Nipponham Group
(Translation)

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

May 15, 2019

BRIEF STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 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 the Ordinary General Meeting of Shareholders:	June 25, 2019
Scheduled date of payment of dividends:	June 3, 2019
Scheduled date of filing of securities report:	June 26, 2019
Preparation of supplementary information on statement of accounts:	Yes
Holding of 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 year ended March 31, 2019 (April 1, 2018 through March 31, 2019):

(1) Consolidated operating results:

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

	Net sales		Operating income		Profit before tax		Profit		Profit attributable to owners of the parent		Total comprehensive income	
	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%
Year ended March 31, 2019	1,234,180	(1.9)	32,265	(29.6)	30,267	(42.7)	19,017	(49.6)	19,561	(47.9)	13,491	(64.2)
Year ended March 31, 2018	1,258,463	—	45,830	—	52,798	—	37,724	—	37,552	—	37,641	—

	Earnings per share (basic)	Earnings per share (diluted)	Ratio of profit to total equity attributable to owners of the parent	Ratio of profit before tax to total assets	Ratio of operating income to net sales
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2019	183.21	181.48	4.8	4.1	2.6
Year ended March 31, 2018	352.26	350.00	9.4	7.4	3.6

(For reference) Share of profit (loss) in investments accounted for using the equity method:
Year ended March 31, 2019: ¥918 million
Year ended March 31, 2018: ¥1,069 million

(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, 2018.

(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 the parent	Equity ratio of owners of the parent	Equity per share attributable to owners of the parent
	(millions of yen)	(millions of yen)	(millions of yen)	(%)	(yen)
Year ended March 31, 2019	741,388	405,358	401,014	54.1	3,896.64
Year ended March 31, 2018	734,528	422,888	417,982	56.9	3,888.48

(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. "Equity per share attributable to owners of the parent" was computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2018.

(3) Consolidated cash flows:

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Year ended March 31, 2019	30,844	(45,110)	2,932	48,108
Year ended March 31, 2018	53,284	(48,194)	(27,110)	58,290

2. State of dividends:

	Annual dividend (yen)					Total dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total	(millions of yen)	(%)	(%)
Year ended March 31, 2018	—	—	—	53.00	53.00	11,394	30.1	2.8
Year ended March 31, 2019	—	—	—	90.00	90.00	9,262	49.1	2.3
Year ending March 31, 2020 (forecast)	—	—	—	90.00	90.00		50.1	

(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, 2020 (April 1, 2019 through March 31, 2020):

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

	Net sales		Business profit		Profit before tax		Profit attributable to owners of the parent		Earnings per share (basic)
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Second quarter (cumulative)	640,000	3.6	21,000	—	14,000	(39.6)	10,000	(38.9)	97.17
Whole-year period	1,280,000	3.7	40,000	—	26,000	(14.1)	18,500	(5.4)	179.76

(Note) For the purpose of clarifying income derived from business activities, NH Foods Ltd. and its subsidiaries (the “Group”) has decided to use business profit instead of operating income from forecast of consolidated business results for the year ending March 31, 2020 onward. Business profit is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with international financial reporting standards (“IFRS”), and adjustments of non-recurring items.

* Notes:

(1) Changes in significant subsidiaries (changes in specific subsidiaries involving a change in the scope of consolidation) during the year 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 fiscal year:

Year ended March 31, 2019:	102,958,904 shares
Year ended March 31, 2018:	107,495,804 shares

2) Number of shares of treasury stock as of the end of the fiscal year:

Year ended March 31, 2019:	46,288 shares
Year ended March 31, 2018:	3,722 shares

3) Average number of shares outstanding during the fiscal year:

Year ended March 31, 2019:	106,765,426 shares
Year ended March 31, 2018:	106,602,389 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, 2018.

(For reference) Summary of the non-consolidated business results

1. Non-consolidated business results for the year ended March 31, 2019 (April 1, 2018 through March 31, 2019):

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Year ended March 31, 2019	793,357	(1.2)	6,215	(21.1)	21,617	(5.7)	13,783	(31.8)
Year ended March 31, 2018	802,712	2.5	7,880	(8.9)	22,934	15.3	20,209	40.3

	Basic earnings per share	Diluted earnings per share
	(yen)	(yen)
Year ended March 31, 2019	129.09	129.03
Year ended March 31, 2018	189.58	185.81

(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, 2018.

(2) Non-consolidated financial position

	Total assets	Total net assets	Equity ratio	Total net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
Year ended March 31, 2019	486,859	210,727	43.3	2,047.08
Year ended March 31, 2018	481,779	230,683	47.9	2,145.46

(For reference) Net worth:
Year ended March 31, 2019: ¥210,670 million
Year ended March 31, 2018: ¥230,620 million

(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. "Total net assets per share" was computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2018.

2. Forecast of non-consolidated business results for the year ending March 31, 2020 (April 1, 2019 through March 31, 2020):

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

	Net sales		Ordinary income		Net income		Basic earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Second quarter (cumulative)	396,000	0.9	16,200	(12.6)	7,900	(52.5)	76.76
Whole-year period	800,000	0.8	20,300	(6.1)	11,100	(19.5)	107.86

* A brief statement of accounts is outside the scope of audit conducted by certified public accountants or audit firms.
* Explanation for the appropriate use of the forecast of business results and other special instructions

(Adoption of IFRS)

The Group has adopted IFRS since the year ended March 31, 2019. Regarding values of 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 “3. Consolidated Financial Statements and Primary Notes (8) Notes to Consolidated Financial Statements 4. First-time adoption” on page 36.

