Notes to Consolidated Financial Statements

NH Foods Ltd. and Subsidiaries
For the Years Ended March 31, 2018, 2017 and 2016

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – NH Foods Ltd. and its subsidiaries (the "Group") are engaged in the production and distribution of mainly hams & sausages, processed foods, fresh meats, marine products and dairy products. The Group's operations are located principally in Japan.

Basis of Financial Statements – The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which NH Foods Ltd. is incorporated and operates. The translations of Japanese yen amounts into United States dollar amounts with respect to the year ended March 31, 2018 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 = $1, the approximate rate of exchange on March 31, 2018. Such translations should not be construed as a representation that Japanese yen amounts could be converted into United States dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. Certain adjustments have been reflected in the accompanying consolidated financial statements while they have not been entered in the general books of account of the Group maintained principally in accordance with Japanese accounting practices.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In order to conform to the current year's presentation, prior years' presentations have been changed.

Summary of Significant Accounting Policies – Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:
(1) Consolidation – The consolidated financial statements include the accounts of NH Foods Ltd., all of its majority-owned directly or indirectly subsidiaries, and any variable interest entities of which NH Foods Ltd. and its subsidiaries are the primary beneficiary. Intercompany transactions and balances are eliminated. Investments in associated companies (20% to 50% owned) are accounted for using the equity method of accounting. In preparing the consolidated financial statements, financial statements with reporting periods different from the consolidated reporting period are used for certain subsidiaries. Necessary adjustments are booked when material intervening events occur and affect the financial position or result of operations for the period between the subsidiary's year-end reporting date and the consolidated reporting date.
(2) Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments with original maturities of three months or less.
(3) Receivables – The Group grants credit to customers who are primarily retailers and wholesalers in Japan.
(4) Inventories – Inventories are stated at the lower of cost and net realizable value. Cost is determined by the average cost method.
(5) Marketable Securities and Investments – The Group's investments in debt securities and marketable equity securities (included in marketable securities and other investment securities) are classified as available-for-sale based on the Group's intent and ability to hold and the nature of the securities. Investments classified as available-for-sale are reported at fair value with unrealized holding gains and losses, which are recorded in accumulated other comprehensive income (loss), net of applicable income taxes. All other investment securities are stated at cost unless the value is considered to have been impaired.

The Group regularly reviews investments in debt securities and marketable equity securities for impairment based on criteria that include the extent to which the securities' carrying values exceed those related market prices, the duration of the market decline, and the Group's ability and intent to hold the investments. Other investment securities stated at cost are reviewed periodically for impairment.
(6) Depreciation – The straight-line method is used for property, plant and equipment. Depreciation expense includes depreciation related to capital lease assets which are depreciated over the shorter of lease terms or estimated useful lives. The ranges of estimated useful lives used in the computation of depreciation are mainly as follows:

Buildings	20 – 40 years
Machinery and equipment	5 – 15 years

(7) Impairment of Long-Lived Assets – The Group applies Accounting Standards Codification ("ASC") Topic 360, "Property, Plant, and Equipment," and ASC Topic 205, "Presentation of Financial Statements." ASC Topic 360 provides one accounting model for the impairment or disposal of long-lived assets. ASC Topic 205 provides the criteria for classifying an asset as held for sale, defines the scope of business to be disposed of that qualifies for reporting as discontinued operations and the timing of recognizing losses on such operations.

In accordance with ASC Topic 360, management reviews long-lived assets for impairment of value whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. If the Group determines that they are unable to recover the carrying value of the assets, the assets are written down using an appropriate method.

In accordance with ASC Topic 205, the Group presents the results of discontinued operations as a separate line item in the consolidated statements of income under income (loss) from discontinued operations – net of applicable income taxes, as it occurs.

(8) Goodwill and Other Intangible Assets – The Group applies ASC Topic 350, "Intangibles—Goodwill and Other." ASC Topic 350 requires that goodwill not be amortized, but instead be tested for impairment at least annually. ASC Topic 350 also requires recognized intangible assets be amortized over their respective estimated useful lives and tested for impairment. Any recognized intangible assets determined to have indefinite useful lives are not to be amortized, but instead are tested for impairment until their lives are determined to no longer be indefinite.

(9) Business Combinations – The Group applies ASC Topic 805, "Business Combinations." In accordance with the provisions of ASC Topic 805, the acquisition of a business is accounted for using the acquisition method of accounting.

(10) Retirement and Severance Programs – The Group applies ASC Topic 715, "Compensation—Retirement Benefits," to account for the Group's employee retirement and severance programs.

As allowed under ASC Topic 715, the Group does not recognize gain or loss on settlement of the pension obligations when the cost of all settlements during a year is less than or equal to the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year.

(11) Fair Value of Financial Instruments – The Group discloses the fair value of financial instruments in the notes to consolidated financial statements. When the fair value approximates the book value, no additional disclosure is made. Fair values are estimated using quoted market prices, estimates obtained from brokers and other appropriate valuation techniques based on information available at March 31, 2018 and 2017.

(12) Fair Value Measurements – The Group applies ASC Topic 820, "Fair Value Measurement." For more information, see Note 15, "Fair Value Measurements."

(13) Income Taxes – The Group applies ASC Topic 740, "Income Taxes." In accordance with the provisions of ASC Topic 740, deferred tax assets and liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities, and tax losses and credits which can be carried forward, using the enacted tax rate applicable to periods in which the differences are expected to affect taxable income. Deferred income tax charges or credits are based on changes in deferred tax assets and liabilities from period to period, subject to an ongoing assessment of realization. ASC Topic 740 also prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

A provision for income taxes is not recorded on undistributed earnings of subsidiaries where NH Foods Ltd. considers that such earnings are permanently invested or where, under the present Japanese tax law, such earnings would not be subject to additional taxation should they be distributed to the Group.

The Group recognizes tax-related interest and penalties in income taxes in the consolidated statements of income.

(14) Per Share Amounts – Basic Earnings Per Share ("EPS") is computed by dividing net income attributable to NH Foods Ltd. by the weighted-average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income attributable to NH Foods Ltd. by the sum of the weighted-average number of common shares outstanding plus the dilutive effect of shares issuable through stock options and convertible bonds.

The net income attributable to NH Foods Ltd. and shares used for basic EPS and diluted EPS are reconciled below:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Net Income (Numerator):				
Net income attributable to NH Foods Ltd.	**¥37,147**	¥35,004	¥21,779	**$350,443**
Dilutive effect of convertible bonds	**37**	57	59	**349**
Diluted net income attributable to NH Foods Ltd. shareholders	**¥37,184**	¥35,061	¥21,838	**$350,792**

	Thousands of Shares		
	2018	2017	2016
Shares (Denominator):			
Average shares outstanding for basic earnings per share	**106,602**	101,912	101,851
Dilutive effect of stock options	**52**	80	86
Dilutive effect of convertible bonds	**2,048**	6,712	6,769
Average shares outstanding for diluted earnings per share	**108,702**	108,704	108,706

(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 attributable to NH Foods Ltd. shareholders and Diluted earnings per share attributable to NH Foods Ltd. shareholders were computed on the assumption that the share consolidation was carried out at the beginning of the year ended March 31, 2016.

(15) Revenue Recognition – The Group recognizes revenue when the product is received by the customer, at which time title and risk of loss pass to the customer. Taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statements of income.

(16) Transfer through the Posting System – On December 10, 2017, Hokkaido Nippon Ham Fighters Baseball Club Co., Ltd., a subsidiary of the Company, recorded a fee of ¥2,273 million, for the transfer of Shohei Ohtani to Los Angeles Angels of Anaheim of the Major League Baseball under the "United States-Japan Player Contract Agreement."

(17) Sales Promotion Expenses and Rebates – The Group accounts for promotion expenses and rebates in accordance with the provisions of ASC Topic 605, "Revenue Recognition." ASC Topic 605 requires that certain sales promotion expenses and rebates be classified as a reduction of net sales, rather than as selling, general and administrative expenses.

(18) Advertising – Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to ¥10,515 million ($99,198 thousand), ¥10,233 million and ¥11,104 million for the years ended March 31, 2018, 2017 and 2016, respectively.

(19) Research and Development – Research and development costs are expensed as incurred. Research and development costs amounted to ¥2,898 million ($27,340 thousand), ¥2,643 million and ¥2,689 million for the years ended March 31, 2018, 2017 and 2016, respectively.

(20) Derivative Instruments and Hedging Activities – The Group accounts for derivative instruments and hedging activities in accordance with ASC Topic 815, "Derivatives and Hedging." ASC Topic 815 requires that all derivative instruments be recognized as assets or liabilities on the balance sheet and measured at fair value. Changes in the fair value of derivative instruments are recognized in either income or other comprehensive income, depending on the designated purpose of the derivative instruments.

(21) Guarantees – The Group accounts for guarantees in accordance with ASC Topic 460, "Guarantees," which addresses the disclosure to be made by a guarantor in its financial statements about its obligations under guarantees. ASC Topic 460 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. ASC Topic 460 requires the guarantor to recognize at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee.

(22) Recent Accounting Pronouncements:

Simplifying the Measurement of Inventory – The Group adopted Accounting Standard Update ("ASU") 2015-11, "Simplifying the Measurement of Inventory," which amends ASC Topic 330, "Inventory," for the years ended March 31, 2018. This update requires an entity to measure inventory within the scope of this update at the lower of cost and net realizable value. The adoption of this update had no significant impact on the consolidated financial statements.

