced on October 29, 2018 is revised as follows.

Adjustment to the forecast of consolidated business results for the whole-year period of the year ending March 31, 2019 (April 1, 2018 through March 31, 2019):

(millions of yen, unless otherwise indicated)

	Net sales	Operating income	Profit before tax	Profit attributable to owners of parent	Basic earnings per share (yen)
Previous forecast (A)	1,260,000	36,000	33,000	23,000	214.72
Adjusted forecast (B)	1,250,000	30,000	27,000	19,000	177.38
Amount of increase or decrease (B)-(A)	(10,000)	(6,000)	(6,000)	(4,000)	
Rate of increase or decrease (%)	(0.8)	(16.7)	(18.2)	(17.4)	

(For reference) Actual results for the previous year (April 1, 2017 through March 31, 2018)	1,258,463	45,830	52,798	37,552	352.26
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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	Third quarter of year ending March 31, 2019
	(as of April 1, 2017)	(as of March 31, 2018)	(as of December 31, 2018)
(Assets)			
Current assets			
Cash and cash equivalents	80,716	58,290	46,104
Trade and other receivables	132,423	154,781	191,233
Inventories	103,634	105,422	116,533
Biological assets	31,128	24,830	24,244
Other financial assets	19,919	14,558	11,783
Other current assets	4,572	4,893	7,597
Total current assets	372,392	362,774	397,494
Non-current assets			
Property, plant and equipment	244,583	269,143	283,356
Biological assets	1,743	2,057	1,939
Intangible assets and goodwill	4,594	10,329	10,628
Investments accounted for using equity	5,100	14,426	13,832
Other financial assets	36,699	40,638	33,944
Deferred tax assets	26,547	24,772	25,546
Other non-current assets	10,143	10,389	10,230
Total non-current assets	329,409	371,754	379,475
Total assets	701,801	734,528	776,969
(Liabilities and equity)			
Current liabilities			
Interest-bearing debt	61,750	48,979	89,548
Trade and other payables	102,208	113,984	132,856
Accrued income taxes	7,174	6,557	2,817
Other financial liabilities	11,123	23,560	18,471
Other current liabilities	36,436	38,904	31,096
Total current liabilities	218,691	231,984	274,788
Non-current liabilities			
Interest-bearing debt	76,659	62,422	54,503
Defined benefit liabilities	13,072	13,513	13,972
Other financial liabilities	6,331	1,187	1,129
Deferred tax liabilities	3,472	1,306	1,145
Other non-current liabilities	1,035	1,228	1,232
Total non-current liabilities	100,569	79,656	71,981
Total liabilities	319,260	311,640	346,769
Equity			
Common stock	31,806	36,291	36,294
Capital surplus	64,612	72,818	72,815

Retained earnings	271,988	300,076	312,968
Treasury stock	(41)	(16)	(1,638)
Accumulated other comprehensive income	10,236	8,813	5,013
Total equity attributable to owners of parent	378,601	417,982	425,452
Non-controlling interests	3,940	4,906	4,748
Total equity	382,541	422,888	430,200
Total liabilities and equity	701,801	734,528	776,969

(Note) Breakdown of other accumulated comprehensive income

	IFRS Transition Date	Year ended March 31, 2018	Third quarter of the year ending March 31, 2019
Financial assets measured at fair value through other comprehensive income	10,236	11,311	6,966
Translation difference on foreign operations	—	(2,498)	(1,953)

(2) Condensed Consolidated Statements of Income:

[Cumulative third quarter]

(millions of yen)

	Cumulative third quarter of the year ended March 31, 2018 (consolidated) (April 1, 2017 through December 31, 2017)	Cumulative third quarter of the year ending March 31, 2019 (consolidated) (April 1, 2018 through December 31, 2018)
Net sales	974,254	953,761
Cost of goods sold	804,144	794,563
Selling, general and administrative expense	122,436	125,337
Transfer fee of professional baseball player	2,273	—
Other income	5,397	6,362
Other expense	3,716	4,043
Finance income	1,468	1,229
Finance costs	1,212	3,194
Share of profit (loss) in investments accounted for using equity method	877	469
Profit before tax	52,761	34,684
Income tax expense	16,227	10,788
Profit	36,534	23,896
Profit attributable to:		
Owners of parent	36,221	24,046
Non-controlling interests	313	(150)
Profit	36,534	23,896

Earnings per share		
Earnings per share (basic)	340.58yen	223.73yen
Earnings per share (diluted)	340.40yen	221.99yen

(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.