(Cautionary notice on information about the future)

The descriptions herein about the future, including the forecast of business results, are based on the information currently available to the Company and certain assumptions considered reasonable by the Company and are not contemplated to ensure the fulfillment thereof. The actual results may materially differ from such forecast and plans depending on various factors. The Company, therefore, wishes to caution that readers should not place undue reliance on these descriptions to make investment decisions. Further, unless obligated by laws or ordinances or the rules of financial instruments exchanges, the Company will not necessarily, or is not obligated to, revise such descriptions about the future, including the forecast of business results notwithstanding any information or event in the future or any result arising therefrom, or publicize such revised information. For information on the conditions precedent to the forecast of business results and cautionary notes for the use of the forecast of business results, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 15.

As announced in the “Notice of Expansion of the Optional Retirement System as a Temporary Measure” dated October 31, 2018, the Company will make additional special payments to retiring employees. While the number of retiring employees has not been finalized at present, an estimated amount of impact of approximately ¥8.0 billion, assuming the maximum number of employees applicable under the system, has been reflected in the forecast of consolidated and non-consolidated business results for the second quarter (cumulative) and the whole-year period of the year ending March 31, 2020. Details will be announced promptly when the amount of the effect is determined.

CONTENTS OF ATTACHMENT

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

  ▪ May 21, 2019 (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. Overview of Operating Results, etc.

(1) Overview of Operating Results

The Group has adopted IFRS since the year ended March 31, 2019. For the financial values of 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 year ended March 31, 2019 slowly recovered as employment and income environment continued to improve, personal spending recovered, and capital investment rose. On the other hand, the economic conditions, such as the future of the world economy, the uncertainty of the policies, and the fluctuation of financial and capital markets arising from trade issues, remained unpredictable.

In the food and fresh meats industry, the business conditions remained severe with the soaring prices of certain raw materials, increases of costs for distribution and labors due to labor shortages, intensified sales competition and livestock disease.

Under these circumstances, the Group, under the “Medium-Term Management Plan 2020” that commenced in April 2018 with the theme “Building systems that pave the way to the future,” 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.” Specifically, the Group implemented various measures, including reinforcement of its domestic farm business, expansion of plants specific for allergy-free food products, construction of new plants for producing processed food and plants for producing yogurt and lactic acid probiotic beverages, development of human resources, and reinforcing risk management. Further, as to the overseas business, the Group made efforts to reinforce its overseas beef business in Australia. As to the management system, the Group has continued to make efforts for enhancement in line with the “Nipponham Group Fundamental Policy on Corporate Governance.”

As a result of these activities, for the year ended March 31, 2019, consolidated net sales amounted to ¥1,234,180 million, decreasing 1.9% from the previous fiscal year. Due in part to the recording of loss on valuation of inventories and impairment loss on non-current assets as a result of the impact of Typhoon No. 21 and the Hokkaido Eastern Iburi earthquake in the second quarter, operating income decreased 29.6% from the previous fiscal year to ¥32,265 million, profit before tax decreased 42.7% from the previous fiscal year to ¥30,267 million and profit attributable to owners of the parent decreased 47.9% from the previous fiscal year to ¥19,561 million.

Breakdown of consolidated net sales

Category	Year ended March 31, 2018 (April 1, 2017-March 31, 2018)		Year ended March 31, 2019 (April 1, 2018-March 31, 2019)		Rate of increase (decrease) from the previous year (%)
	Amount (millions of yen)	Component ratio (%)	Amount (millions of yen)	Component ratio (%)	
Hams and sausages	132,404	10.5	128,356	10.4	(3.1)
Processed foods	233,089	18.5	233,655	18.9	0.2
Fresh meats	716,343	56.9	703,557	57.0	(1.8)
Marine products	93,804	7.5	88,138	7.2	(6.0)
Dairy products	34,191	2.7	33,270	2.7	(2.7)
Others	48,632	3.9	47,204	3.8	(2.9)
Total	1,258,463	100.0	1,234,180	100.0	(1.9)

Overview of Operating Segments

(Processed Foods Business Division)

With regard to sales of the hams and sausages business, for consumer products, core brands such as "*SCHAU ESSEN*," for which we emphasized microwave cooking as a new consumption approach, performed favorably, and we strove to generate additional sales with new products such as "*SCHAU ESSEN HOT CHILI*" launched this spring and "*World Travel Entier*" aimed at bringing flavors from around the world to new targets. However, with the sluggish growth of private brand products, sales were lower than that of the previous fiscal year. Regarding sales during the gift-giving season, the flagship "*Utsukushi-no-Kuni*" brand showed steady performance, but due to factors such as the overall decline of the gift market and increases in delivery prices, gift-related sales were lower than that of the previous fiscal year. Sales of commercial-use products were lower than that of the previous fiscal year because of factors such as reduced sales volume caused by revisions to product mix. As a result, the overall sales of the hams and sausages business fell from the previous fiscal year.

With regard to sales of the processed foods business, sales of consumer products were higher than that of the previous fiscal year due to strong growth of the core "*Chuka Meisai*" and "*Ishigama Kobo,*" with expanded product lineup including new products such as "*SCHAU ESSEN Pizza*." Regarding commercial-use products, sales to major restaurant chains struggled, but the overall sales of the processed foods business were higher than that of the previous fiscal year.