Revenue from Contracts with Customers – In May 2014, Financial Accounting Standard Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 creates a new Topic 606, "Revenue from Contracts with Customers," and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance of ASC Topic 605, "Revenue Recognition." An entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires the additional disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Revenue from Contracts with Customers (Deferral of the Effective Date) – In August 2015, FASB issued ASU 2015-14, "Revenue from Contracts with Customers - Deferral of the Effective Date." This update defers the effective date of ASU 2014-09, "Revenue from Contracts with Customers," for one year mainly because ASU 2014-09 was issued approximately nine months later than FASB had anticipated when it selected the effective date. With this update, ASU 2014-09 will be effective for annual reporting periods, beginning after December 15, 2017, including interim periods within that reporting period. Early adoption of ASU 2014-09 is still permitted but not before the original effective date for public business entities (annual reporting periods beginning after December 15, 2016). The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Balance Sheet Classification of Deferred Taxes – The Group adopted ASU 2015-17, which amends the guidance in ASC Topic 740, "Income Taxes," for the year ended March 31, 2018. This update requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. The adoption of this update had no significant impact on the consolidated financial statements. The Group adopted this update toward the future from the year ended March 31, 2018. The adjustments have not been made to the past consolidated financial statements retrospectively.

Recognition and Measurement of Financial Assets and Financial Liabilities – In January 2016, FASB issued ASU 2016-01 which amends ASC Subtopic, 825-10 "Financial Instruments – Overall." This update mainly requires equity investments to be measured at fair value with changes in fair value recognized in net income and changes related disclosures. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Except for the early application guidance discussed in this update, early adoption of the amendments is not permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Leases – In February 2016, FASB issued ASU 2016-02 "Leases." ASU 2016-02 creates a new ASC Topic 842, "Leases," and supersedes ASC Topic 840, "Leases." This update mainly requires the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous Generally Accepted Accounting Principles ("GAAP"). It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Simplifying the Transition to the Equity Method of Accounting – The Group adopted ASU 2016-07 "Simplifying the Transition to the Equity Method of Accounting" which amends ASC Topic 323, "Investments - Equity Method and Joint Ventures." This update eliminates the requirement that an entity retrospectively adopt the equity method if an investment qualifies for the equity method as a result of an increase in the level of ownership or degree of influence. The adoption of this update had no significant impact on the consolidated financial statements.

2. INVENTORIES

Inventories at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Finished goods and merchandise	**¥ 82,099**	¥ 81,525	**$ 774,519**
Raw materials and work-in-process	**42,048**	46,444	**396,679**
Supplies	**3,758**	4,728	**35,453**
Total	**¥127,905**	¥132,697	**$1,206,651**

The Group recognized losses of ¥748 million ($7,057 thousand), ¥756 million and ¥863 million from writing inventories down to net realizable value, which were included in cost of goods sold in the consolidated statements of income for the years ended March 31, 2018, 2017 and 2016, respectively.

3. MARKETABLE SECURITIES AND INVESTMENTS

The table below presents the aggregate cost, gross unrealized holding gains, gross unrealized holding losses and the aggregate fair value of available-for-sale securities included in other investment securities at March 31, 2018 and 2017:

	Millions of Yen				Millions of Yen				Thousands of U.S. Dollars			
	2018				2017				**2018**			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:												
Domestic stocks:												
Retail industry	**¥4,194**	**¥5,409**	**¥0**	**¥9,603**	¥4,493	¥5,443	¥0	¥9,936	**$39,566**	**$51,028**	**$0**	**$90,594**
Others	**8,740**	**8,548**	**(11)**	**17,277**	6,595	6,984	(15)	13,564	**82,453**	**80,643**	**(104)**	**162,992**
Stock acquisition rights		**1,280**		**1,280**		1,000		1,000		**12,075**		**12,075**
Mutual funds	**250**			**250**	250	0		250	**2,358**			**2,358**
Total	**¥13,184**	**¥15,237**	**¥(11)**	**¥28,410**	¥11,338	¥13,427	¥(15)	¥24,750	**$124,377**	**$143,746**	**$(104)**	**$268,019**

Fair value and gross unrealized holding losses of available-for-sale securities aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position, at March 31, 2018 and 2017 were as follows. There were no investments in a continuous unrealized loss position for 12 months or more at March 31, 2018 and 2017:

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		**2018**	
	Less than 12 Months		Less than 12 Months		Less than 12 Months	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Domestic stocks:						
Retail industry	**¥ 3**	**¥ 0**	¥ 4	¥ 0	**$ 28**	**$ 0**
Others	**2,340**	**(11)**	485	(15)	**22,075**	**(104)**
Total	**¥2,343**	**¥(11)**	¥489	¥(15)	**$22,103**	**$(104)**

The proceeds from sales of available-for-sale securities were ¥1,788 million ($16,868 thousand), ¥397 million and ¥280 million for the years ended March 31, 2018, 2017 and 2016, respectively. These sales resulted in gross realized gains and losses as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Realized gains	**¥1,248**	¥163	¥149	**$11,774**
Realized losses		0	0	

In determining realized gains and losses, the cost of securities sold was based on the moving average cost of all shares of such security held at the time of sale.

Non-marketable equity securities, for which there is no practicable method to estimate fair values, were carried at their cost of ¥4,125 million ($38,915 thousand) and ¥4,078 million at March 31, 2018 and 2017, respectively.

During the year ended March 31, 2018, due to the acquisition of 30% of the shares of Panus Poultry Group Company Limited, the difference of ¥7,035 million ($66,368 thousand), which mainly resulted from goodwill under the equity method, between the carrying amount and the amount of underlying equity in net assets as of March 31, 2018. Regarding the other associated companies, the differences between the amount at which an investment is carried and the amount of underlying equity in net assets at March 31, 2018 and 2017 were not monetarily significant.

The carrying values and fair values of marketable securities in investments in associated companies at March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Carrying values of marketable securities	**¥2,245**	¥1,955	**$21,179**
Fair values of marketable securities	**3,511**	3,057	**33,123**

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Land	**¥ 86,956**	¥ 87,033	**$ 820,340**
Buildings	**300,175**	290,831	**2,831,839**
Machinery and equipment	**246,813**	239,127	**2,328,425**
Construction in progress	**9,070**	2,629	**85,566**
Total	**643,014**	619,620	**6,066,170**
Less accumulated depreciation	**(335,456)**	(336,256)	**(3,164,679)**
Property, plant and equipment - net	**¥ 307,558**	¥ 283,364	**$ 2,901,491**

Depreciation expense of property, plant and equipment was ¥19,828 million ($187,057 thousand), ¥18,275 million and ¥17,144 million for the years ended March 31, 2018, 2017 and 2016, respectively. The Group recorded a net profit of ¥1,747 million ($16,481 thousand), a net loss of ¥137 million and a net loss of ¥765 million on dispositions of property, plant and equipment, for the years ended March 31, 2018, 2017 and 2016, respectively. The profit and losses for the years ended March 31, 2018, 2017 and 2016 were included in other operating costs and expenses (income) – net in the consolidated statements of income.

5. INTANGIBLE ASSETS

Intangible assets subject to amortization included in intangible assets in the consolidated balance sheets at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Software	**¥25,805**	**¥22,838**	¥25,283	¥22,254	**$243,443**	**$215,453**
Software in progress	**745**		275		**7,028**	
Other	**2,506**	**585**	974	627	**23,642**	**5,519**
Total	**¥29,056**	**¥23,423**	¥26,532	¥22,881	**$274,113**	**$220,972**

Intangible assets not subject to amortization at March 31, 2018 and 2017 were immaterial.

Amortization expense was ¥1,406 million ($13,264 thousand), ¥1,226 million and ¥1,392 million for the years ended March 31, 2018, 2017 and 2016, respectively.

The weighted-average amortization periods of intangible assets acquired during the years ended March 31, 2018 and 2017 were approximately 15 years and 7 years, respectively.

Estimated amortization expense for the next five years ending March 31 is as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2019	¥1,441	$13,594
2020	1,240	11,698
2021	1,033	9,745
2022	623	5,877
2023	382	3,604

The gross amount and accumulated impairment losses of goodwill at March 31, 2018 were ¥9,927 million ($93,651 thousand) and ¥5,573 million ($52,575 thousand), respectively. Changes in the carrying amounts of goodwill for the year ended March 31, 2018 consisted of an increase of ¥3,976 million ($37,509 thousand) due to the acquisition of Breeders & Packers Uruguay S.A. ("BPU"), which is described in Note 17, and a decrease of ¥173 million ($1,632 thousand) due to foreign exchange translation adjustments, resulting in an overall net increase of ¥3,803 million ($35,877 thousand).

The gross amount and accumulated impairment losses of goodwill at March 31, 2017 were ¥6,719 million and ¥6,168 million. Changes in the carrying amounts of goodwill for the year ended March 31, 2017 were mainly caused by foreign exchange translation adjustments and were not significant for the Group's operations.

The goodwill was mainly included in the Overseas Business Division in the operating segment information.

6. IMPAIRMENT OF LONG-LIVED ASSETS

The Group recognized impairment losses of ¥1,631 million ($15,387 thousand) and ¥2,285 for the year ended March 31, 2018 and 2017, respectively. The impairment losses relate principally to idle assets and to assets used for business which were related to the Processed Foods Business Division and were reported in other operating costs and expenses (income) – net in the consolidated statements of income. The impairment losses were resulted mainly from a decline in market value of the assets and a decline in profitability of certain subsidiaries.