[Third quarter]

(millions of yen)

	Third quarter of the year ended March 31, 2018 (consolidated) (October 1, 2017 through December 31, 2017)	Third quarter of the year ending March 31, 2019 (consolidated) (October 1, 2018 through December 31, 2018)
Net sales	347,194	335,761
Cost of goods sold	286,895	280,082
Selling, general and administrative expense	42,439	43,240
Transfer fee of professional baseball player	2,273	—
Other income	2,309	1,093
Other expense	2,064	1,491
Finance income	1,667	357
Finance costs	333	711
Share of profit (loss) in investments accounted for using equity method	333	(176)
Profit before tax	22,045	11,511
Income tax expense	6,495	3,737
Profit	15,550	7,774
Profit attributable to:		
Owners of parent	15,604	7,675
Non-controlling interests	(54)	99
Profit	15,550	7,774

Earnings per share		
Earnings per share (basic)	145.88 yen	71.43 yen
Earnings per share (diluted)	137.36 yen	71.41 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 third quarter]

(millions of yen)

	Cumulative third quarter of the year ended March 31, 2018 (consolidated) (April 1, 2017 through December 31, 2017)	Cumulative third quarter of the year ending March 31, 2019 (consolidated) (April 1, 2018 through December 31, 2018)
Profit	36,534	23,896
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,002	(4,105)
Total	3,002	(4,105)
Items that may be reclassified to profit or loss		
Translation difference on foreign operations	1,019	173
Share of other comprehensive income of investments accounted for using equity method	120	(33)
Total	1,139	140
Total other comprehensive income (loss)	4,141	(3,965)
Comprehensive income	40,675	19,931
Comprehensive income attributable to:		
Owners of parent	40,338	20,486
Non-controlling interests	337	(555)
Comprehensive income	40,675	19,931

[Third quarter]

(millions of yen)

	Third quarter of the year ended March 31, 2018 (consolidated) (October 1, 2017 through December 31, 2017)	Third quarter of the year ending March 31, 2019 (consolidated) (October 1, 2018 through December 31, 2018)
Profit	15,550	7,774
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,517	(2,705)
Total	1,517	(2,705)
Items that may be reclassified to profit or loss		
Translation difference on foreign operations	(98)	(1,410)
Share of other comprehensive income of investments accounted for using equity method	95	(181)
Total	(3)	(1,591)
Total other comprehensive income (loss)	1,514	(4,296)
Comprehensive income	17,064	3,478
Comprehensive income attributable to:		
Owners of parent	17,187	3,315
Non-controlling interests	(123)	163
Comprehensive income	17,064	3,478

(4) Condensed Consolidated Statements of Changes in Equity

Consolidated cumulative third quarter of the previous year (April 1, 2017 through December 31, 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			36,221					—	36,221	313	36,534
Other comprehensive income						3,002	1,115	4,117	4,117	24	4,141
Comprehensive income	—	—	36,221	—	—	3,002	1,115	4,117	40,338	337	40,675
Dividends			(10,965)					—	(10,965)	(15)	(10,980)
Purchase of treasury stock				(10)				—	(10)	—	(10)
Disposal of treasury stock		(34)		36				—	2	—	2
Conversion of convertible bonds	3,370	6,841						—	10,211	—	10,211
Issuance of new shares through exercise of stock options	15	(15)						—	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			809			(809)		(809)	—	—	—

Other									—	—	(88)	(88)
Total transactions with owners	3,385	6,710	(10,156)	26	—	(809)	—	(809)	(844)	658	(186)	
Balance as of December 31, 2017	35,191	71,322	298,053	(15)	—	12,429	1,115	13,544	418,095	4,935	423,030	

