(English translation and a part of summary of the Annual Securities Report for the twelve-month period ended March 31, 2019, pursuant to the Financial Instruments and Exchange act of Japan.)

Annual Financial Report

For the fiscal year ended March 31, 2019

NH Foods Ltd.

V Financial Information

1. Preparation of consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of NH Foods Ltd. (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), pursuant to the provisions of Article 93 of the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976, the "Regulation on Consolidated Financial Statements").

(2) The non-consolidated financial statements of the Company have been prepared based on the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963, the "Regulation on Financial Statements").

The Company falls under the category of special companies submitting financial statements and has prepared the non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit certification

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) have been audited by Deloitte Touche Tohmatsu LLC.

3. Special measures to ensure fair presentation of consolidated financial statements and other public filings as well as internal system to appropriately prepare consolidated financial statements and other public filings in accordance with IFRS

The Company has taken special measures to ensure the fair presentation of the consolidated financial statements and other public filings and has developed an internal system to appropriately prepare the consolidated financial statements and other public filings in accordance with IFRS as follows:

(1) In order to have an appropriate understanding about the contents of the accounting standards and other principles and to develop a system so that the Company can properly respond to the changes in the accounting standards and other principles, the Company has become a member of the Financial Accounting Standards Foundation and participates in seminars held by organizations and bodies with expertise.

(2) In order to apply IFRS appropriately, the Company keeps itself updated about the latest IFRS by obtaining press releases and standards disclosed by the International Accounting Standards Board.

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statements of Financial Position

(millions of yen)

	Notes	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
(Assets)				
Current Assets				
Cash and cash equivalents	7	80,716	58,290	48,108
Trade and other receivables	8	132,423	154,781	153,260
Inventories	9	103,634	105,422	113,415
Biological assets	10	31,128	24,830	25,971
Other financial assets	31	19,919	14,558	12,041
Other current assets		4,572	4,893	5,468
Total Current Assets		372,392	362,774	358,263
Non-current Assets				
Property, plant and equipment	11	244,583	269,143	289,898
Biological assets	10	1,743	2,057	1,877
Intangible assets and goodwill	12	4,594	10,329	7,097
Investments accounted for using the equity method	13	5,100	14,426	14,400
Other financial assets	31	36,699	40,638	34,125
Deferred tax assets	14	26,547	24,772	28,004
Other non-current assets	19	10,143	10,389	7,724
Total Non-current Assets		329,409	371,754	383,125
Total Assets		701,801	734,528	741,388

(millions of yen)

	Notes	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
(Liabilities and Equity)				
Current Liabilities				
Interest-bearing liabilities	15,16,31	61,750	48,979	62,746
Trade and other payables	17	102,208	113,984	111,573
Income taxes payable	14	7,174	6,557	2,738
Other financial liabilities	31	11,123	23,560	18,123
Other current liabilities	18	36,436	38,904	38,788
Total Current Liabilities		218,691	231,984	233,968
Non-current Liabilities				
Interest-bearing liabilities	15,16,31	76,659	62,422	84,263
Retirement benefit liabilities	19	13,072	13,513	14,118
Other financial liabilities	31	6,331	1,187	1,105
Deferred tax liabilities	14	3,472	1,306	1,326
Other non-current liabilities		1,035	1,228	1,250
Total Non-current Liabilities		100,569	79,656	102,062
Total Liabilities		319,260	311,640	336,030
Equity				
Common stock	20,22	31,806	36,291	36,294
Capital surplus	20,22	64,612	72,818	72,672
Retained earnings	20,21,31	271,988	300,076	286,934
Treasury stock, at cost	20	(41)	(16)	(202)
Accumulated other comprehensive income	28,31	10,236	8,813	5,316
Total Equity Attributable to Owners of the Parent		378,601	417,982	401,014
Non-controlling Interests		3,940	4,906	4,344
Total Equity		382,541	422,888	405,358
Total Liabilities and Equity		701,801	734,528	741,388

2) Consolidated Statements of Income

(millions of yen)

	Notes	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Net Sales	23	1,258,463	1,234,180
Cost of Goods Sold	9,10,11,12	1,047,478	1,033,577
Selling, General and Administrative Expenses	11,12,24	165,155	168,338
Gain from the Transfer through the Posting System	25	2,273	-
Other Income	26	6,506	8,510
Other Expenses	12,26	3,808	9,292
Financial Income	27,31	2,220	1,427
Financial Costs	27,31	1,292	3,561
Share of Profit in Investments Accounted for Using the Equity Method	13	1,069	918
Profit before Tax		52,798	30,267
Income Tax Expense	14	15,074	11,250
Profit		37,724	19,017
Profit Attributable to:			
Owners of the Parent		37,552	19,561
Non-controlling Interests		172	(544)
Profit		37,724	19,017