With regard to profit, although distribution costs, electricity and fuel expenses and other expenses rose, profit increased due to improved gross profit rates led by the growth of the core brand products, in addition to efficient use of sales promotion expenses, as well as the manufacturing division's efforts for operation standardization and labor-saving measures in manufacturing lines.

As a result, for the year ended March 31, 2019, consolidated net sales of the Processd Foods Business Division amounted to ¥353,091 million, decreasing 0.7% from the previous fiscal year. Operating income, however, increased 32.9% compared to the previous fiscal year to ¥7,797 million.

(Fresh Meats Business Division)

In the fresh meats business, the Company carried out broad-ranging proposal and sales activities aimed at consumers and business partners, such as increasing product awareness in the Hokkaido, Tohoku and Kanto areas through television commercials, primarily focusing on the Company's branded fresh meats such as "*Sakurahime*" domestic chicken and "*Mugikomachi*" domestic pork, sharing recipe and promotional information via social networks, communicating promotional campaign information to consumers, and in-store sales promotional efforts tied to the above activities. The Company also reinforced product development and proposal-based marketing, reflecting restaurant and convenience store channel customer needs and store operations, but domestic pork and domestic chicken prices fell compared to the previous fiscal year, imported pork sales volume decreased, and imported chicken prices sagged. As a result, sales of the fresh meats business decreased from the previous fiscal year.

With regard to profit, in the production division, efforts were made to improve breeding results, increase the percentage of branded fresh meat, and raise production capabilities by introducing new equipment. However, the drop in domestic pork and domestic chicken market prices and the rise in feed crop prices had a major impact, causing profit to decrease. In the sales division, efforts were made to reinforce sales of branded fresh meats to mass retailers and strengthen the restaurant sales structure. However, due to the continued high prices of domestic beef and imported beef, together with the impact of Typhoon No. 21 and the Hokkaido Eastern Iburi earthquake, overall profit declined.

As a result, for the year ended March 31, 2019, consolidated net sales of the Fresh Meats Business Division amounted to ¥756,993 million, decreasing 2.8% from the previous fiscal year and operating income amounted to ¥35,743 million, decreasing 24.2% from the previous fiscal year.

(Affiliated Business Division)

In the marine products business, sales of sushi toppings, primarily prawns, squid and tuna, for conveyor belt-type sushi restaurant chains and mass retailers grew. However, sales of products other than sushi toppings struggled due to high ingredient market prices and intensifying competition, and low-profit products were reorganized, resulting in sales falling from the previous fiscal year.

Among the dairy products business, with regard to yogurt and lactic acid probiotic beverages, the main product, vanilla yogurt, which marked the 25th anniversary of its launch, performed strongly, but sales of lactic acid probiotic beverages fell due to slowing market growth and intensified competition, and net sales fell compared to the previous fiscal year. With regard to cheese, sales of consumer products rose, particularly baby cheese and cup products, for which production lines were expanded, but sales of commercial-use products for bakeries and restaurants fell, and sales of the dairy products business decreased from the previous fiscal year.

With regard to profit, in the marine products business, the gross profit rate improved due to price revisions, especially for sushi toppings, and structural reforms such as the reorganization of low-profit products, but sales volume fell, causing profit to decline compared to the previous fiscal year. In the dairy products business, due to increased raw material prices, labor costs, distribution costs, and other expenses, profit decreased compared to the previous fiscal year.

As a result, for the year ended March 31, 2019, consolidated net sales of the Affiliated Business Division amounted to ¥155,073 million, decreasing 5.2% from the previous fiscal year and operating income amounted to ¥441 million, decreasing 73.3% from the previous fiscal year.

(Overseas Business Division)

In Asia and Europe operations, although domestic sales in Turkey and China grew, net sales were lower than that of the previous fiscal year due to the decrease of export sales to Japan in Thailand. In Americas operations, net sales were higher than that of the previous fiscal year due to steady fresh meat export and domestic sales growth. In Australia operations, net sales were higher than that of the previous fiscal year due to favorable increases in beef export to Japan and Asia.

With regard to profit, for the Asia and Europe operations, profit was higher than that of the previous fiscal year due to the increase in sales volume in China and the stabilization of fresh meat procurement costs in the U.K. In Americas operations, profit was higher than that of the previous fiscal year due to increased fresh meat export and higher gross profit rate for sales in the U.S. In Australia operations, profit was higher than that of the previous fiscal year due to ongoing improvements in production costs, steady collection of cattle, and the maintaining of stable sales prices in Australia. However, in Uruguay, the collection environment of cattle deteriorated and sales unit prices fell, causing profit to decrease significantly from the previous fiscal year.

As a result, for the year ended March 31, 2019, net sales of the Overseas Business Division amounted to ¥255,209 million, increasing 0.4% from the previous fiscal year and operating loss amounted to ¥3,753 million (an operation loss of ¥4,703 million for the previous fiscal year).

(2) Overview of Financial Position

Total assets at the end of the year increased by 0.9% from the end of the previous fiscal year to account for ¥741,388 million. With regard to assets, inventories increased by 7.6% from the end of the previous fiscal year to account for ¥113,415 million, while cash and cash equivalents decreased by 17.5% from the end of the previous fiscal year to account for ¥48,108 million, and other financial assets decreased by 17.3% from the end of the previous fiscal year to account for ¥12,041 million. As a result, current assets decreased by 1.2% from the end of the previous fiscal year to account for ¥358,263 million. Property, plant and equipment increased by 7.7% from the end of the previous fiscal year to account for ¥289,898 million due to an increase in capital expenditures.