The Group recognized impairment losses of ¥3,391 million for the year ended March 31, 2016. The impairment losses relate principally to the intangible assets of Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi ("Ege-Tav") and to idle assets which were related to the Processed Foods Business Division and were reported in other operating costs and expenses (income) – net in the consolidated statements of income. The impairment losses related to Ege-Tav were resulted from the revision of its business plan due to the deterioration of external environment such as avian influenza and the heightening of geopolitical risks in Turkey. The impairment losses related to the Processed Foods Business Division were resulted mainly from a decline in market value of the assets.

The fair value of assets related to the Processed Foods Business Division was calculated based on independent appraisal or market value whichever the management considers the most appropriate.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term bank loans outstanding at March 31, 2018 and 2017 ranged from 0.3% to 6.6% and 1.0% to 11.0%, respectively.

NH Foods Ltd. entered into contracts with financial institutions for committed credit lines.

As of March 31, 2018 and 2017, the amounts of total and unexercised committed credit lines were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Total committed credit lines	**¥75,000**	¥75,000	**$707,547**
Unexercised committed credit lines	**75,000**	75,000	**707,547**

Unexercised committed credit lines were available for immediate borrowings.

Long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Long-term debt with collateral:			
Mainly banks and insurance companies, maturing through 2019, interest rate at 1.5% in 2018 interest rate at 1.5% in 2017	**¥ 131**	¥ 262	**$ 1,236**
Long-term debt without collateral:			
Mainly banks and insurance companies, maturing through 2025, interest rates ranging from 0.5% to 1.7% in 2018 and 0.5% to 1.0% in 2017	**34,303**	33,691	**323,612**
2.01% bonds due December 2017		9,996	
0.551% bonds due September 2019	**9,989**	9,982	**94,236**
0.934% bonds due September 2022	**9,977**	9,971	**94,123**
Euro yen zero coupon convertible bonds due September 2018			
Conversion price, ¥2,205.6 per share	**5,212**	14,098	**49,170**
Capital lease obligations, interest rates ranging from 0.0% to 4.9% in 2018 maturing through 2035, and from 0.0% to 3.0% in 2017 maturing through 2035	**10,890**	11,480	**102,736**
Total	**70,502**	89,480	**665,113**
Less current maturities	**(8,051)**	(12,822)	**(75,953)**
Long-term debt, less current maturities	**¥62,451**	¥ 76,658	**$589,160**

The euro yen zero coupon convertible bonds due September 2018 have a conversion limitation clause and a call option clause (cash settlement type). The unconverted portion of these bonds on September 26, 2018 (maturity date) will be redeemed at 100% of the face amount. For the year ended March 31, 2018, ¥8,940 million (face amount) of the convertible bonds was converted into 2,026,656 shares of common stock at a conversion price of ¥4,411.2 per share. For the year ended March 31, 2017, ¥15,840 million (face amount) of the convertible bonds was converted into 3,574,007 shares of common stock at a conversion price of ¥4,432.0 per share. The conversion price of these stock acquisition rights is ¥4,411.2 ($41.62) and ¥4,432.0, and the increasing number of common stock upon exercise of the stock acquisition rights and issuance of new shares is 1,183,351 and 3,194,946 for the years ended March 31, 2018 and 2017, respectively.

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, and thereby the number of options and the exercise price were adjusted retrospectively.

As of March 31, 2018 and 2017, the bonds mentioned above were separately accounted for the equity and liabilities as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Component of equity:			
Carrying amount	**¥ 59**	¥ 159	**$ 557**
Component of liability:			
Principle amount	**5,220**	14,160	**49,245**
Less unamortized discounts	**(8)**	(62)	**(75)**
Net carrying amount	**¥5,212**	¥14,098	**$49,170**

At March 31, 2018, the aggregate annual maturities of long-term debt were as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2019	**¥ 8,051**	**$ 75,953**
2020	**12,346**	**116,472**
2021	**1,930**	**18,208**
2022	**1,418**	**13,377**
2023	**19,440**	**183,396**
Thereafter	**27,317**	**257,707**
Total	**¥70,502**	**$665,113**

At March 31, 2018, property, plant and equipment with a net book value of ¥810 million ($7,642 thousand) was pledged as collateral for long-term debt of ¥131 million ($1,236 thousand), and inventories of ¥760 million ($7,170 thousand) were pledged as collateral for short-term bank loans of ¥300 million ($2,830 thousand).

Substantially all the short-term and long-term loans from banks are made under agreements which provide as is customary in Japan that under certain conditions, the banks may require the Group to provide collateral (or additional collateral) or guarantors with respect to the loans, or may treat any collateral, whether furnished as security for short-term and long-term loans or otherwise, as collateral for all indebtedness to such banks. Default provisions of certain agreements grant certain rights of possession to the banks.

8. INCOME TAXES

Through the application of the consolidated tax filing system, the amount of taxable income for national income tax purposes is calculated by combining the taxable income of NH Foods Ltd. and its wholly owned subsidiaries located in Japan. In addition, the realizable amounts of deferred tax assets relating to national income tax as of March 31, 2018 and 2017 were assessed based on the estimated future taxable income of NH Foods Ltd. and its wholly owned subsidiaries located in Japan.

Income taxes in Japan applicable to NH Foods Ltd. and domestic subsidiaries, imposed by the national, prefectural and municipal governments, in the aggregate resulted in a normal effective statutory tax rate of approximately 31.0% for the year ended March 31, 2018 and 2017, and 33.0% for the year ended March 31, 2016. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective income tax rates reflected in the consolidated statements of income differed from the normal Japanese statutory tax rates for the following reasons:

	2018	2017	2016
Normal Japanese statutory tax rates	**31.0%**	31.0%	33.0%
Increase (decrease) in taxes resulting from:			
Difference in foreign subsidiaries tax rates	**(0.1)**	(0.2)	(0.7)
Change in the valuation allowance	**1.1**	0.1	(2.5)
Impact from restructuring of certain subsidiaries	**(3.0)**	(0.4)	
Permanently non-deductible expenses	**0.8**	1.3	1.8
Tax credit	**(2.5)**	(2.3)	(2.6)
Tax rate change			2.3
Impairment losses of goodwill			7.2
Other – net	**0.7**	0.1	(1.3)
Effective income tax rates	**28.0%**	29.6%	37.2%

The approximate effects of temporary differences, net operating loss and tax credit carryforwards that gave rise to deferred tax balances at March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Inventories	**¥ 51**	¥ 119	**$ 481**
Certain accrued prefectural income taxes	**765**	841	**7,217**
Accrued bonuses	**3,241**	3,166	**30,575**
Liability under retirement and severance programs	**6,065**	6,268	**57,217**
Fixed assets	**3,967**	3,869	**37,425**
Other temporary differences	**3,838**	3,498	**36,208**
Net operating loss and tax credit carryforwards	**4,267**	4,214	**40,255**
Total	**22,194**	21,975	**209,378**
Less valuation allowance	**(4,807)**	(4,372)	**(45,349)**
Total deferred tax assets	**17,387**	17,603	**164,029**
Deferred tax liabilities:			
Securities	**(3,960)**	(3,404)	**(37,359)**
Inventories	**(857)**	(1,310)	**(8,085)**
Investments in subsidiaries	**(181)**	(2,194)	**(1,708)**
Fixed assets	**(168)**	(335)	**(1,585)**
Other temporary differences	**(325)**	(46)	**(3,066)**
Total deferred tax liabilities	**(5,491)**	(7,289)	**(51,803)**
Net deferred tax assets	**¥11,896**	¥10,314	**$112,226**

The net changes in the total valuation allowance for the years ended March 31, 2018 and 2017 were an increase of ¥435 million ($4,104 thousand) and an increase of ¥453 million, respectively.

At March 31, 2018, the net operating loss carryforwards of the Group for corporate income tax and local income tax purposes amounted to ¥11,625 million ($109,670 thousand) and ¥9,151 million ($86,330 thousand), respectively. The net operating loss carryforwards for corporate income tax and local income tax purposes subject to expiration in the period from 2019 to 2023 were ¥1,951 million ($18,406 thousand) and ¥1,336 million ($12,604 thousand), respectively. The remaining balances for corporate income tax and local income tax purposes, ¥9,674 million ($91,264 thousand) and ¥7,815 million ($73,726 thousand), respectively, will expire in years beyond 2023 or have an indefinite carryforward period. At March 31, 2018, the Group also had tax credit carryforwards of ¥333 million ($3,142 thousand), of which ¥241 million ($2,274 thousand) will expire within five years while the remaining ¥92 million ($868 thousand) will expire beyond 2023 or have an indefinite carryforward period.

The portion of the undistributed earnings of foreign subsidiaries which is deemed to be permanently invested amounted to ¥32,312 million ($304,830 thousand) at March 31, 2018. Provisions are not made for taxes on undistributed earnings and cumulative translation adjustments of foreign subsidiaries whose earnings are deemed to be permanently invested.

The Group recognizes tax-related interest and penalties in income taxes in the consolidated statements of income. Total amounts of tax-related interest and penalties recognized in the consolidated statements of income for the years ended March 31, 2018, 2017 and 2016 were not significant.