Earnings per Share	29		
Earnings per share (basic)		352.26 yen	183.21 yen
Earnings per share (diluted)		350.00 yen	181.48 yen

3) Consolidated Statements of Comprehensive Income

(millions of yen)

	Notes	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Profit		37,724	19,017
Other Comprehensive Loss			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans	19,20,28	745	(1,847)
Financial assets measured at fair value through other comprehensive income	20,28,31	1,832	(4,098)
Total		2,577	(5,945)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	20,28	(2,730)	335
Share of other comprehensive income of investments accounted for using the equity method	13,20,28	70	84
Total		(2,660)	419
Total Other Comprehensive Loss		(83)	(5,526)
Comprehensive Income		37,641	13,491
Comprehensive Income Attributable to:			
Owners of the Parent		37,630	14,450
Non-controlling Interests		11	(959)
Comprehensive Income		37,641	13,491

4) Consolidated Statements of Changes in Equity

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

(millions of yen)

	Notes	Equity attributable to owners of the parent									Non-controlling interests	Total equity
						Accumulated other comprehensive income						
		Common stock	Capital surplus	Retained earnings	Treasury stock	Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal	Total		
Balance as of April 1, 2017		31,806	64,612	271,988	(41)	-	10,236	-	10,236	378,601	3,940	382,541
Profit				37,552					-	37,552	172	37,724
Other comprehensive loss	28					744	1,832	(2,498)	78	78	(161)	(83)
Comprehensive income		-	-	37,552	-	744	1,832	(2,498)	78	37,630	11	37,641
Dividends	21			(10,965)					-	(10,965)	(15)	(10,980)
Acquisition of treasury stock	20				(10)				-	(10)	-	(10)
Disposal of treasury stock	20		(33)		35				-	2	-	2
Conversion of convertible bonds	15	4,470	8,336						-	12,806	-	12,806
Issuance of new shares through exercise of stock options	22	15	(15)						-	0	-	0
Change in the ownership interest in a subsidiary			(82)						-	(82)	541	459
Capital increase of subsidiaries									-	-	357	357
Other									-	-	72	72
Transfer of accumulated other comprehensive income to retained earnings	31			1,501		(744)	(757)		(1,501)	-	-	-
Total transactions with owners		4,485	8,206	(9,464)	25	(744)	(757)	-	(1,501)	1,751	955	2,706
Balance as of March 31, 2018		36,291	72,818	300,076	(16)	-	11,311	(2,498)	8,813	417,982	4,906	422,888

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

(millions of yen)

	Notes	Equity attributable to owners of the parent									Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total		
						Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal			
Balance as of April 1, 2018		36,291	72,818	300,076	(16)	-	11,311	(2,498)	8,813	417,982	4,906	422,888
Profit				19,561					-	19,561	(544)	19,017
Other comprehensive loss	28					(1,847)	(4,098)	834	(5,111)	(5,111)	(415)	(5,526)
Comprehensive income		-	-	19,561	-	(1,847)	(4,098)	834	(5,111)	14,450	(959)	13,491
Dividends	21			(11,394)					-	(11,394)	(9)	(11,403)
Acquisition of treasury stock	20		(21)		(20,007)				-	(20,028)	-	(20,028)
Disposal of treasury stock	20		0		0				-	0	-	0
Cancellation of treasury stock	20		(126)	(19,695)	19,821				-	-	-	-
Issuance of new shares through exercise of stock options	22	3	(3)						-	0	-	0
Establishment of subsidiaries									-	-	406	406
Other			4						-	4	-	4
Transfer of accumulated other comprehensive income to retained earnings	31			(1,614)		1,847	(233)		1,614	-	-	-
Total transactions with owners		3	(146)	(32,703)	(186)	1,847	(233)	-	1,614	(31,418)	397	(31,021)
Balance as of March 31, 2019		36,294	72,672	286,934	(202)	-	6,980	(1,664)	5,316	401,014	4,344	405,358

5) Consolidated Statements of Cash Flows

(millions of yen)