Consolidated cumulative third quarter of the year ending March 31, 2019 (April 1, 2018 through December 31, 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			24,046					—	24,046	(150)	23,896
Other comprehensive income						(4,105)	545	(3,560)	(3,560)	(405)	(3,965)
Comprehensive income	—	—	24,046	—	—	(4,105)	545	(3,560)	20,486	(555)	19,931
Dividends			(11,394)					—	(11,394)	(9)	(11,403)
Purchase of treasury stock				(1,622)				—	(1,622)	—	(1,622)
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			240			(240)		(240)	—	—	—

Total transactions with owners	3	(3)	(11,154)	(1,622)	—	(240)	—	(240)	(13,016)	397	(12,619)
Balance as of December 31, 2018	36,294	72,815	312,968	(1,638)	—	6,966	(1,953)	5,013	425,452	4,748	430,200

(5) Condensed Consolidated Statements of Cash Flows:

(millions of yen)

	Third quarter of the year ended March 31, 2018 (April 1, 2017 through December 31, 2017)	Third quarter of the year ending March 31, 2019 (April 1, 2018 through December 31, 2018)
Operating Activities:		
Profit before tax	52,761	34,684
Depreciation and amortization expense	15,702	16,807
Impairment losses	747	672
Decrease (increase) in fair value of biological assets	(1,760)	248
Finance income and costs	(256)	1,965
Decrease (increase) in trade and other receivables	(61,608)	(36,544)
Decrease (increase) in inventories	(7,789)	(11,257)
Decrease (increase) in biological assets	2,783	(429)
Decrease (increase) in other assets	(820)	(46)
Decrease (increase) in trade and other payables	32,975	19,003
Decrease (increase) in other liabilities	(7,164)	(7,755)
Others - net	3,286	1,478
Interest received	600	567
Dividends received	1,041	1,571
Interest paid	(928)	(807)
Income tax paid	(15,898)	(15,905)
Cash flows from operating activities	13,672	4,252
Investing Activities:		
Capital expenditures	(23,146)	(37,679)
Proceeds from sales of capital assets	285	140
Decrease (increase) in time deposits	4,114	2,814
Acquisition of other financial assets	(65)	(1,061)
Sale and redemption of other financial assets	1,808	519
Investments to associate	(36)	(38)
Net decrease (increase) in cash and cash equivalents resulting from purchase of business	(13,404)	—
Net decrease (increase) in cash and cash equivalents resulting from sale of business	608	—
Others - net	(486)	(192)
Cash flows from investing activities	(30,322)	(35,497)
Financing Activities:		
Cash dividends	(10,980)	(11,403)
Increase (decrease) in short-term bank loans	(2,519)	36,295
Proceeds from debt	3,197	7,148
Repayments of debt	(15,785)	(11,849)
Contributions from non-controlling interests	765	406
Acquisition of treasury stock	(8)	(1,622)
Others - net	(86)	0
Cash flows from financing activities	(25,416)	18,975
Effect of exchange rate changes on cash and cash equivalents	482	84
Net increase (decrease) in cash and cash equivalents	(41,584)	(12,186)
Cash and cash equivalents at beginning of the period (year)	80,716	58,290
Cash and cash equivalents at end of the period (year)	39,132	46,104

(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 third quarter of the year ended March 31, 2018 (April 1, 2017 through December 31, 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	264,321	513,900	125,491	95,209	998,921	(24,667)	974,254
Intersegment sales	10,388	87,379	2,947	98,685	199,399	(199,399)	-
Total	274,709	601,279	128,438	193,894	1,198,320	(224,066)	974,254
Segment income (loss)	7,432	38,711	2,456	(3,033)	45,566	2,108	47,674

For the consolidated cumulative third quarter of the year ending March 31, 2019 (April 1, 2018 through December 31, 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	262,019	498,620	119,097	99,536	979,272	(25,511)	953,761
Intersegment sales	11,027	84,642	2,609	97,923	196,201	(196,201)	-
Total	273,046	583,262	121,706	197,459	1,175,473	(221,712)	953,761
Segment income (loss)	7,866	28,703	1,068	(1,958)	35,679	(1,818)	33,861