The Group files income tax returns in Japan and various foreign tax jurisdictions. NH Foods Ltd. and its major domestic subsidiaries are no longer subject to, with limited exception, income tax examinations by tax authorities for years ended on or before March 31, 2017. Major subsidiaries in the United States, Australia and other foreign countries are no longer subject to, with limited exception, income tax examinations by tax authorities for years ended on or before March 31, 2010.

9. RETIREMENT AND SEVERANCE PROGRAMS

NH Foods Ltd. has a contributory pension plan and a lump-sum severance indemnities plan based on a formula for determining benefits including “point-based benefits system” under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification, performance and years of service. Market-related interest is added to the benefit of the contributory pension plan. The pension plans provide for annuity payments for the periods of 10 to 20 years commencing with mandatory retirement. NH Foods Ltd. also introduced a defined contribution pension plan. Certain of NH Foods Ltd.’s subsidiaries have defined benefit pension plans, lump-sum severance plans and defined contribution plans. Assumptions used for those plans were generally the same as those used for NH Foods Ltd.’s plans.

The Group recognized the defined contribution cost of ¥1,833 million ($17,292 thousand), ¥1,701 million and ¥1,800 million for the years ended March 31, 2018, 2017 and 2016, respectively.

Net periodic benefit cost under the Group’s retirement and severance programs for the years ended March 31, 2018, 2017 and 2016 included the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Service cost	**¥3,047**	¥3,081	¥2,734	**$28,745**
Interest cost	**104**	44	329	**981**
Expected return on plan assets	**(786)**	(757)	(808)	**(7,415)**
Amortization of prior service credit	**(161)**	(193)	(160)	**(1,519)**
Recognized actuarial loss	**471**	613	372	**4,443**
Settlement loss	**88**	252	79	**830**
Net periodic benefit cost	**¥2,763**	¥3,040	¥2,546	**$26,065**

The following table sets forth various information about the Group's plans as of March 31, 2018 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Changes in the projected benefit obligations:			
Projected benefit obligations at the beginning of the year	¥56,081	¥57,372	$529,066
Service cost	3,047	3,081	28,745
Interest cost	104	44	981
Actuarial loss (gain)	296	(744)	2,792
Benefits paid:			
Settlement paid	(1,535)	(2,090)	(14,481)
Others	(1,339)	(1,328)	(12,632)
Transfer to defined contribution pension plan		(254)	
Projected benefit obligations at the end of the year	56,654	56,081	534,471
Changes in fair value of plan assets:			
Fair value of plan assets at the beginning of the year	47,271	45,381	445,953
Actual gain on plan assets	1,952	1,836	18,415
Employer contribution	1,037	1,762	9,783
Benefits paid:			
Settlement paid	(156)	(133)	(1,472)
Others	(1,339)	(1,328)	(12,632)
Transfer to defined contribution pension plan		(247)	
Fair value of plan assets at the end of the year	48,765	47,271	460,047
Funded status at the end of the year	¥ (7,889)	¥ (8,810)	$ (74,424)

Amounts recognized by the Group in the consolidated balance sheets at March 31, 2018 and 2017 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prepaid benefit cost	¥ 5,700	¥ 4,473	$ 53,774
Accrued expenses	(556)	(604)	(5,245)
Accrued benefit liability	(13,033)	(12,679)	(122,953)
Total	¥ (7,889)	¥ (8,810)	$ (74,424)

Amounts recognized by the Group in accumulated other comprehensive loss at March 31, 2018 and 2017 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Actuarial loss	¥9,193	¥10,622	$86,726
Prior service credit	(675)	(836)	(6,368)
Total	¥8,518	¥ 9,786	$80,358

The Group's accumulated benefit obligations for defined benefit plans at March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Accumulated benefit obligations	¥56,654	¥56,081	$534,471

The projected benefit obligations and the fair value of the plan assets for the Group's pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of the plan assets for the Group's pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥20,922**	¥28,063	**$197,377**
Fair value of plan assets	**7,333**	14,780	**69,179**
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**20,922**	28,063	**197,377**
Fair value of plan assets	**7,333**	14,780	**69,179**

Amounts recognized by the Group in the other comprehensive (income) loss and reclassification adjustments of the other comprehensive (income) loss for the years ended March 31, 2018, 2017 and 2016 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Current year actuarial (gain) loss	**¥(870)**	¥(1,830)	¥6,294	**$(8,208)**
Recognition of actuarial loss	**(559)**	(865)	(451)	**(5,273)**
Amortization of prior service credit	**161**	193	160	**1,519**

The estimated prior service credit and actuarial loss for the Group's defined benefit pension plans that will be amortized from accumulated other comprehensive gain into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service credit	**¥(161)**	**$(1,519)**
Actuarial loss	**411**	**3,877**

Assumptions

Weighted-average assumptions used to determine the Group's benefit obligations at March 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	**0.1%**	0.2%

Weighted-average assumptions used to determine the Group's net periodic benefit cost for the years ended March 31, 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Discount rate	**0.2%**	0.1%	0.6%
Expected long-term rate of return on plan assets	**2.5%**	2.5%	2.7%

NH Foods Ltd. has a contributory pension plan and a lump-sum severance indemnities plan to establish a formula for determining benefits including point-based benefits system. Accordingly, rate of increase in future compensation levels was not used to determine net periodic benefit cost for the years ended March 31, 2018, 2017 and 2016.

NH Foods Ltd.'s expected long-term rate of return was determined by estimating the future rate of return of each plan asset considering actual historical returns.

Assumptions used for plans of NH Foods Ltd.'s subsidiaries were generally the same as those used for NH Foods Ltd.'s plans.

Plan Assets

The Group's fundamental policy for the investment of plan assets is to secure the necessary profit on a long term basis to enable the Group to fund the payments for future pension benefits to eligible participants. Plan assets are allocated in accordance with the plan assets allocation policy, which is established for the purpose of achieving a stable rate of return on a mid to long term basis, by taking into account the expected rate of return on each plan asset, a standard deviation and a correlation coefficient. The variance between expected long-term return and actual return on invested plan assets is evaluated on an annual basis. The plan assets allocation policy is revised, when considered necessary, to achieve the expected long-term rate of return.

The Group's portfolio consists of four major components: approximately 41% is invested in equity securities, approximately 13% is invested in debt securities, approximately 21% is invested in life insurance company general accounts, and approximately 25% is invested in mutual funds and other investment vehicles.

The equity securities consist primarily of stocks that are listed on the stock exchanges. The Group investigates the business condition of the investee companies and appropriately diversifies investments by industry types and other relevant factors. The debt securities consist primarily of government bonds, public debt instruments and corporate bonds. The Group investigates the quality of the bonds, including credit rating, interest rate and repayment dates, and appropriately diversifies the investments. Mutual funds are invested using the strategy consistent with the equity and debt securities described above. As for the life insurance company general accounts, life insurance companies guarantee certain interest rate and repayment of principal.

The target asset allocation of the Group's defined benefit pension plans by asset class was 15% for equity securities, 23% for debt securities, 27% for life insurance company general accounts and 35% for others for the year ended March 31, 2018, and the target allocation for the year ending March 31, 2019 is 15% for equity securities, 23% for debt securities, 26% for life insurance company general accounts and 36% for others. Plan assets of the employee retirement benefit trust were included in plan assets, which amounted to ¥16,746 million ($157,981 thousand) and ¥15,910 million for the years ended March 31, 2018 and 2017, respectively.

The fair values of the Group's pension plans' asset allocations at March 31, 2018 and 2017 by asset class were as follows:

	Millions of Yen									
	2018					2017				
Asset class:	Level 1	Level 2	Level 3	Net asset value	Total	Level 1	Level 2	Level 3	Net asset value	Total
Equity securities:										
Domestic stocks	**¥15,973**				**¥15,973**	¥15,157				¥15,157
Foreign stocks	**4,166**				**4,166**	3,005				3,005
Debt securities:										
Japanese government bonds and domestic public debt instruments	**2,043**				**2,043**	2,097				2,097
Domestic corporate bonds	**1,290**				**1,290**	1,595				1,595
Foreign government bonds and foreign public debt instruments	**2,867**				**2,867**	2,407				2,407
Foreign corporate bonds	**159**				**159**	115				115
Life insurance company general accounts		**¥10,030**			**10,030**		¥9,091			9,091
Others:										
Mutual funds		**43**		**¥8,145**	**8,188**		39		¥8,337	8,376
Others	**4,049**				**4,049**	5,418	10			5,428
Total	**¥30,547**	**¥10,073**		**¥8,145**	**¥48,765**	¥29,794	¥9,140		¥8,337	¥47,271

	Thousands of U.S. Dollars				
	2018				
Asset class:	Level 1	Level 2	Level 3	Net asset value	Total
Equity securities:					
Domestic stocks	**$150,689**				**$150,689**
Foreign stocks	**39,302**				**39,302**
Debt securities:					
Japanese government bonds and domestic public debt instruments	**19,274**				**19,274**
Domestic corporate bonds	**12,170**				**12,170**
Foreign government bonds and foreign public debt instruments	**27,047**				**27,047**
Foreign corporate bonds	**1,500**				**1,500**
Life insurance company general accounts		**$94,623**			**94,623**
Others:					
Mutual funds		**406**		**$76,839**	**77,245**
Others	**38,197**				**38,197**
Total	**$288,179**	**$95,029**		**$76,839**	**$460,047**

Level 1 assets are comprised principally of equity securities and government bonds, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are comprised principally of mutual funds that invest in equity and debt securities, and investments in life insurance company general accounts. Most of mutual funds are not categorized within the fair value hierarchy as they are valued using the net asset value provided by investment management companies.