	Notes	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Cash Flows from Operating Activities			
Profit before tax		52,798	30,267
Depreciation and amortization expense		21,200	22,865
Impairment losses		1,292	4,937
Decrease (increase) in fair value of biological assets		461	187
Financial income and costs		(928)	2,134
Decrease (increase) in trade and other receivables		(21,884)	1,386
Decrease (increase) in inventories		(199)	(8,113)
Decrease (increase) in biological assets		4,745	(2,110)
Decrease (increase) in other assets		(143)	2,678
Increase (decrease) in trade and other payables		9,915	(2,222)
Increase (decrease) in other liabilities		2,519	38
Others—net		(385)	(6,287)
Interest received		689	719
Dividends received		1,180	1,573
Interest paid		(1,235)	(1,273)
Income tax paid		(16,741)	(15,935)
Cash Flows from Operating Activities		53,284	30,844
Cash Flows from Investing Activities			
Acquisition of fixed assets		(31,796)	(47,504)
Proceeds from sales of fixed assets		3,181	978
Decrease (increase) in time deposits		3,602	2,836
Acquisition of other financial assets		(2,482)	(1,077)
Sale and redemption of other financial assets		1,808	527
Investments in associated companies		(8,929)	(38)
Net increase (decrease) in cash and cash equivalents resulting from purchase of business		(13,404)	-
Net increase (decrease) in cash and cash equivalents resulting from sale of business		608	-
Others—net		(782)	(832)
Cash Flows from Investing Activities		(48,194)	(45,110)
Cash Flows from Financing Activities	30		
Cash dividends		(10,980)	(11,403)
Increase (decrease) in short-term bank loans		(4,221)	9,026
Proceeds from debt		6,198	40,970
Repayments of debt		(19,074)	(16,060)
Contributions from non-controlling interests		1,063	406
Acquisition of treasury stock		(10)	(20,007)
Others—net		(86)	0
Cash Flows from Financing Activities		(27,110)	2,932
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(406)	1,152
Net Increase (Decrease) in Cash and Cash Equivalents		(22,426)	(10,182)
Cash and Cash Equivalents at the Beginning of the Year	7	80,716	58,290
Cash and Cash Equivalents at the End of the Year	7	58,290	48,108

Notes to Consolidated Financial Statements

1. Reporting company

NH Foods Ltd. (the "Company") is a stock company incorporated in Japan. The address of its registered office is Kita-ku, Osaka-shi, Osaka-fu. The main businesses of the Company and its subsidiaries (the "Group") and the affiliated companies of the Group are processing and packaging ham, sausage, and other processed food products; production and distribution of fresh meat; and production and distribution of marine products, dairy products, etc.

2. Basis of preparation of consolidated financial statements

(1) Matters on compliance with IFRS and first-time adoption

The consolidated financial statements of the Group meet the requirements of "Specified Company Complying with Designated International Accounting Standards" set forth in Article 1-2 of the Regulation on Consolidated Financial Statements (the "Regulation") and thus have been prepared in compliance with IFRS as stipulated in Article 93 of the Regulation.

The Group has adopted IFRS since the Company's consolidated fiscal year starting April 1, 2018. The annual consolidated financial statements for the consolidated fiscal year under review are the first consolidated financial statements prepared in compliance with IFRS. The transition date to IFRS is April 1, 2017 and upon transition to IFRS, IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") has been adopted. Further, the impact which the transition has on the financial condition, business performance and cash flow condition is as stated in "Note 36. First-time adoption."

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Standards and interpretations issued but not yet adopted

At the date of authorization of the consolidated financial statements, new establishment or revision mainly of the following standards and interpretations has been issued, but has not been early adopted by the Group.

Standard	Name of standard	Effective for annual period beginning on or after	To be adopted by the Group since the fiscal year ending	Outline of new establishment or revision
IFRS 16	Leases	Jan. 1, 2019	March 31, 2020	Revision of accounting treatment regarding recognition of lease transactions

IFRS 16 replaces IAS 17 "Leases" and related interpretations that have currently been applied. Under IFRS 16, a lessee does not classify leases into finance lease or operating lease categories. The new standard introduces a single lessee accounting model in which a lessee recognizes, for all leases in principle, a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. However, a lessee may elect not to apply the above requirement to short-term or low-value leases. After the initial recognition of a right-of-use asset and a lease liability, depreciation expense of the right-of-use asset and interest cost of the lease liability are subsequently recognized. In applying IFRS 16, the Group will choose to recognize the cumulative effect of the application at the date of initial application.