Liabilities increased by 7.8% from the end of the previous fiscal year to account for ¥336,030 million, as other financial liabilities decreased by 22.3% from the end of the previous fiscal year to account for ¥19,228 million, but interest-bearing liabilities increased by 32.0% from the end of the previous fiscal year to account for ¥147,009 million due to the issuance of ¥30,000 million in straight corporate bonds.

Total equity attributable to owners of the parent decreased by 4.1% from the end of the previous fiscal year to account for ¥401,014 million, as retained earnings decreased by ¥13,142 million mainly due to acquisition and cancellation of treasury stock.

As a result, equity ratio of owners of the parent decreased by 2.8 percentage points from the end of previous fiscal year to 54.1%.

(3) Overview of Cash Flows

The states and causes of cash flows are as follows:

	Year ended March 31, 2018	Year ended March 31, 2019	Increase or decrease
	(millions of yen)	(millions of yen)	(millions of yen)
Cash flows from operating activities	53,284	30,844	(22,440)
Cash flows from investing activities	(48,194)	(45,110)	3,084
Cash flows from financing activities	(27,110)	2,932	30,042
Effect of exchange rate changes on cash and cash equivalents	(406)	1,152	1,558
Net increase (decrease) in cash and cash equivalents	(22,426)	(10,182)	12,244
Cash and cash equivalents at end of the year	58,290	48,108	(10,182)

With regard to operating activities, income tax paid amounted to ¥15,935 million and the increase of inventories amounted to ¥8,113 million, while profit before tax amounted to ¥30,267 million, and depreciation and amortization expenses amounted to ¥22,865 million. As a result, net cash provided by operating activities amounted to ¥30,844 million.

With regard to investing activities, although a decrease in time deposits amounted to ¥2,836 million, capital expenditures amounted to ¥47,504 million. As a result, net cash used in investing activities amounted to ¥45,110 million.

With regard to financing activities, acquisition of treasury stock amounted to ¥20,007 million, repayments of debt amounted to ¥16,060 million, and cash dividends amounted to ¥11,403 million, while proceeds from debt amounted to ¥40,970 million, and an increase in short-term bank loans amounted to ¥9,026 million. As a result, net cash provided by financing activities amounted to ¥2,932 million.

As a result, cash and cash equivalents at end of the year decreased by ¥10,182 million in comparison with the end of the previous fiscal year to amount to ¥48,108 million.

The trends in cash flow indices are as shown below:

	Year ended March 31, 2018	Year ended March 31, 2019	Increase or decrease
Equity ratio of owners of the parent (%)	56.9	54.1	(2.8)
Equity ratio of owners of the parent on a fair value basis (%)	63.8	55.3	(8.5)
Years for debt redemption (year)	2.1	4.8	2.7
Interest coverage ratio (time)	43.1	24.2	(18.9)

* Equity ratio of owners of the parent:
Total equity attributable to owners of the parent / Total assets

Equity ratio of owners of the parent on a fair value basis:
Aggregate fair value of listed stock / Total assets

Years for debt redemption: Interest-bearing liabilities / Cash provided by operating activities

Interest coverage ratio: Cash provided by operating activities / Interest payments

(Notes)
1. Each of the indices is calculated based on financial data on a consolidated basis.
2. The aggregate fair value of listed stock is calculated based on the number of issued shares, excluding the shares of treasury stock.
3. As cash provided by operating activities, cash flows from operating activities in the statement of consolidated cash flows are used. For interest payments, the amount of interest paid in the statement of consolidated cash flows is used.

(4) Future Outlook

Notwithstanding anticipated benefits from the Japanese government's stimulus measures, the economic picture for the year ending March 31, 2020 remains unclear in view of prospects for the global economy, as well as foreign currency fluctuations, higher labor and distribution costs owing to domestic personnel shortages, and changes in consumption tax rates. The Group will thus move forward with the "Medium-Term Management Plan 2020," launched in April 2018, with the aim of "Building systems that pave the way to the future." In order to increase corporate value and become a company that contributes to the realization of sustainable societies, the five management policies of this initiative are to "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 the Processed Foods Business Division, we expect the operating climate to remain adverse owing to negative factors such as intensifying price competition and higher raw material and fuel costs. In order to clarify the roles of the Processed Foods Business Division, from April 2019 it has adopted a three management division structure, consisting of "Sales Management Division," "Product Management Division" and "Administrative Division," accelerating decision-making. In addition, all Group companies involved in sales have been aggregated and reorganized into "Nipponham Marketing, Ltd." The Group will avoid preconceptions, enhancing product development by marketing from consumer perspectives and transforming its cost structure to optimize the overall value chain. The enhancement of product development will encompass engaging more with customers, and striving to gather information and assess needs. The Group will centralize sales of highly profitable core brand offerings and engage in sales through undeveloped channels. In transforming cost structures to optimize the overall value chain, the Group will invest in labor-saving equipment and share information on production line operating levels with the manufacturing and sales divisions to boost utilization rates and productivity.