Contributions

The Group expects to contribute ¥912 million ($8,604 thousand) to the defined benefit pension plans in the year ending March 31, 2019.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future services, as appropriate, are expected to be made by the Group:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 2,599	$ 24,519
2020	2,706	25,528
2021	2,615	24,670
2022	2,812	26,528
2023	3,263	30,783
2024 – 2028	16,632	156,906

Additionally, the Group provided for directors' retirement allowances of ¥622 million ($5,868 thousand) and ¥589 million at March 31, 2018 and 2017, respectively, based on the Group's internal regulations.

10. STOCK-BASED COMPENSATION

On May 9, 2008, the Board of Directors resolved to abolish the stock option plan except for those stock options granted before March 31, 2008.

A summary of option activity under NH Foods Ltd.'s stock option plan at March 31, 2018 and changes during the year then ended were as follows:

	Shares	Yen	Years	Millions of Yen	U.S. Dollars	Thousands of U.S. Dollars
	Number of Options	Exercise Price	Average Remaining Contractual Life	Aggregate Intrinsic Value	Exercise Price	Aggregate Intrinsic Value
Outstanding at March 31, 2017	**74,000**	**¥2**			**$0**	
Exercised	**(32,000)**	**2**			**0**	
Outstanding at March 31, 2018	**42,000**	**2**	**6.3**	**¥183**	**0**	**$1,726**
Exercisable at March 31, 2018	**14,000**	**¥2**	**3.2**	**¥ 61**	**$0**	**$ 575**

The total intrinsic values of options exercised during the years ended March 31, 2018, 2017 and 2016 were ¥206 million ($1,943 thousand), ¥54 million and ¥17 million, respectively.

Cash received from options exercised for the years ended March 31, 2018, 2017 and 2016 was immaterial.

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, and thereby the number of options and the exercise price were adjusted retrospectively.

The exercise price of options after the share consolidation is ¥1 per share.

11. EQUITY

Companies in Japan are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Companies Act, companies in Japan can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies in Japan that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company prescribed so in its articles of incorporation. NH Foods Ltd. meets all the above criteria.

The Companies Act permits companies in Japan to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount available for dividends under the Companies Act is based on the amount recorded in NH Foods Ltd.'s nonconsolidated books of accounts in accordance with Japanese accounting practices. The amount available for dividends under the Companies Act as of March 31, 2018 was ¥126,297 million ($1,191,481 thousand).

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of a legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, additional paid-in capital and a legal reserve may be reversed upon resolution of the shareholders. The Companies Act also provides that common stock, a legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies in Japan to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

On May 20, 1993, NH Foods Ltd. made a stock split by way of a free share distribution at the rate of 0.1 shares for each outstanding share, and 20,703,062 shares were issued to shareholders of record on March 31, 1993, resulting in no change in the balance of common stock or capital surplus. Corporations in the United States issuing shares in similar transactions would be required to account for them by reducing retained earnings and increasing appropriate capital accounts by an amount equal to the fair value of the shares issued. If such United States practice had been applied to the fiscal 1994 free share distribution made by NH Foods Ltd., capital surplus would have increased by ¥33,746 million with a corresponding decrease in unappropriated retained earnings.

12. OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) for the years ended March 31, 2018, 2017 and 2016 was as follows:

	Millions of Yen			Thousands of U.S. dollars		
	2018			2018		
	Before-Tax Amount	Income Tax	After-Tax Amount	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized gains on securities available-for-sale:						
Balance, April 1, 2017	¥13,404	¥(4,754)	¥ 8,650	$126,453	$(44,849)	$ 81,604
Other comprehensive income before reclassification	3,028	(939)	2,089	28,566	(8,858)	19,708
Amounts reclassified from accumulated other comprehensive income	(1,214)	376	(838)	(11,454)	3,547	(7,907)
Other comprehensive income	1,814	(563)	1,251	17,112	(5,311)	11,801
Other comprehensive income attributable to noncontrolling interests	(1)	0	(1)	(9)	0	(9)
Balance, March 31, 2018	15,217	(5,317)	9,900	143,556	(50,160)	93,396
Pension liability adjustments:						
Balance, April 1, 2017	(9,784)	6,128	(3,656)	(92,302)	57,811	(34,491)
Other comprehensive income before reclassification	870	(270)	600	8,208	(2,547)	5,661
Amounts reclassified from accumulated other comprehensive loss	398	(123)	275	3,754	(1,160)	2,594
Other comprehensive income	1,268	(393)	875	11,962	(3,707)	8,255
Other comprehensive income attributable to noncontrolling interests	0	0	0	0	0	0
Balance, March 31, 2018	(8,516)	5,735	(2,781)	(80,340)	54,104	(26,236)
Foreign currency translation adjustments:						
Balance, April 1, 2017	(2,989)		(2,989)	(28,198)		(28,198)
Other comprehensive loss before reclassification	(2,537)		(2,537)	(23,934)		(23,934)
Amounts reclassified from accumulated other comprehensive loss	1,937		1,937	18,274		18,274
Other comprehensive loss	(600)		(600)	(5,660)		(5,660)
Other comprehensive loss attributable to noncontrolling interests	133		133	1,254		1,254
Balance, March 31, 2018	(3,456)		(3,456)	(32,604)		(32,604)
Total, Accumulated other comprehensive income:						
Balance, April 1, 2017	631	1,374	2,005	5,953	12,962	18,915
Other comprehensive income before reclassification	1,361	(1,209)	152	12,840	(11,405)	1,435
Amounts reclassified from accumulated other comprehensive loss	1,121	253	1,374	10,574	2,387	12,961
Other comprehensive income	2,482	(956)	1,526	23,414	(9,018)	14,396
Other comprehensive loss attributable to noncontrolling interests	132	0	132	1,245	0	1,245
Balance, March 31, 2018	¥ 3,245	¥ 418	¥ 3,663	$ 30,612	$ 3,944	$ 34,556

Reclassification from accumulated other comprehensive income and loss (before-tax amount) of net unrealized gains on securities available-for-sale and foreign currency translation adjustments are included in other income (expenses) - net. Reclassification from accumulated other comprehensive loss (before-tax amount) of pension liability adjustments is included in net periodic benefit cost.

	Millions of Yen		
	2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized gains on securities available-for-sale:			
Balance, April 1, 2016	¥ 8,966	¥(3,378)	¥ 5,588
Other comprehensive income before reclassification	4,171	(1,293)	2,878
Amounts reclassified from accumulated other comprehensive loss	268	(83)	185
Other comprehensive income	4,439	(1,376)	3,063
Other comprehensive income attributable to noncontrolling interests	(1)	0	(1)
Balance, March 31, 2017	13,404	(4,754)	8,650
Pension liability adjustments:			
Balance, April 1, 2016	(12,279)	6,902	(5,377)
Other comprehensive income before reclassification	1,830	(567)	1,263
Amounts reclassified from accumulated other comprehensive loss	672	(208)	464
Other comprehensive income	2,502	(775)	1,727
Other comprehensive income attributable to noncontrolling interests	(7)	1	(6)
Balance, March 31, 2017	(9,784)	6,128	(3,656)
Foreign currency translation adjustments:			
Balance, April 1, 2016	(1,726)		(1,726)
Other comprehensive loss before reclassification	(1,709)		(1,709)
Amounts reclassified from accumulated other comprehensive income	(177)		(177)
Other comprehensive loss	(1,886)		(1,886)
Other comprehensive loss attributable to noncontrolling interests	623		623
Balance, March 31, 2017	(2,989)		(2,989)
Total, Accumulated other comprehensive income (loss):			
Balance, April 1, 2016	(5,039)	3,524	(1,515)
Other comprehensive income before reclassification	4,292	(1,860)	2,432
Amounts reclassified from accumulated other comprehensive loss	763	(291)	472
Other comprehensive income	5,055	(2,151)	2,904
Other comprehensive loss attributable to noncontrolling interests	615	1	616
Balance, March 31, 2017	¥ 631	¥ 1,374	¥ 2,005

	Millions of Yen		
	2016		
	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized gains on securities available-for-sale:			
Balance, April 1, 2015	¥ 9,963	¥(3,699)	¥ 6,264
Other comprehensive loss before reclassification	(847)	273	(574)
Amounts reclassified from accumulated other comprehensive income	(151)	48	(103)
Other comprehensive loss	(998)	321	(677)
Other comprehensive loss attributable to noncontrolling interests	1	0	1
Balance, March 31, 2016	8,966	(3,378)	5,588
Pension liability adjustments:			
Balance, April 1, 2015	(6,286)	4,984	(1,302)
Other comprehensive loss before reclassification	(6,294)	2,014	(4,280)
Amounts reclassified from accumulated other comprehensive loss	291	(93)	198
Other comprehensive loss	(6,003)	1,921	(4,082)
Other comprehensive loss attributable to noncontrolling interests	10	(3)	7
Balance, March 31, 2016	(12,279)	6,902	(5,377)
Foreign currency translation adjustments:			
Balance, April 1, 2015	3,164		3,164
Other comprehensive loss before reclassification	(5,391)		(5,391)
Amounts reclassified from accumulated other comprehensive income	(144)		(144)
Other comprehensive loss	(5,535)		(5,535)
Other comprehensive loss attributable to noncontrolling interests	645		645
Balance, March 31, 2016	(1,726)		(1,726)
Total, Accumulated other comprehensive income (loss):			
Balance, April 1, 2015	6,841	1,285	8,126
Other comprehensive loss before reclassification	(12,532)	2,287	(10,245)
Amounts reclassified from accumulated other comprehensive income	(4)	(45)	(49)
Other comprehensive loss	(12,536)	2,242	(10,294)
Other comprehensive loss attributable to noncontrolling interests	656	(3)	653
Balance, March 31, 2016	¥ (5,039)	¥ 3,524	¥ (1,515)