- (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 third quarter of the year ended March 31, 2018 (October 1, 2017 through December 31, 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	98,606	180,290	47,472	32,857	359,225	(12,031)	347,194
Intersegment sales	3,590	31,392	1,041	33,929	69,952	(69,952)	-
Total	102,196	211,682	48,513	66,786	429,177	(81,983)	347,194
Segment income (loss)	4,545	13,206	1,292	(1,672)	17,371	489	17,860

For the consolidated third quarter of the year ending March 31, 2019 (October 1, 2018 through December 31, 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	94,712	175,700	44,957	32,487	347,856	(12,095)	335,761
Intersegment sales	3,871	28,427	797	33,315	66,410	(66,410)	-
Total	98,583	204,127	45,754	65,802	414,266	(78,505)	335,761
Segment income (loss)	5,113	10,451	875	(1,103)	15,336	(2,897)	12,439

- (Note)
- "Eliminations, adjustments and others" includes unallocated items and intersegment eliminations.
 - 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.
 - 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 December 31, 2017 (consolidated third 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	39,958	—	(826)	39,132		Cash and cash equivalents
Time deposits	13,772	(13,772)	—	—		
	—	195,735	(399)	195,336		Trade and other receivables
Trade notes and accounts receivable	192,660	(192,660)	—	—		
Allowance for doubtful receivables	(386)	386	—	—		
Inventories	139,892	(26,690)	628	113,830		Inventories
	—	26,468	3,648	30,116	A	Biological assets
	—	14,713	637	15,350		Other financial assets
Other current assets	10,555	(5,661)	503	5,397		Other current assets
Total current assets	396,451	(1,481)	4,191	399,161		Total current assets
Property, Plant and Equipment						Non-current assets
– At Cost, Less Accumulated Depreciation	298,207	(3,990)	(33,821)	260,396	B	Property, plant and equipment
	—	2,040	(2)	2,038		Biological assets
Intangible Assets						Intangible assets and goodwill
– Less Accumulated Amortization	9,912	—	130	10,042		
Investment and Other Assets						Investments accounted for using equity method
Investments in associated companies	5,526	—	—	5,526		
	—	38,199	1,951	40,150	C	Other financial assets
Other investment securities	31,865	(31,865)	—	—		
Other assets	12,495	(12,495)	—	—	F	
Total investments and other assets	49,886					
Deferred Income Taxes – Non-current	11,405	1,134	11,333	23,872	D	Deferred tax assets
	—	8,415	1,030	9,445	B, E	Other non-current assets
				351,469		Total non-current assets
Total Assets	765,861	(43)	(15,188)	750,630		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	44,911	(44,911)	—	—		
Current maturities of long-term debt	10,289	(10,289)	—	—		
Trade notes and accounts payable	—	55,200	173	55,373		Interest-bearing debt
Accrued income taxes	138,666	—	(980)	137,686		Trade and other payables
Accrued expenses	3,743	125	3,396	7,264	D	Accrued income taxes
Other current liabilities	19,529	(19,529)	—	—		
	—	11,849	3,305	15,154	F	Other financial liabilities
	25,207	7,558	(1,227)	31,538	F	Other current liabilities
Total current liabilities	242,345	3	4,667	247,015		Total liabilities
Long-term Debt, Less Current Maturities	61,975	—	774	62,749		Non-current liabilities
Liability under Retirement and Severance Programs	13,937	645	(954)	13,628	E	Interest-bearing debt
Deferred Income Taxes - Non-current	—	1,240	—	1,240	G	Defined benefit liabilities
Other Long-term Liabilities	2,190	(647)	385	1,928	D	Other financial liabilities
	1,827	(1,284)	497	1,040		Deferred tax liabilities
				80,585		Other non-current liabilities
Total liabilities	322,274	(43)	5,369	327,600		Total non-current liabilities
NH Foods Ltd. Shareholders' Equity						Equity
Common stock	35,191	—	—	35,191		Common stock
Capital surplus	62,096	—	9,226	71,322	G	Capital surplus
Retained earnings	333,441	—	(35,388)	298,053	J	Retained earnings
Treasury stock, at cost	(15)	—	—	(15)		Treasury stock
Accumulated other comprehensive income	7,632	—	5,912	13,544	C, E, H	Accumulated other comprehensive income
Total NH Foods Ltd. shareholders' equity	438,345	—	(20,250)	418,095		Equity attributable to the owners of parent
Noncontrolling Interests	5,242	—	(307)	4,935		Non-controlling interests
Total Equity	443,587	—	(20,557)	423,030		Total equity
Total Liabilities and Equity	765,861	(43)	(15,188)	750,630		Total liabilities and equity