The impact of applying IFRS 16 on the Group's consolidated financial statements is estimated based on currently available information. In the consolidated statement of financial position at the beginning of the fiscal year ending March 31, 2020, assets and liabilities are expected to increase by approximately ¥26.0 billion and ¥26.0 billion, respectively.

3. Significant accounting policies

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

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved where the Company has power over the investee, is subject to the fluctuation of the return derived from the involvement with the investee, and has the ability to influence the return through the power which the Company has over the investee.

Financial statements of the subsidiaries are a part of the consolidation from the date the Group achieves control to the date the Group loses control. If the accounting policies adopted by the subsidiaries differ from those adopted by the Group, financial statements of these subsidiaries are adjusted as necessary. Significant intergroup transactions and balances are eliminated in preparing the consolidated financial statements.

Changes in interest of subsidiaries which do not result in loss of control are accounted for as equity transactions. Carrying amounts of total equity attributable to owners of the parent and non-controlling interests are revised to reflect the relative fluctuation of the interests in the subsidiary. The difference in the amount of non-controlling interests and the paid amount or received amount is directly recognized in equity and is allocated as total equity attributable to owners of the parent. If control over subsidiaries is lost, the difference between (1) the total of fair value of compensation received and fair value of the remaining interest and (2) assets (including goodwill) and liabilities of the subsidiary and the original carrying amount of the non-controlling interests is recognized as profit or loss. As of the date when control is lost, the fair value of the remaining investment is deemed to be the fair value at the first recognition as accounted for pursuant to IFRS 9 “Financial Instruments” (“IFRS 9”) or as the cost initially recognized for investment in associates.

If it is not acceptable for a subsidiary to settle on the consolidated closing date under the local laws where the subsidiary is located, financial statements based on provisional settlement of accounts carried out on the consolidated closing date are used as financial statements of subsidiaries with different closing dates.

2) Associates

Associates are entities on whose finance and management policies the Group has significant influence, but not control or joint control. If the Group possesses 20% to 50% of voting rights of another entity, the Group is presumed to hold significant influence over such entity.

Associates are accounted for using the equity method from the date the Group starts to have significant influence until the date such influence is lost. If the accounting policies adopted by the associates differ from those adopted by the Group, the financial statements of such associates are adjusted as necessary. Under the equity method, the invested amount is first measured at cost and thereafter the invested amount is adjusted according to the fluctuation of the Group’s interest after the acquisition in relation to net assets of the associate.

Consolidated financial statements include the financial statements of associates with different closing dates, since unification of the closing date is impracticable due to relationships with other shareholders. With regard to the financial statements of such associates, significant transactions or events which occur during the period between the different closing dates are adjusted.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method. The purchase price is measured by adding up the fair values of the assets transferred in exchange of control of the acquired company, the assumed liabilities and the equity instruments issued by the Company at the acquisition date.

Assets and liabilities which can be identified as of the acquisition date are recognized at their fair values as of the acquisition date, excluding the following items:

・Deferred tax assets (or deferred tax liabilities) and liabilities (or assets) related to employee benefit arrangements are each recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits."

・Assets or disposal groups classified as for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are recognized and measured under such standard.

If the purchase price exceeds the fair value of the identifiable assets and liabilities, it is accounted for as goodwill in the consolidated statement of financial position. On the other hand, if the compensation is less than the fair value, it is promptly recognized as profit or loss in the consolidated statement of income.

For each transaction, the Group chooses to measure the non-controlling interests either at fair value or at the proportionate share of the recognized amount of the identifiable net assets.

Acquisition-related costs which are generated in relation to the business combination are accounted for as expenses at the time of incurrence.

If the initial accounting of the business combination is not completed by the consolidated closing date when the business combination occurred, incomplete items are measured at a provisional amount based on the best estimate. Thereafter, if the new information obtained during the measurement period within one year from the acquisition date influences the measurement of the amount recognized as of the acquisition date, the provisional amount recognized as of the acquisition date is retrospectively revised.

(3) Foreign currency translation

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency. Also, each entity within the Group has designated its functional currency and transactions of each entity are measured based on such functional currency.

Transactions denominated in foreign currencies are converted into the Company's functional currency at the exchange rate as of the date of transaction or an approximate rate thereof. Monetary assets and liabilities in foreign currency are converted into the Company's functional currency based on the exchange rate as of the closing date. Translation differences which arise due to such conversion or settlement are recognized as profit or loss.

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

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

(4) Financial instruments

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

1) Non-derivative financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables as of the occurrence date. All the other financial assets are initially recognized as of the transaction date on which the Group becomes a contracting party of such financial instrument.