13. LEASED ASSETS AND RENT EXPENSE

The Group leases certain buildings, machinery and equipment under capital leases. The amounts of these leased assets included in the consolidated balance sheets at March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Buildings	**¥ 4,558**	¥ 4,558	**$ 43,000**
Machinery and equipment	**15,580**	15,072	**146,981**
Subtotal	**20,138**	19,630	**189,981**
Less accumulated depreciation	**(9,421)**	(8,320)	**(88,877)**
Total	**¥10,717**	¥11,310	**$101,104**

The following is a schedule of the future minimum lease payments under capital leases together with the present value of net minimum lease payments which were included in the consolidated balance sheet at March 31, 2018:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2019	**¥ 2,732**	**$ 25,773**
2020	**2,378**	**22,434**
2021	**1,775**	**16,745**
2022	**1,253**	**11,821**
2023	**790**	**7,453**
Thereafter	**2,530**	**23,868**
Total minimum lease payments	**11,458**	**108,094**
Less amount representing interest	**(568)**	**(5,358)**
Present value of net minimum lease payments	**10,890**	**102,736**
Less current capital lease obligations	**(2,644)**	**(24,943)**
Long-term capital lease obligations	**¥ 8,246**	**$ 77,793**

The Group also leases office space, employee housing and office equipment under operating leases. Rent expense under these leases amounted to ¥9,919 million ($93,575 thousand), ¥9,735 million and ¥9,695 million for the years ended March 31, 2018, 2017 and 2016, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2018 are as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2019	**¥ 2,302**	**$ 21,717**
2020	**2,241**	**21,142**
2021	**2,132**	**20,113**
2022	**969**	**9,142**
2023	**599**	**5,651**
Thereafter	**2,458**	**23,189**
Total minimum lease payments	**¥10,701**	**$100,954**

14. FOREIGN CURRENCY TRANSACTION GAINS AND LOSSES

Foreign currency transaction net loss of ¥1,003 million ($9,462 thousand), net loss of ¥2,199 million and net loss of ¥468 million were included in the determination of net income for the years ended March 31, 2018, 2017 and 2016, respectively.

15. FAIR VALUE MEASUREMENTS

ASC Topic 820 clarifies fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. ASC Topic 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. Under ASC Topic 820, the Group is required to classify certain assets and liabilities based on the following fair value hierarchy:

Level 1 Input — Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date

Level 2 Input — Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 Input — Unobservable inputs for the assets or liabilities

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2018 and 2017 were as follows:

	Millions of Yen									
	2018					2017				
Assets:	Level 1	Level 2	Level 3	Net asset value	Total	Level 1	Level 2	Level 3	Net asset value	Total
Domestic stocks:										
Retail industry	¥ 9,603				¥ 9,603	¥ 9,936				¥ 9,936
Others	17,277				17,277	13,564				13,564
Stock acquisition rights	1,280				1,280	1,000				1,000
Derivative instruments (Note 16)		¥112			112		¥871			871
Mutual funds				¥250	250				¥250	250
Total assets	¥28,160	¥112		¥250	¥28,522	¥24,500	¥871		¥250	¥25,621

	Millions of Yen									
	2018					2017				
Liabilities:	Level 1	Level 2	Level 3	Net asset value	Total	Level 1	Level 2	Level 3	Net asset value	Total
Derivative instruments (Note 16)		¥1,846			¥1,846		¥720			¥720
Total liabilities		¥1,846			¥1,846		¥720			¥720

	Thousands of U.S. Dollars				
	2018				
Assets:	Level 1	Level 2	Level 3	Net asset value	Total
Domestic stocks:					
Retail industry	$ 90,594				$ 90,594
Others	162,992				162,992
Stock acquisition rights	12,075				12,075
Derivative instruments (Note 16)		$1,057			1,057
Mutual funds				$2,358	2,358
Total assets	$265,661	$1,057		$2,358	$269,076

	Thousands of U.S. Dollars				
	2018				
Liabilities:	Level 1	Level 2	Level 3	Net asset value	Total
Derivative instruments (Note 16)		$17,415			$17,415
Total liabilities		$17,415			$17,415

Mutual funds are not categorized within the fair value hierarchy as they are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient.

Valuation processes and techniques used to measure fair value are as follows:

Domestic stocks and stock acquisition rights

Domestic stocks and stock acquisition rights are measured at fair value using quoted prices in active markets for identical assets. These inputs fall within Level 1.

Derivative instruments

Derivative instruments consist of foreign currency forward exchange contracts and interest rate swap contracts. Foreign currency forward exchange contracts and interest rate swap contracts are measured at fair value using discounted cash flow model matched to the contractual terms with observable market data such as forward exchange rates and market interest rates, which fall within Level 2.

Mutual funds

Mutual funds are measured at fair value using the net asset value provided by financial institutions.

The table below shows assets measured at fair value on a nonrecurring basis during the years ended March 31, 2018 and 2017, of which, ¥11 million ($104 thousand) and ¥139 million of long-lived assets have already been sold to a third party for the years ended March 31, 2018 and 2017, respectively:

	Millions of Yen				
	2018				
	Level 1	Level 2	Level 3	Net asset value	Total
Non-marketable equity securities			**¥ 4**		**¥ 4**
Non-marketable Mutual funds				**¥250**	**250**
Long-lived assets			**2,445**		**2,445**

	Millions of Yen				
	2017				
	Level 1	Level 2	Level 3	Net asset value	Total
Non-marketable equity securities			¥ 1		¥ 1
Long-lived assets			3,994		3,994

	Thousands of U.S. Dollars				
	2018				
	Level 1	Level 2	Level 3	Net asset value	Total
Non-marketable equity securities			**$ 38**		**$ 38**
Non-marketable Mutual funds				**$2,358**	**2,358**
Long-lived assets			**23,066**		**23,066**

Mutual funds are not categorized within the fair value hierarchy as they are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient.

Valuation processes and techniques used to measure fair value are as follows:

Non-marketable equity securities

In accordance with ASC Topic 320, “Investments – Debt and Equity Securities,” the Group recognized impairment losses on non-marketable equity securities when their fair values were below the carrying amounts and the decline in fair values was considered to be other than temporary. These non-marketable equity securities were measured at fair value using unobservable inputs based mainly on the valuation by the cost approach, which fell within Level 3.

Non-marketable Mutual funds

In accordance with ASC Topic 321, “Investments-Equity Securities,” the Group recognized impairment losses on non-marketable mutual funds when their fair values were below the carrying amounts and the decline in fair values was considered to be other than temporary. These non-marketable mutual funds were measured at fair value using the net asset value provided by financial institutions.

Long-lived assets

In accordance with ASC Topic 360, the Group recognized impairment losses on long-lived assets when the carrying amounts of the assets are considered to be unrecoverable. These long-lived assets were measured at fair value using unobservable inputs such as future expected cash flows and the prices calculated based upon market data for comparable assets, which fell within Level 3.

The carrying amounts and fair values of financial instruments at March 31, 2018 and 2017 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale securities and stock acquisition rights (Note 3)	**¥ 28,410**	**¥ 28,410**	¥ 24,750	¥ 24,750	**$ 268,019**	**$ 268,019**
Derivative instruments:						
Assets	**112**	**112**	871	871	**1,057**	**1,057**
Liabilities	**(1,846)**	**(1,846)**	(720)	(720)	**(17,415)**	**(17,415)**
Long-term debt	**(59,612)**	**(60,829)**	(78,000)	(79,645)	**(562,378)**	**(573,858)**

The carrying amounts of all other financial instruments approximate their estimated fair values. The fair values of long-term debt are estimated using quoted market prices for identical debt or present values of cash flows using borrowing rates currently available to NH Foods Ltd. for bank loans with similar terms, which fall within Level 2.

The Group does not have any significant concentration of business transacted with an individual counter-party or groups of counter-parties that could severely impact their operations.

16. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Group is exposed to certain risks relating to their ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk (principally in U.S. dollars), interest rate risk and commodity price risk. The Group uses foreign currency exchange contracts and cross-currency swap contracts to mitigate foreign currency exchange rate risk. NH Foods Ltd. uses interest rate swap contracts and cross-currency swap contracts to mitigate interest rate risk relating to floating-rate borrowing. Commodity futures contracts are entered into to mitigate commodity price risk.

The Group documents its risk management objectives and strategies for undertaking hedge transactions. All derivative financial instruments are entered into under these objectives and strategies and related rules which regulate transactions.

ASC Topic 815, “Derivatives and Hedging,” requires the Group to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet.

Derivative instruments which do not qualify for hedge accounting

These derivative instruments are used to mitigate foreign currency exchange rate risk, interest rate risk and commodity price risk. The changes in fair value of such derivative instruments are recorded in earnings immediately.