(5) Adjustments to profit and comprehensive income for April 1, 2017 through
December 31, 2017 (consolidated cumulative third 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	981,110	(7,847)	991	974,254		Net sales
Cost of Goods Sold	795,147	12,640	(3,643)	804,144	A, E, F	Cost of goods sold
Selling, General and Administrative Expenses	140,782	(17,473)	(873)	122,436	E, F	Selling, general and administrative expenses
Other Operating Costs and Expenses (Income) - Net	1,407	(1,407)	—	—		
Transfer fee of professional baseball player	2,273	—	—	2,273		Transfer fee of professional baseball player
	—	5,387	10	5,397		Other income
	—	5,804	(2,088)	3,716		Other expenses
	—	2,022	(554)	1,468	C	Finance income
	—	1,029	183	1,212	C, G	Finance costs
Interest Expense	924	(924)	—	—		
Other Income (Expenses) - Net	(117)	117	—	—		
	—	877	—	877		Share of profit (loss) in investments accounted for using equity method
Income before Income Taxes	45,006	887	6,868	52,761		Profit before tax
Income Taxes	12,602	10	3,615	16,227	D	Income tax expense
Income before Income Taxes and Equity in Earnings of Associated Companies	32,404					
Equity in Earnings of Associated Companies - Net of Applicable Income Taxes	877	(877)	—	—		
Net Income	33,281	—	3,253	36,534		Profit
Net Income Attributable to Noncontrolling Interests	(358)	358	—	—		Profit attributable to:
Net Income Attributable to NH Foods Ltd.	32,923	—	3,298	36,221		Owners of parent
	—	(358)	671	313		Non-controlling interests

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net income	33,281	—	3,253	36,534		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	161	—	(161)	—	E	Remeasurement of defined benefit plans
Net unrealized gains on securities available-for-sale	2,431	—	571	3,002	C	Financial assets measured at fair value through other comprehensive income

Foreign currency translation adjustments	3,010	—	(1,991)	1,019	Items that may be reclassified to profit or loss
	—	—	120	120	Translation difference on foreign operations
					Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	5,602	—	(1,461)	4,141	Total other comprehensive income
Comprehensive income	38,883	—	1,792	40,675	Comprehensive income
Comprehensive loss attributable to noncontrolling interests	(333)	—	333	—	Comprehensive income attributable to:
Comprehensive income attributable to NH Foods Ltd.	38,550	—	1,788	40,338	Owners of parent
	—	—	337	337	Non-controlling interests

(6) Adjustments to profit and comprehensive income for October 1, 2017 through December 31, 2017 (consolidated third 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	353,230	(2,522)	(3,514)	347,194		Net sales
Cost of Goods Sold	284,389	4,654	(2,148)	286,895	A, E, F	Cost of goods sold
Selling, General and Administrative Expenses	49,219	(6,480)	(300)	42,439	E, F	Selling, general and administrative expenses
Other Operating Costs and Expenses (Income) - Net	712	(712)	—	—		
Transfer fee of professional baseball player	2,273	—	—	2,273		Transfer fee of professional baseball player
	—	2,402	(93)	2,309		Other income
	—	2,295	(231)	2,064		Other expenses
	—	1,827	(160)	1,667	C	Finance income
	—	321	12	333	C, G	Finance costs
Interest Expense	289	(289)	—	—		
Other Income (Expenses) - Net	1,786	(1,786)	—	—		
	—	333	—	333		Share of profit (loss) in investments accounted for using equity method
Income before Income Taxes	22,680	465	(1,100)	22,045		Profit before tax
Income Taxes	7,357	132	(994)	6,495	D	Income tax expense
Income before Income Taxes and Equity in Earnings of Associated Companies	15,323	—	—	—		
Equity in Earnings of Associated Companies - Net of Applicable Income Taxes	333	(333)	—	—		
Net Income	15,656	—	(106)	15,550		Profit
Net Income Attributable to Noncontrolling Interests	(110)	110	—	—		Profit attributable to:
Net Income Attributable to NH	15,546	—	58	15,604		Owners of parent