When the Group initially recognizes the non-derivative financial assets, they are classified into financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income or profit or loss. A summary of each classification and measurement model is as follows:

Financial assets measured at amortized cost

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

・The financial asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows

・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Financial assets measured at fair value through other comprehensive income

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

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

・The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

(b) Equity instruments measured at fair value through other comprehensive income

Among financial assets other than financial assets at amortized cost and debt instruments measured at fair value through other comprehensive income, those equity instruments which made an irrevocable option at initial recognition to display subsequent fluctuation of fair value as other comprehensive income are classified as financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income are initially measured by adding the transaction cost to the fair value.

Financial assets measured at fair value through profit or loss

Financial assets other than financial assets at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially measured at fair value and transaction costs are recognized as profit or loss at the time of occurrence.

(ii) Subsequent measurement

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

Financial assets at amortized cost

Measured at amortized cost based on the effective interest method.

Financial assets measured at fair value through other comprehensive income

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

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

Financial assets measured at fair value through profit or loss

Measured at fair value and any fluctuations are recognized as profit or loss.

(iii) Derecognition

The Group derecognizes the financial assets if the contractual rights of cash flow generated from the financial assets expire, or if the said financial asset is transferred and all the risks and rewards of ownership are transferred. With regard to the transferred financial asset, the interests created by the Group or retained continuingly by the Group are recognized as separate assets or liabilities.

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

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

If such financial asset is derecognized, the cumulative amount of gain or loss recognized through other comprehensive income is reclassified to profit or loss.

(b) Equity instrument measured at fair value through other comprehensive income

If such financial asset is derecognized, the cumulative amount of gain or loss recognized through other comprehensive income is reclassified to retained earnings and is not recognized as profit or loss.

(iv) Impairment of financial assets

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

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

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

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(iii) Derecognition

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

3) Derivative and hedge accounting

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

Changes in fair value of derivatives are recognized as profit or loss in the consolidated statement of income.

Further, the Group has not adopted hedge accounting.

4) Compound financial instruments

The Group initially recognizes and measures the liability portions of the compound financial instruments using the fair values of similar debts which do not have options to convert to equity. The equity portions are initially recognized and measured by deducting the fair values of the liability portions from the fair values of such compound financial instruments as a whole. Direct transaction costs are allocated based on the ratio of initial carrying amount of the liability portion to the equity portion.

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

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

5) Fair value of financial instruments

The fair value of financial instruments traded in active financial markets as of each closing date refers to prices such as a published price of the market. The fair value of financial instruments which do not have an active financial market is measured using an appropriate evaluation method.

6) Offsetting of financial assets and financial liabilities

If an enforceable legal right to offset the recognized amount of financial assets and financial liabilities currently exists, and there are intentions to settle based on net amount or to settle the liabilities simultaneously to the assets being realized, they are offset and presented at net amount in the consolidated statement of financial position.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid short-term investments with original maturities of three months or less that are readily convertible to cash and are subject to insignificant risk of changes in value.

(6) Inventories

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

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

(7) Agricultural accounting

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

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

(8) Property, plant and equipment

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

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

Buildings:	20 - 40 years
Machinery and equipment:	5 - 15 years

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

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

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

(9) Intangible assets and goodwill

1) Intangible assets

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

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

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

Except for intangible assets with indefinite useful lives, the estimated useful lives of main intangible assets are outlined as below:

Software: 5 years

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

2) Goodwill

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

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

(10) Leases

If all the risks and rewards incidental to ownership of an asset are substantially transferred to the Group under a contract, a lease is classified as a finance lease and other leases are classified as operating leases.

Finance leases are initially recognized on the commencement date of the lease term at the lower of the fair value of the leased asset calculated on the commencement date and the present value of the total amount of minimum lease payments. After the initial recognition, leased assets are depreciated or amortized under the straight-line method over the shorter of the estimated useful lives and lease terms. Lease payment is allocated to financial costs and repayment of lease obligations under the interest method.

For operating leases, lease payment is recognized as expenses over the lease term under the straight-line method in the consolidated statement of income.

(11) Impairment of non-financial assets

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

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

The recoverable amount of assets or cash-generating units is the higher of the fair value less costs of disposal or value in use. For calculation of value in use, estimated future cash flow is discounted to the present value by using the pre-tax discount rate which reflects the time value of money and specific risk of such asset.