In the Fresh Meats Business Division, the Group expects the domestic and overseas supply and demand environment to remain highly volatile due to domestic livestock diseases, feed price fluctuations, shrinking and aging population, and changes in market needs as a result of increases in the number of foreigners in Japan, as well as increased purchasing competition on a global scale due to advances in trade liberation and growth in demand from emerging nations. In this environment, the domestic production division will strive to stabilize the domestic fresh meat supply by maintaining and expanding existing facilities, and also with an eye on engaging in business partnerships with producers. At the same time, the Group will also develop and actively invest in state-of-the-art facilities such as IoT facilities that contribute to labor-saving and efficiency in farming and processing, such as the "Smart Hog Farming Project" announced last year. With regard to overseas procurement, the Group will enhance stable procurement capabilities by developing new suppliers, standardizing products, and strengthening relationships with local suppliers through personnel interchange, and will aim to create relationships with suppliers that lead them to choose the Group. In the logistics and sales divisions, the Group will improve its distribution network and sales offices, enabling them to deliver products safely and in a timely fashion in the face of the increasingly severe truck driver shortages of recent years, and will do its utmost to further strengthen the Group's integration system, one of its strengths. The Group will also develop products desired by consumers and business partners, reinforce promotional activities, and continue to develop and cultivate brands such as "*Sakurahime*" domestic chicken, "*Mugikomachi*" domestic pork and "Exclusively Bred Domestic Beef," as well as focusing effort on the creation of simple and convenient products that meet customer needs and overseas processed products, helping expand the Group's domestic sales share.

In the Affiliated Business Division, the marine products business will continue structural reforms and accelerate the expansion of operations that will lead to increased profitability. Although it is expected to become harder to procure marine product raw materials and the prices are expected to rise due to poor fishing catches and increased global demand, the Group will reinforce its procurement capabilities by establishing its own routes in Japan and abroad, develop high-value-added products, centered on internally manufactured offerings to enhance profitability. The dairy products business will expand its market share by improving its product development and marketing capabilities. On the manufacturing front, the Group will drive efficiencies and establish a structure to increase production over the medium to long term. The Group will strengthen sales collaboration while implementing multiproduct channel strategies and cultivating new markets.

The Overseas Business Division will strengthen the value chain within the Group in order to ensure the revenue produced by its existing businesses. Not only will the Group reinforce its functions for procuring raw materials for Japan, but it will also expand sales in countries where it operates, and Group companies in these markets will collaborate to boost sales to third countries to stabilize revenues in each area. They will drive growth by harnessing the Group's comprehensive strengths in the processing plants in each area, such as by leveraging product development capabilities and quality control techniques cultivated in Japan, and will deliver an array of merchandise and services. We will bolster manufacturing and sales sites over the medium to long term while continuing to focus on reinforcing governance in compliance with the laws and regulations in the countries where the Group operates.

With the harsh operating climate posing numerous challenges, the Group will make a concerted effort to optimize synergies through Group collaboration with the aim of "Building systems that pave the way to the future" under the "Medium-Term Management Plan 2020."

With regard to operating results for the year ending March 31, 2020, net sales are estimated to amount to ¥1,280.0 billion.

Forecast of consolidated net sales

Category	Year ending March 31, 2020 (April 1, 2019-March 31, 2020)	Rate of increase (decrease) from the previous year
	(billion yen)	(%)
Hams and sausages	129.1	0.6
Processed foods	239.7	2.6
Fresh meats	740.9	5.3
Marine products	89.7	1.8
Dairy products	37.6	13.0
Others	43.0	(8.9)
Total	1,280.0	3.7

With regard to profit, business profit (*), profit before tax, and profit attributable to owners of the parent are estimated to amount to ¥40.0 billion, ¥26.0 billion, and ¥18.5 billion, respectively.

As announced in the "Notice of Expansion of the Optional Retirement System as a Temporary Measure" dated October 31, 2018, the Company will make additional special payments to retiring employees. While the number of retiring employees has not been finalized at present, an estimated amount of impact of approximately ¥8.0 billion, assuming the maximum number of employees applicable under the system, has been reflected in the forecast of consolidated and non-consolidated business results for the second quarter (cumulative) and the whole-year period of the year ending March 31, 2020. Details will be announced promptly when the amount of the effect is determined.

(*) For the purpose of clarifying income derived from business activities, the Group has decided to use business profit instead of operating income from forecast of consolidated business results for the year ending March 31, 2020 onward. Business profit is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items.

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.

(5) Fundamental Policy of Profit Allocation and Dividends for the Year Ended March 31, 2019 and the Year Ending March 31, 2020

With regard to the determination of the distribution of retained earnings, etc., it is NH Foods Ltd.'s policy to pay dividends on a consistent basis. This is seen as part of NH Foods Ltd.'s capital policy aimed at realizing an optimal capital and liability composition with the aim of improving medium- to long-term corporate value.

Under its basic policy, NH Foods Ltd. will distribute its retained earnings, with the aim of pursuing stable and continuous dividend growth on a dividend on equity (DOE) basis.

NH Foods Ltd. will acquire treasury stock in a flexible manner for the purpose of improving per-share shareholder value and ROE, in consideration of investments towards growth and its financial position. NH Foods Ltd. will make effective use of the internal reserve funds as a source of investments that will maintain and improve its competitiveness for years to come.

For the year ending March 31, 2020, management plans to pay an ordinary dividend of ¥90 per share, based on the above policy.