NH FOODS LTD. (2282)
BRIEF STATEMENT OF ACCOUNTS FOR
THE SECOND QUARTER OF THE YEAR
ENDING MARCH 31, 2019

Foods Ltd.	—	(110)	56	(54)	Non-controlling interests
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(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net income	15,656	—	(106)	15,550		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	638	—	879	1,517	C	Financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	379	—	(477)	(98)		Translation difference on foreign operations
	—	—	95	95		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	1,071	—	443	1,514		Total other comprehensive income
Comprehensive income	16,727	—	337	17,064		Comprehensive income
Comprehensive (profit) loss attributable to noncontrolling interests	(162)	—	162	—		Comprehensive income attributable to:
						Owners of parent
Comprehensive income attributable to NH Foods Ltd.	16,565	—	622	17,187		Non-controlling interests
			(123)	(123)		

Notes regarding adjustments to equity as of December 31, 2017 (consolidated third quarter of the year ended March 31, 2018) and adjustments to profit and comprehensive income for the third quarter of previous consolidated cumulative fiscal year (April 1, 2017 through December 31, 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 third quarter of the year ended March 31, 2018, net sales and selling, general and administrative expenses decreased by ¥18,866 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 third quarter of the year ended March 31, 2018, net sales and cost of goods sold have increased by ¥11,030 million and ¥9,697 million, respectively. In addition, selling, general and administrative expenses and other expenses have increased by ¥1,329 million and ¥4 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 can be measured with reliability.

With respect to beef and pork, which are the Group's biological assets, the fair value is measured 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 third 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 ¥26,468 million, and the fair value is ¥30,116 million. As a result, compared to US GAAP, during the consolidated third quarter of the year ended March 31, 2018, cost of goods sold have decreased by ¥2,077 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 third quarter of the year ended March 31, 2018, accumulated other comprehensive income and other financial assets (non-current) have increased by ¥1,367 million and ¥ 1,981 million, respectively. In addition, during the consolidated third quarter of the year ended March 31, 2018, finance income decreased by ¥1,244 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. 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 third quarter of the year ended March 31, 2018 and the cumulative consolidated third quarter of the year ended March 31, 2018, the deferred tax assets (net setoff with deferred tax liabilities) and tax expenses have increased by ¥10,948 million and ¥3,625 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 third quarter of the year ended March 31, 2018 was reclassified to retained earnings. As a result, accumulated other comprehensive income increased by ¥3,495 million.

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

year ended March 31, 2018, other non-current assets have increased by ¥1,360 million, and defined benefit liabilities have decreased by ¥954 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 third quarter of the year ended March 31, 2018 and the cumulative consolidated third quarter of the year ended March 31, 2018, other current liabilities have decreased by ¥523 million. Other current assets and other financial liabilities have increased by ¥646 million and ¥229 million, respectively. Further, cost of goods sold and selling, general and administrative expenses have decreased by ¥1,029 million and ¥1,886 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 third quarter of the year ended March 31, 2018 and the cumulative consolidated third quarter of the year ended March 31, 2018, other financial liabilities and capital surplus have increased by ¥1,887 million and ¥9,226 million, respectively. In addition, finance costs have increased by ¥179 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 third quarter of the year ended March 31, 2018, accumulated other comprehensive income has increased by ¥1,141 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 December 31, 2017 (consolidated third quarter ended)

	Notes	(millions of yen)
Biological assets	A	2,601
Deemed cost	B	(23,503)
Postretirement benefit expense	E	(1,893)
Levies	F	(337)
Convertible bonds with share acquisition rights	G	(10,566)
Translation differences on foreign operations	H	(1,141)
Unification of reporting period	I	(1,288)
Other		739
Total modification to retained earnings		(35,388)

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

- (7) Note on cash flow for the consolidated cumulative third quarter ended (April 1, 2017 through December 31, 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 third 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.