At March 31, 2018 and 2017, contract amounts or notional principal amounts of derivative instruments that do not qualify for hedge accounting are set forth below:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Interest rate swap contracts	**¥ 3,000**	¥ 3,000	**$ 28,302**
Foreign currency forward exchange contracts	**76,661**	76,477	**723,217**

The Group also has a policy that derivatives are not used for other than hedging activities. As of March 31, 2018, the Group had no significant concentration of credit risk. The Group’s derivative instruments contained no provisions that require the Group’s debt to maintain an investment grade credit rating from each of the major credit rating agencies.

The location and fair value amounts of derivative instruments on the consolidated balance sheets as of March 31, 2018 and 2017 were as follows:

	Millions of Yen			
	2018			
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under ASC Topic 815:				
Interest rate swap contracts			Other current liabilities	¥ 23
			Other long-term liabilities	75
Foreign currency forward exchange contracts	Other current assets	¥112	Other current liabilities	1,748
Total (Note 15)		¥112		¥1,846

	Millions of Yen			
	2017			
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under ASC Topic 815:				
Interest rate swap contracts			Other current liabilities	¥114
Foreign currency forward exchange contracts	Other current assets	¥871	Other current liabilities	606
Total (Note 15)		¥871		¥720

	Thousands of U.S. Dollars			
	2018			
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under ASC Topic 815:				
Interest rate swap contracts			Other current liabilities	$ 217
			Other long-term liabilities	708
Foreign currency forward exchange contracts	Other current assets	$1,057	Other current liabilities	16,490
Total (Note 15)		$1,057		$17,415

The effects of derivative instruments not designated or qualifying as hedging instruments under ASC Topic 815 on the consolidated statements of income for the years ended March 31, 2018, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Amount of Gain or (Loss) Recognized in Income on Derivatives		Amount of Gain or (Loss) Recognized in Income on Derivatives
	Location	**2018**	**2018**
Interest rate swap contracts	Interest expense	**¥ (7)**	**$ (66)**
Foreign currency forward exchange contracts	Net sales	**413**	**3,896**
	Cost of goods sold	**1,960**	**18,491**
Total		**¥2,366**	**$22,321**

	Millions of Yen	
	Amount of Gain or (Loss) Recognized in Income on Derivatives	
	Location	2017
Interest rate swap contracts	Interest expense	¥ 17
Foreign currency forward exchange contracts	Net sales	706
	Cost of goods sold	2,304
Cross-currency swap contracts	Interest expense	(2)
	Other income (expenses) – net	(907)
Commodity futures contracts (Note 19)	Loss from discontinued operations – net of applicable income taxes	195
Total		¥2,313

	Millions of Yen	
	Amount of Gain or (Loss) Recognized in Income on Derivatives	
	Location	2016
Interest rate swap contracts	Interest expense	¥ (91)
Foreign currency forward exchange contracts and currency swap contracts	Net sales	583
	Cost of goods sold	(1,358)
Cross-currency swap contracts	Interest expense	11
	Other income (expenses) – net	(196)
Commodity futures contracts (Note 19)	Income from discontinued operations – net of applicable income taxes	(91)
Total		¥(1,142)

17. BUSINESS COMBINATION

On June 1, 2017, the Group acquired 100% of the outstanding voting shares of BPU, a meat processing company in the Oriental Republic of Uruguay, for the purpose of expanding the beef production business which is currently being operated mainly in Australia, and BPU became a subsidiary of the Group.

The fair value of the consideration paid for the acquired BPU shares was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2018	2018
Fair value of consideration paid (cash)	¥14,343	$135,310
Total	¥14,343	$135,310

In addition, the purchase price was adjusted to ¥14,343 million ($129,183 thousand) from the initial ¥14,549 million ($131,038 thousand) pursuant to the price adjustment clause. The United States dollar amounts are converted at the rate as of the remittance date.

Further, the expenses incurred in relation to the share acquisition were ¥494 million ($4,660 thousand), which were included in "Selling, general and administrative expenses" in the consolidated statements of income.

The fair value allocated to the assets acquired and liabilities assumed of BPU (after adjustment of provisional amounts) at the acquisition date was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2018	2018
Cash and cash equivalents	¥ 939	$ 8,858
Trade notes and accounts receivable	1,296	12,226
Inventories	2,205	20,802
Property, plant and equipment	7,398	69,792
Intangible assets	1,578	14,887
Other assets	799	7,538
Trade notes and accounts payable	(2,402)	(22,660)
Other liabilities	(1,446)	(13,642)
Total net assets acquired	10,367	97,801
Goodwill	3,976	37,509
Total	¥14,343	$135,310

The Group measures the fair value of the acquired assets and assumed liabilities in accordance with ASC 805, "Business Combinations."

The fair value measurement was completed during the year ended March 31, 2018, and intangible assets increased by ¥1,557 million ($14,689 thousand), deferred tax liability increased by ¥389 million ($3,670 thousand), and goodwill decreased by ¥1,168 million ($11,019 thousand) from the initial provisional amounts, respectively.

Of the Intangible assets above, ¥1,557 million ($14,689 thousand) were subject to amortization, which include an intangible asset of ¥882 million ($8,321 thousand) with a 12-year useful life pertaining to the relationship with a supplier and an intangible asset of ¥675 million ($6,368 thousand) with a 4-year useful life pertaining to export quotas.

The goodwill was generated mainly due to synergies and excess earning capabilities expected in future business development, and was included in the Overseas Business Division in Note 18. Such goodwill is not deductible for tax purposes.

18. SEGMENT INFORMATION

ASC Topic 280, "Segment Reporting," requires a public business entity to report information about operating segments in financial statements. Operating segments are defined as components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The operating segments are determined based on the nature of the products and services offered, as well as the areas where sales or services offered.

The operating segments of the Group consist of the following four business groups:

Processed Foods Business Division – Domestic production and sales of mainly hams and sausages, and processed foods

Fresh Meats Business Division – Domestic production and sales of mainly fresh meats

Affiliated Business Division – Domestic production and sales of mainly marine products and dairy products

Overseas Business Division – Production and sales of mainly hams and sausages, processed foods, fresh meats and marine products at overseas subsidiaries

Intersegment transactions are made with reference to prevailing market prices.

The following table presents certain information regarding the Group's operating segments at March 31, 2018, 2017 and 2016 and for the years then ended:

Operating segment information

	Millions of Yen						
	2018						
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales:							
External customers	**¥342,040**	**¥664,909**	**¥159,674**	**¥125,234**	**¥1,291,857**	**¥ (22,656)**	**¥1,269,201**
Intersegment	**13,458**	**113,508**	**3,874**	**128,607**	**259,447**	**(259,447)**	
Total	**355,498**	**778,417**	**163,548**	**253,841**	**1,551,304**	**(282,103)**	**1,269,201**
Operating expenses	**349,631**	**732,263**	**161,936**	**258,583**	**1,502,413**	**(282,430)**	**1,219,983**
Segment profit (loss)	**5,867**	**46,154**	**1,612**	**(4,742)**	**48,891**	**327**	**49,218**
Assets	**189,745**	**336,455**	**80,500**	**123,187**	**729,887**	**25,189**	**755,076**
Depreciation and amortization	**6,292**	**7,911**	**2,075**	**2,530**	**18,808**	**2,426**	**21,234**
Capital expenditures	**13,789**	**15,575**	**6,439**	**4,823**	**40,626**	**840**	**41,466**

	Millions of Yen						
	2017						
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales:							
External customers	¥334,249	¥642,118	¥155,930	¥ 91,566	¥1,223,863	¥ (21,570)	¥1,202,293
Intersegment	14,004	99,447	3,111	122,818	239,380	(239,380)	
Total	348,253	741,565	159,041	214,384	1,463,243	(260,950)	1,202,293
Operating expenses	340,342	697,667	155,295	215,635	1,408,939	(260,448)	1,148,491
Segment profit (loss)	7,911	43,898	3,746	(1,251)	54,304	(502)	53,802
Assets	173,480	328,463	71,505	104,965	678,413	41,863	720,276
Depreciation and amortization	5,951	7,183	1,914	2,104	17,152	2,349	19,501
Capital expenditures	11,306	22,125	3,847	3,568	40,846	2,896	43,742

	Millions of Yen						
	2016						
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales:							
External customers	¥324,302	¥654,151	¥155,772	¥116,250	¥1,250,475	¥ (21,151)	¥1,229,324
Intersegment	13,823	99,783	2,889	128,444	244,939	(244,939)	
Total	338,125	753,934	158,661	244,694	1,495,414	(266,090)	1,229,324
Operating expenses	334,227	714,965	156,420	241,129	1,446,741	(266,624)	1,180,117
Segment profit	3,898	38,969	2,241	3,565	48,673	534	49,207
Assets	171,482	311,506	68,498	93,950	645,436	29,213	674,649
Depreciation and amortization	5,797	6,776	1,637	2,122	16,332	2,204	18,536
Capital expenditures	9,386	11,889	7,111	3,916	32,302	4,290	36,592