2. Fundamental Approach to Selecting Accounting Standards

In order to enhance international comparability of financial information in the capital markets, the Group has voluntarily applied IFRS from the first quarter of the year ended March 31, 2019.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statements of Financial Position:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31,2018 (as of March 31, 2018)	Year ended March 31,2019 (as of March 31, 2019)
(Assets)			
Current assets			
Cash and cash equivalents	80,716	58,290	48,108
Trade and other receivables	132,423	154,781	153,260
Inventories	103,634	105,422	113,415
Biological assets	31,128	24,830	25,971
Other financial assets	19,919	14,558	12,041
Other current assets	4,572	4,893	5,468
Total current assets	372,392	362,774	358,263
Non-current assets			
Property, plant and equipment	244,583	269,143	289,898
Biological assets	1,743	2,057	1,877
Intangible assets and goodwill	4,594	10,329	7,097
Investments accounted for using the equity method	5,100	14,426	14,400
Other financial assets	36,699	40,638	34,125
Deferred tax assets	26,547	24,772	28,004
Other non-current assets	10,143	10,389	7,724
Total non-current assets	329,409	371,754	383,125
Total assets	701,801	734,528	741,388
(Liabilities and equity)			
Current liabilities			
Interest-bearing liabilities	61,750	48,979	62,746
Trade and other payables	102,208	113,984	111,573
Income taxes payable	7,174	6,557	2,738
Other financial liabilities	11,123	23,560	18,123
Other current liabilities	36,436	38,904	38,788
Total current liabilities	218,691	231,984	233,968
Non-current liabilities			
Interest-bearing liabilities	76,659	62,422	84,263
Retirement benefit liabilities	13,072	13,513	14,118
Other financial liabilities	6,331	1,187	1,105
Deferred tax liabilities	3,472	1,306	1,326
Other non-current liabilities	1,035	1,228	1,250
Total non-current liabilities	100,569	79,656	102,062
Total liabilities	319,260	311,640	336,030

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31,2018 (as of March 31, 2018)	Year ended March 31,2019 (as of March 31, 2019)
Equity			
Common stock	31,806	36,291	36,294
Capital surplus	64,612	72,818	72,672
Retained earnings	271,988	300,076	286,934
Treasury stock, at cost	(41)	(16)	(202)
Accumulated other comprehensive income	10,236	8,813	5,316
Total equity attributable to owners of the parent	378,601	417,982	401,014
Non-controlling interests	3,940	4,906	4,344
Total equity	382,541	422,888	405,358
Total liabilities and equity	701,801	734,528	741,388

(Note) Breakdown of other accumulated comprehensive income

	IFRS Transition Date	Year ended March 31, 2018	Year ended March 31, 2019
Financial assets measured at fair value through other comprehensive income	10,236	11,311	6,980
Exchange differences on translation of foreign operations	—	(2,498)	(1,664)

(2) Consolidated Statements of Income:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Net sales	1,258,463	1,234,180
Cost of goods sold	1,047,478	1,033,577
Selling, general and administrative expenses	165,155	168,338
Gain from the transfer through the posting system	2,273	—
Other income	6,506	8,510
Other expenses	3,808	9,292
Financial income	2,220	1,427
Financial costs	1,292	3,561
Share of profit in investments accounted for using the equity method	1,069	918
Profit before tax	52,798	30,267
Income tax expense	15,074	11,250
Profit	37,724	19,017
Profit attributable to:		
Owners of the parent	37,552	19,561
Non-controlling interests	172	(544)
Profit	37,724	19,017

Earnings per share		
Earnings per share (basic)	352.26 yen	183.21 yen
Earnings per share (diluted)	350.00 yen	181.48 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, 2018.

(3) Consolidated Statements of Comprehensive Income

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Profit	37,724	19,017
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	745	(1,847)
Financial assets measured at fair value through other comprehensive income	1,832	(4,098)
Total	2,577	(5,945)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,730)	335
Share of other comprehensive income of investments accounted for using the equity method	70	84
Total	(2,660)	419
Total other comprehensive loss	(83)	(5,526)
Comprehensive income	37,641	13,491
Comprehensive income attributable to:		
Owners of the parent	37,630	14,450
Non-controlling interests	11	(959)
Comprehensive income	37,641	13,491

(4) Consolidated Statements of Changes in Equity

Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)

(millions of yen)

	Equity attributable to the owners of the parent									Non-controlling interests	Total equity
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal	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			37,552					—	37,552	172	37,724
Other comprehensive loss					744	1,832	(2,498)	78	78	(161)	(83)
Comprehensive income	—	—	37,552	—	744	1,832	(2,498)	78	37,630	11	37,641
Dividends			(10,965)					—	(10,965)	(15)	(10,980)
Acquisition of treasury stock				(10)				—	(10)	—	(10)
Disposal of treasury stock		(33)		35				—	2	—	2
Conversion of convertible bonds	4,470	8,336						—	12,806	—	12,806
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								—	—	357	357
Other								—	—	72	72
Transfer of accumulated other comprehensive income to retained earnings			1,501		(744)	(757)		(1,501)	—	—	—
Total transactions with owners	4,485	8,206	(9,464)	25	(744)	(757)	—	(1,501)	1,751	955	2,706
Balance as of March 31, 2018	36,291	72,818	300,076	(16)	—	11,311	(2,498)	8,813	417,982	4,906	422,888

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

(millions of yen)