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

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

If there is an indication of reversal of impairment losses, recoverable amount of the asset is estimated. Further, if such recoverable amount is more than the carrying amount, impairment losses are reversed.

The maximum amount reversed is an amount which is not higher than the carrying cost less the depreciation cost or amortization cost if impairment losses are not recognized.

Impairment losses recognized in relation to goodwill are not reversed.

(12) Post-employment benefits

The Group adopted a defined benefit plan comprised of a defined benefit corporate pension plan and retirement lump-sum severance plan and defined contribution pension plan, as post-employment benefit plans.

1) Defined benefit plan

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

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

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

2) Defined contribution pension plan

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

(13) Share-based payment

The Group has adopted the stock option plan as equity-settled share-based payment plan. The values of stock options are estimated based on fair value as of the grant date, which is recognized in the consolidated statement of income as an expense and a corresponding amount is recognized as increase of equity in the consolidated statement of financial position.

The fair value of the granted option is calculated using the Black Scholes Model and other models, and takes into account terms and conditions of the option.

(14) Revenue

The Group has early adopted IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”) on the IFRS transition date. Pursuant to IFRS 15, the Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

(15) Government grants

Regarding government grants, if the conditions for government grants are met and there is a reasonable guarantee for receiving government grants, government grant income is recognized at fair value. Government grants for incurred expenses are recognized as a profit or loss in the same consolidated fiscal year. Regarding government grants for acquiring assets, the amount of such grants is deducted from the acquisition cost of the assets.

(16) Income tax

Income tax is composed of current tax and deferred tax. Excluding items relating to business combinations and direct equity or items recognized as other comprehensive income, they are recognized as a profit or loss.

1) Current tax

Current tax is determined with the amount expected to be paid to or refunded from the tax authorities. The determination of the tax amount is based on the tax rate and tax laws that are enacted, or are substantively enacted, by the closing date of the reporting period in the country where the Group conducts its business activities and the profit or loss subject to taxation is earned.

2) Deferred tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the accounting carrying amount and the tax amount of assets and liabilities, unused tax losses and unused tax credits as of the closing date of the reporting period.

Deferred tax assets are recognized in respect of deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against such deferred tax assets. And deferred tax liabilities are, in principle, recognized in respect of future taxable temporary differences.

The carrying amount of deferred tax assets is reviewed every year, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are re-evaluated every year, and the Group recognizes deferred tax assets that were unrecognized in the past to the extent that future taxable income is highly likely to make the recovery of deferred tax assets possible.

Furthermore, deferred tax assets and liabilities are not recognized for the following temporary differences:

・Future taxable temporary differences arising from the initial recognition of goodwill
・Temporary differences that arise from the initial recognition of assets and liabilities incurred due to transactions that have no effect on accounting profits or taxable income for tax purposes, except for business combination transactions
・Taxable temporary differences on investment in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
・Deductible temporary differences on investment in subsidiaries and associates when it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are determined according to the tax rate that is expected to be applied to the year the asset is realized or the liability is settled, based on the tax rate and tax laws that are enacted, or are substantively enacted, by the closing date of the reporting period.

Deferred tax assets and liabilities are offset, if there is a legally enforceable right to set off current tax liabilities and current tax assets and such deferred tax assets and liabilities are imposed on the same taxable entity by the same tax authorities.

If an uncertain tax position of income tax being incurred is highly possible, a reasonable estimated amount is recognized as an asset or liability.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted-average number of shares of common stock outstanding during the period, adjusted for shares of treasury stock held.

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

(18) Equity

1) Common stock

Regarding shares of common stock issued by the Company, issue price is recorded in common stock and capital surplus, and direct issuance costs are excluded from the capital surplus.

2) Treasury stock

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

4. Significant accounting estimates and judgments

The Group’s consolidated financial statements include measurements of income and expenses and of assets and liabilities, and estimates and assumptions of management regarding disclosures of contingencies as of the closing date of the consolidated fiscal year. These estimates and assumptions are based on the best judgments of management that have taken into consideration past performance and various factors that can be thought to be reasonable as of the closing date of the consolidated fiscal year. Based on the nature of said assumptions, there is the possibility that the actual results will differ from these estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of the review of these estimates and assumptions are recognized during the accounting period in which such estimates and assumptions are reviewed and future accounting periods thereafter.