	Thousands of U.S. Dollars						
	2018						
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales:							
External customers	$3,226,792	$6,272,726	$1,506,358	$1,181,453	$12,187,329	$ (213,735)	$11,973,594
Intersegment	126,962	1,070,830	36,547	1,213,274	2,447,613	(2,447,613)	
Total	3,353,754	7,343,556	1,542,905	2,394,727	14,634,942	(2,661,348)	11,973,594
Operating expenses	3,298,406	6,908,142	1,527,698	2,439,462	14,173,708	(2,664,434)	11,509,274
Segment profit (loss)	55,348	435,414	15,207	(44,735)	461,234	3,086	464,320
Assets	1,790,047	3,174,104	759,434	1,162,142	6,885,727	237,632	7,123,359
Depreciation and amortization	59,358	74,632	19,575	23,868	177,433	22,888	200,321
Capital expenditures	130,085	146,934	60,745	45,500	383,264	7,925	391,189

1. “Eliminations, adjustments and others” includes unallocated items and intersegment eliminations.
2. Except for a few unallocated items, corporate overhead expenses and profit and loss of certain subsidiaries are allocated to each reportable operating segment. These subsidiaries provide indirect services and operational support for the Group included in each reportable operating segment.
3. Segment profit (loss) represents net sales less cost of goods sold and selling, general and administrative expenses.
4. Unallocated corporate assets included in “Eliminations, adjustments and others” mainly consist of cash and other investment securities of NH Foods Ltd.
5. Depreciation and amortization consist of depreciation of property, plant and equipment and amortization of intangible assets. Depreciation and amortization related to each reportable segment do not include those which are included in the corporate overhead expenses and profit and loss of certain subsidiaries as described at 2 above.
6. Capital expenditures represent the additions to property, plant and equipment and intangible assets.

The following table shows reconciliations of the total of the segment profit (loss) to income from continuing operations before income taxes and equity in earnings (losses) of associated companies for the years ended March 31, 2018, 2017 and 2016:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Segment profit (loss) total	¥48,891	¥54,304	¥48,673	$461,234
Other operating costs and expenses (income) – net	(66)	5,320	11,849	(623)
Gain from the transfer through the posting system	2,273			21,443
Interest expenses	1,172	1,140	1,384	11,057
Other income (expenses) - net	70	1,770	(665)	660
Eliminations, adjustments and others	327	(502)	534	3,086
Income from continuing operations before income taxes and equity in earnings (losses) of associated companies	¥50,455	¥49,112	¥35,309	$475,989

Net sales to external customers by products for the years ended March 31, 2018, 2017 and 2016 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Hams and sausages	¥ 140,363	¥ 141,362	¥ 141,459	$ 1,324,179
Processed foods	240,141	228,904	221,308	2,265,481
Fresh meats	721,387	673,871	705,495	6,805,538
Marine products	95,154	91,637	94,704	897,679
Dairy products	35,851	33,380	31,396	338,217
Others	36,305	33,139	34,962	342,500
Total	¥1,269,201	¥1,202,293	¥1,229,324	$11,973,594

Certain information by geographic areas at March 31, 2018, 2017 and 2016 and for the years then ended was as follows:

(1) Net sales to external customers

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Japan	**¥1,144,184**	¥1,110,864	¥1,113,226	**$10,794,188**
Other countries	**125,017**	91,429	116,098	**1,179,406**
Total	**¥1,269,201**	¥1,202,293	¥1,229,324	**$11,973,594**

Net sales to external customers are attributed to geographic areas based on the countries of the Group's domiciles.

(2) Long-lived assets

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Japan	**¥292,030**	¥274,935	¥253,594	**$2,755,000**
Other countries	**28,471**	18,361	18,313	**268,594**
Total	**¥320,501**	¥293,296	¥271,907	**$3,023,594**

Long-lived assets mainly consist of property, plant and equipment.

There were no sales to a single major external customer exceeding 10% of net sales for the years ended March 31, 2018, 2017 and 2016.

19. DISCONTINUED OPERATIONS

During the year ended March 31, 2017, Texas Farm, LLC, the Company's subsidiary in the United States, which engaged in the hog farming business, was transferred to Seaboard Foods LLC as a result of the review from multiple points of view, such as future prospects and asset efficiency.

As a result of this business transfer, the Company judged that the business fell under the discontinued operation in accordance with ASC Topic 205. Prior years' consolidated statements of income have been reclassified to conform to the current year's presentation to separately report the results of the discontinued operation. The discontinued operation was previously under control of the Overseas Business Division of the Group's operating segments.

The components of loss from the discontinued operation for the years ended March 31, 2017 and 2016 were summarized as follows:

	Millions of Yen	
	2017	2016
Net sales	¥3,401	¥11,404
Cost of goods sold	3,267	13,858
Selling, general and administrative expenses	284	413
Other operating costs and expenses (income) – net	35	302
Interest expense	1	2
Other income (expenses) – net	174	1
Loss from discontinued operations before income taxes	(12)	(3,170)
Income taxes	0	(60)
Loss from discontinued operations – net of applicable income taxes (Note 16)	¥ (12)	¥ (3,230)

The depreciation and capital expenditures from the discontinued operation for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	2016
Depreciation	¥264	¥909
Capital expenditures	23	207

20. COMMITMENTS AND CONTINGENT LIABILITIES

The Group guarantees certain debt of associated companies and certain suppliers. At March 31, 2018, the maximum potential amount of future payments which the Group could be required to make under these guarantees was ¥302 million ($2,849 thousand). The guarantees with suppliers are secured by certain properties and real estates.

At March 31, 2018, the Group had contractual commitments for the acquisition or construction of property, plant and equipment aggregating ¥12,381 million ($116,802 thousand). These commitments primarily related to construction and acquisition of new plants by the Group, principally due within one year.

At March 31, 2018, the Group had non-cancelable lease agreements for the logistics facilities which will commence during the year ending March 31, 2020. Future lease payments under these agreements amount to ¥4,326 million ($40,811 thousand) over 15 years.

Lease payments for the next five years ending March 31 are as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2019		
2020	¥144	$1,358
2021	288	2,717
2022	288	2,717
2023	288	2,717

21. EVENTS SUBSEQUENT TO MARCH 31, 2018

The Group evaluated subsequent events that have occurred after March 31, 2018 through the date that the Yukashouken-houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) was issued (June 27, 2018).

Cash Dividend

On May 10, 2018, the Board of Directors resolved to pay cash dividends to shareholders of record at March 31, 2018 of ¥53 ($0.50) per share for a total of ¥11,394 million ($107,491 thousand).

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of NH Foods Ltd.:

We have audited the accompanying consolidated financial statements of NH Foods Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2018, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NH Foods Ltd. and its subsidiaries as of March 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2018

Member of
Deloitte Touche Tohmatsu Limited

Management's Report on Internal Control

NOTE TO READERS:
Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, for the assessment of entity-level internal controls, the companies which represent the top 95% of consolidated net sales and other financial indicators are selected. For the assessment of internal control over business processes, the companies which cover approximately two-thirds of the previous year's consolidated net sales and cost of goods sold (excluding inter-company transactions) are selected. Additional business processes, if any, which could have a significant impact on financial reporting, are also included in the scope.
- In an assessment of ICFR under FIEA, the scope includes ICFR of equity method investees. In an assessment of ICFR under PCAOB, the scope does not include ICFR of equity method investees.

Management's Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Yoshihide Hata, President and Representative Director, and Hajime Takamatsu, Director and Managing Executive Officer and General Manager of Corporate Management Division, are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2018, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of the assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal control over business processes. Regarding certain consolidated subsidiaries and equity-method affiliated companies that did not fall within the top 95% in terms of potential financial impact, calculated using net sales and other financial indicators, we concluded that they do not have any material impact on the consolidated financial statements, and thus, did not include them in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales and cost of sales (after elimination of inter-company transactions), and the top twenty companies whose net sales and cost of sales reach two-thirds of the total sales and cost of sales on a consolidation basis, were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Supplementary information

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5. Other matters warranting special mention

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Yoshihide Hata
President and Representative Director
Hajime Takamatsu
Director and Managing Executive Officer and General Manager of Corporate Management Division
NH Foods Ltd.

INDEPENDENT AUDITOR'S REPORT

NOTE TO READERS:
Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, for the assessment of entity-level internal controls, the companies which represent the top 95% of consolidated net sales and other financial indicators are selected. For the assessment of internal control over business processes, the companies which cover approximately two-thirds of the previous year's consolidated net sales and cost of goods sold (excluding inter-company transactions) are selected. Additional business processes, if any, which could have a significant impact on financial reporting, are also included in the scope.
- In an audit of ICFR under FIEA, the scope includes ICFR of equity-method investees. In an audit of ICFR under PCAOB, the scope does not include ICFR of equity-method investees.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 27, 2018

To the Board of Directors of NH Foods Ltd.

Deloitte Touche Tohmatsu LLC
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Wakyu Shinmen
Designated Unlimited Liability Partner Engagement Partner, Certified Public Accountant: Koichi Sekiguchi
Designated Unlimited Liability Partner Engagement Partner, Certified Public Accountant: Shunsuke Matsumoto

[Audit of Financial Statements]
Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2018 of NH Foods Ltd. and its consolidated subsidiaries, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No. 11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NH Foods Ltd. and its consolidated subsidiaries as of March 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

[Audit of Internal Control]
Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of NH Foods Ltd. as of March 31, 2018.

Management's Responsibility for the Report on Internal Control
Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility
Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of NH Foods Ltd. as of March 31, 2018 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest
Our firm and the engagement partners do not have any interest in NH Foods Ltd. for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.