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

(5) Consolidated Statements of Cash Flows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Operating Activities		
Profit before tax	52,798	30,267
Depreciation and amortization expense	21,200	22,865
Impairment losses	1,292	4,937
Decrease (increase) in fair value of biological assets	461	187
Financial income and costs	(928)	2,134
Decrease (increase) in trade and other receivables	(21,884)	1,386
Decrease (increase) in inventories	(199)	(8,113)
Decrease (increase) in biological assets	4,745	(2,110)
Decrease (increase) in other assets	(143)	2,678
Increase (decrease) in trade and other payables	9,915	(2,222)
Increase (decrease) in other liabilities	2,519	38
Others - net	(385)	(6,287)
Interest received	689	719
Dividends received	1,180	1,573
Interest paid	(1,235)	(1,273)
Income tax paid	(16,741)	(15,935)
Cash flows from operating activities	53,284	30,844
Investing Activities:		
Capital expenditures	(31,796)	(47,504)
Proceeds from sales of capital assets	3,181	978
Decrease (increase) in time deposits	3,602	2,836
Acquisition of other financial assets	(2,482)	(1,077)
Sale and redemption of other financial assets	1,808	527
Investments to associate	(8,929)	(38)
Net increase (decrease) in cash and cash equivalents resulting from purchase of business	(13,404)	—
Net increase (decrease) in cash and cash equivalents resulting from sale of business	608	—
Others - net	(782)	(832)
Cash flows from investing activities	(48,194)	(45,110)
Financing Activities:		
Cash dividends	(10,980)	(11,403)
Increase (decrease) in short-term bank loans	(4,221)	9,026
Proceeds from debt	6,198	40,970
Repayments of debt	(19,074)	(16,060)
Contributions from non-controlling interests	1,063	406
Acquisition of treasury stock	(10)	(20,007)
Others - net	(86)	0
Cash flows from financing activities	(27,110)	2,932
Effect of exchange rate changes on cash and cash equivalents	(406)	1,152
Net increase (decrease) in cash and cash equivalents	(22,426)	(10,182)
Cash and cash equivalents at beginning of the period (year)	80,716	58,290
Cash and cash equivalents at end of the period (year)	58,290	48,108

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

Not applicable.

(7) Significant Matters Forming the Basis for Preparing Consolidated Financial Statements

The Group has adopted IFRS since the fiscal year ended March 31, 2019. The transition date to IFRS is April 1, 2017.

1. Matters concerning the scope of consolidation and application of the equity method

Number of consolidated subsidiaries:	83 companies
Number of equity-method companies:	11 companies

2. Matters concerning accounting policies

1) Method and basis of valuation of financial instruments

a. Non-derivative financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables as of the occurrence date. All the other financial assets are initially recognized as of the transaction date on which the Group becomes a contracting party of such financial instrument. When the Group initially recognizes the non-derivative financial assets, they are classified into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income or profit or loss. A summary of each classification and measurement model is as follows:

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

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

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

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

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

Initially measured at fair value and transaction costs are recognized as profit or loss at the time of occurrence.

(ii) Subsequent measurement

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

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

Measured at amortized cost based on the effective interest method.

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

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

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

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

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

(iii) Derecognition

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

(iv) Impairment of financial assets

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

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

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

b. Non-derivative financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(iii) Derecognition

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

c. Derivative and hedge accounting

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

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

Further, the Group has not adopted hedge accounting.

2) Method and basis of valuation of inventories

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

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

3) Agricultural accounting

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

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

4) Property, plant and equipment

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

5) Intangible assets and goodwill

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

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

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

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

6) Impairment of non-financial assets

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

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

7) Post-retirement benefit

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

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

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

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

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

8) Revenue

Pursuant to IFRS 15, the Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

9) Accounting treatment of consumption taxes

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

(8) Notes to 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 where 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.

For the year ended March 31, 2018 (April 1, 2017 through March 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	342,040	664,914	159,671	125,877	1,292,502	(34,039)	1,258,463
Intersegment sales	13,458	113,508	3,874	128,331	259,171	(259,171)	-
Total	355,498	778,422	163,545	254,208	1,551,673	(293,210)	1,258,463
Segment income (loss)	5,865	47,167	1,651	(4,703)	49,980	(4,150)	45,830
Segment assets	189,967	336,462	80,567	122,255	729,251	5,277	734,528
Other items							
Depreciation and amortization	6,293	7,391	2,075	2,516	18,275	2,439	20,714
Capital expenditures	13,789	14,738	6,439	4,812	39,778	1,423	41,201

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

(millions of yen)

	Processed Foods Business Division	**Fresh Meats Business Division**	**Affiliated Business Division**	**Overseas Business Division**	**Total**	**Eliminations, adjustments and others**	**Consolidated**
Net sales							
Sales to external customers	338,854	649,820	151,781	128,540	1,268,995	(34,815)	1,234,180
Intersegment sales	14,237	107,173	3,292	126,669	251,371	(251,371)	-
Total	353,091	756,993	155,073	255,209	1,520,366	(286,186)	1,234,180
Segment income (loss)	7,797	35,743	441	(3,753)	40,228	(7,963)	32,265
Segment assets	187,547	359,847	86,675	125,146	759,215	(17,827)	741,388
Other items							
Depreciation and amortization	6,859	8,058	2,453	2,722	20,092	2,325	22,417
Capital expenditures	11,981	19,776	9,107	4,903	45,767	2,053	47,820

(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 consolidated 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.
4. "Segment assets" included in "Eliminations, adjustments and others" mainly consist of adjustments to capital assets, time deposits of the parent company and investment securities.
5. "Depreciation and amortization" represents depreciation and amortization expenses for property, plant and equipment and intangible assets. "Depreciation and amortization" in each reportable segment does not include depreciation and amortization expenses included in corporate overhead expenses and profit or loss of certain subsidiaries stated in Note 2.
6. "Capital expenditures" represent increases in property, plant and equipment and intangible assets.