The judgments and estimates performed by management that have significant effects on the amounts of the consolidated financial statements are as follows:

・Range of consolidated subsidiaries and associates (Note 3. Significant accounting policies (1) Basis of consolidation)
・Fair value of financial instruments (Note 3. Significant accounting policies (4) Financial instruments, Note 31. Financial instruments)
・Fair value of biological assets (Note 3. Significant accounting policies (7) Agricultural accounting, Note 10. Biological assets)
・Impairment of non-financial assets (Note 3. Significant accounting policies (11) Impairment of non-financial assets, Note 11. Property, plant and equipment, Note 12. Intangible assets and goodwill)
・Post-employment benefits (Note 3. Significant accounting policies (12) Post-employment benefits, Note 19. Post-employment benefit plans)
・Recoverability of deferred tax assets (Note 3. Significant accounting policies (16) Income tax, Note 14. Income taxes)

5. Segment information

(1) Overview of reportable segments

The Group's reportable segments are parts of its organizational units whose financial information is individually available, and are subject to regular review by the chief operating decision maker for the purpose of deciding the allocation of its operating resources and evaluating its business performance.

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

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

Intersegment transaction prices are determined with reference to transaction prices with external customers.

(2) Information regarding the reportable segments

The reportable segment information as of April 1, 2017 and for the years ended March 31, 2018 and 2019 is as follows:

IFRS Transition Date (as of April 1, 2017)

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Segment assets	173,672	328,421	71,544	104,183	677,820	23,981	701,801
Other items							
Investments accounted for using the equity method	264	1,271	-	3,494	5,029	71	5,100

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

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
Sales to external customers	342,040	664,914	159,671	125,877	1,292,502	(34,039)	1,258,463
Intersegment sales	13,458	113,508	3,874	128,331	259,171	(259,171)	-
Total	355,498	778,422	163,545	254,208	1,551,673	(293,210)	1,258,463
Segment profit (loss)	5,865	47,167	1,651	(4,703)	49,980	(4,150)	45,830
Segment assets	189,967	336,462	80,567	122,255	729,251	5,277	734,528
Other items							
Depreciation and amortization	6,293	7,391	2,075	2,516	18,275	2,439	20,714
Capital expenditures	13,789	14,738	6,439	4,812	39,778	1,423	41,201
Investments accounted for using the equity method	266	1,273	-	12,816	14,355	71	14,426

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

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
Sales to external customers	338,854	649,820	151,781	128,540	1,268,995	(34,815)	1,234,180
Intersegment sales	14,237	107,173	3,292	126,669	251,371	(251,371)	-
Total	353,091	756,993	155,073	255,209	1,520,366	(286,186)	1,234,180
Segment profit (loss)	7,797	35,743	441	(3,753)	40,228	(7,963)	32,265
Segment assets	187,547	359,847	86,675	125,146	759,215	(17,827)	741,388
Other items							
Depreciation and amortization	6,859	8,058	2,453	2,722	20,092	2,325	22,417
Capital expenditures	11,981	19,776	9,107	4,903	45,767	2,053	47,820
Investments accounted for using the equity method	267	896	22	13,024	14,209	191	14,400

(Notes) 1. "Eliminations, adjustments and others" includes unallocated items and intersegment eliminations.
2. Except for a few unallocated items, corporate overhead expenses and profit or loss of certain subsidiaries are allocated to each reportable operating segment. These subsidiaries provide indirect services and operational support for the Group companies 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. "Segment assets" included in "Eliminations, adjustments and others" mainly consist of adjustments to fixed assets, time deposits of the Company and investment securities.
5. "Depreciation and amortization" represents depreciation and amortization expenses for property, plant and equipment and intangible assets. "Depreciation and amortization" in each reportable segment does not include depreciation and amortization expenses included in corporate overhead expenses and profit or loss of certain subsidiaries stated in Note 2.
6. "Capital expenditures" represent increases in property, plant and equipment and intangible assets.

Reconciliations of the aggregate segment profit (loss) and profit before tax for the years ended March 31, 2018 and 2019 are as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Aggregate segment profit (loss)	45,830	32,265
Gain from the transfer through the posting system	2,273	-
Other income	6,506	8,510
Other expenses	3,808	9,292
Financial income	2,220	1,427
Financial costs	1,292	3,561
Share of profit in investments accounted for using the equity method	1,069	918
Profit before tax	52,798	30,267

(3) Information about geographical areas

Sales information about geographical areas for the years ended March 31, 2018 and 2019 is as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Japan	1,132,838	1,106,029
Other areas	125,625	128,151
Total	1,258,463	1,234,180

(Note) Sales are broken down by geographical area of the distributor's domicile.