2. Per share information

1) Basic earnings per share

	Year ended March 31, 2018 (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)
Basic earnings per share (yen)	352.26	183.21
Basis for calculation:		
Profit attributable to owners of the parent (millions of yen)	37,552	19,561
Amount not attributable to owners of the parent (millions of yen)	–	–
Profit used in the calculation of basic earnings per share (millions of yen)	37,552	19,561
Weighted average number of shares of common stock (thousands of shares)	106,602	106,765

2) Diluted earnings per share

	Year ended March 31, 2018 (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)
Diluted earnings per share (yen)	350.00	181.48
Basis for calculation:		
Profit used in the calculation of basic earnings per share (millions of yen)	37,552	19,561
Adjustment to profit (millions of yen)	494	(178)
Profit used in the calculation of diluted earnings per share (millions of yen)	38,046	19,383
Weighted average number of shares of common stock used in the calculation of basic earnings per share (thousands of shares)	106,602	106,765
Dilutive effect of stock options granted (thousands of shares)	52	40
Dilutive effect of the issuance of convertible bonds with stock acquisition rights (thousands of shares)	2,048	–
Weighted average number of shares of common stock used in the calculation of diluted earnings per share (thousands of shares)	108,702	106,805

(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, 2018.

3. Significant subsequent events

Not applicable.

4. 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 "Reclassifications" of the adjustments, and items that have an effect on retained earnings and comprehensive income are presented under "Difference of recognition and measurement" thereof.

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

(millions of yen)

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

(millions of yen)

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

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

(Notes on presentation reclassification)

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

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

(Notes on difference of recognition and measurement)

A. Biological assets

Under IFRS, biological assets are measured at fair value less costs to sell 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 valuated according to the valuation model based on the cost approach, wherein the acquisition costs are inputs, and since unobservable inputs are included, it is classified as level 3.

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

B. Deemed cost

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

C. Financial instruments

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

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

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

D. Income tax

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

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

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

E. Post-retirement 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 statement 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 statement 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 plans") and are immediately reclassified in retained earnings. In addition, past service costs are immediately recognized as part of retirement benefits expenses.

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

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

F. Levies

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

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

G. Convertible bonds with stock acquisition rights

Under US GAAP, the Group recorded the warranty portion of the convertible bonds with stock acquisition rights in the equity portion without separating from a convertible bond. Compared to that, under IFRS, the warranty portion is cut off from the main contract and processed pursuant to the provision of IAS 32 "Financial Instruments:

Presentation" ("IAS 32"). Therefore, stock acquisition rights and acquisition provisions of the convertible bonds issued by the Company are recorded as derivative obligations in liability only under IFRS, and their fair value are measured. In addition, as of their exercise, such derivative obligations are reclassified as equity items.

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

H. Exchange differences on translation of foreign operations

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

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

I. Unification of reporting period

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

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

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

J. Retained earnings

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

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

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

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

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

(millions of yen)

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

(millions of yen)

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

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

(millions of yen)

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

(millions of yen)

US GAAP Line Item	US GAAP	Reclassifications	Difference in recognition and measurement	IFRS	Notes	IFRS
Net income	37,419	—	305	37,724		Net income
Other comprehensive income - net of applicable income taxes						Other comprehensive income
						Items that will not be reclassified to profit or loss
Pension liability adjustments	875	—	(130)	745	E	Remeasurement of defined benefit plans
Net unrealized gains on securities available-for-sale	1,251	—	581	1,832	C	Financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(600)	—	(2,130)	(2,730)		Exchange differences on translation of foreign operations
		—	70	70		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	1,526	—	(1,609)	(83)		Total other comprehensive income
Comprehensive income	38,945	—	(1,304)	37,641		Comprehensive income
Net comprehensive income attributable to noncontrolling interests	(140)	—	140	—		
						Comprehensive income attributable to:
Net comprehensive income attributable to NH Foods Ltd.	38,805	—	(1,175)	37,630		Owners of the parent
	—	—	11	11		Non-controlling interests

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

(Notes on presentation reclassification)

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

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

(Notes on difference of recognition and measurement)

A. Biological assets

Under IFRS, biological assets are measured at fair value less costs to sell if the fair values can be measured with reliability.

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

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

B. Deemed cost

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

C. Financial instruments

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

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

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

D. Income tax

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

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

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

E. Post-retirement 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 statement 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 statement 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 is recognized as assets or liabilities, and all actuarial differences arising from defined benefit plans are recognized as other comprehensive income ("Remeasurement of defined benefit plans") and are immediately reclassified in retained earnings. In addition, past service costs are immediately recognized as part of retirement benefits expenses.

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

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

F. Levies

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

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

G. Convertible bonds with stock acquisition rights

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

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

H. Exchange differences on translation of foreign operations

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

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

I. Unification of reporting period

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

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

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

J. Retained earnings

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

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

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

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

(7) Note on cash flow for the previous consolidated fiscal year (April 1, 2017 - March 31, 2018)

There are no major differences between the consolidated statement of cash flow in the previous consolidated fiscal year disclosed based on IFRS and the consolidated statement of cash flow disclosed based on US GAAP.