Non-current assets (excluding financial assets, deferred tax assets and assets related to retirement benefits) by geographical area as of April 1, 2017 and as of March 31, 2018 and 2019 are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Japan	236,293	252,307	271,957
Other areas	18,397	32,185	29,940
Total	254,690	284,492	301,897

(4) Information about major customers

Disclosure is omitted because there were no sales to a single external customer exceeding 10% of net sales in the consolidated statement of income.

6. Business combination

For the year ended March 31, 2018 (April 1, 2017 through March 31, 2018)

On June 1, 2017, the Group acquired 100% of the issued shares of Breeders & Packers Uruguay S.A. ("BPU") and made it a subsidiary of the Group.

The purpose of the acquisition of BPU, a meat processing company in the Oriental Republic of Uruguay, is to expand the beef production business into South America, which is currently being operated mainly in Australia.

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

(millions of yen)

Fair value of purchase price (cash)	14,343

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, which were included in "Selling, general and administrative expenses" in the consolidated statement of income for the year ended March 31, 2018.

The amount allocated to the assets acquired and liabilities assumed of BPU is as follows. As a result of the completion of allocation of the purchase price, intangible assets increased by ¥1,557 million, deferred tax liability increased by ¥389 million, and goodwill decreased by ¥1,168 million from the initial provisional fair values, respectively.

(millions of yen)

Cash and cash equivalents	939
Trade and other receivables	1,296
Inventories	2,205
Property, plant and equipment	7,398
Intangible assets	1,578
Other assets	799
Trade and other payables	(2,402)
Other liabilities	(1,446)
Total net assets acquired	10,367
Goodwill	3,976
Total	14,343

Of the intangible assets above, ¥1,557 million were subject to amortization, which include an intangible asset of ¥882 million with a 12-year useful life pertaining to the relationship with a supplier and an intangible asset of ¥675 million 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 "5. Segment information." Such goodwill is not deductible for tax purposes.

The net sales and profit of BPU that were recognized in the consolidated statement of income after control was obtained were ¥20,779 million and ¥51 million, respectively.

On the assumption that the business combination with BPU had been conducted at the beginning of the year ended March 31, 2018, pro forma information (not audited) in the consolidated statement of income for the year ended March 31, 2018 is as follows:

(millions of yen)

Net sales	1,263,578
Profit	37,341

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

Not applicable.

7. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Cash and deposits	98,980	72,656	59,602
Time deposits with maturities over three months	(18,264)	(14,366)	(11,494)
Total	80,716	58,290	48,108

(Note) The balance of "Cash and cash equivalents" in the consolidated statement of financial position matches the balance of "Cash and cash equivalents" in the consolidated statement of cash flows.

8. Trade and other receivables

Trade and other receivables consisted of the following:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Trade notes receivable	920	852	629
Accounts receivable—trade	128,534	151,090	147,967
Accounts receivable—other	3,333	3,209	5,061
Less: Allowance for doubtful receivables	(364)	(370)	(397)
Total	132,423	154,781	153,260

(Note) Trade and other receivables are classified into financial assets measured at amortized cost.

9. Inventories

Inventories consisted of the following:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Finished goods and merchandise	81,449	82,029	91,298
Raw materials and work-in-process	17,516	19,356	18,400
Supplies	4,669	4,037	3,717
Total	103,634	105,422	113,415

The amount of inventories recognized as expenses in the fiscal years ended March 31, 2018 and 2019 was ¥1,036,822 million and ¥1,021,815 million, respectively.

The Group measured inventories at the net realizable value, resulting in the write-down of ¥587 million and ¥720 million as of March 31, 2018 and 2019, respectively.

There was no significant reversal of write-down of inventories for the fiscal years ended March 31, 2018 and 2019.

10. Biological assets

The Group produces and raises cattle, hogs and chickens mainly in Japan. Overseas, the Group raises cattle in Australia, and produces and raises chickens in Turkey.

Biological assets recorded in current assets mainly consisted of three livestock species—cattle, hogs, and chickens—reared for fresh meat production. Biological assets recorded in non-current assets mainly consisted of cattle and hogs raised for breeding.

Biological assets held by the Group consisted of the following:

	IFRS Transition Date (as of April 1, 2017)		Year ended March 31, 2018 (as of March 31, 2018)		Year ended March 31, 2019 (as of March 31, 2019)	
	Amount (millions of yen)	Volume	Amount (millions of yen)	Volume	Amount (millions of yen)	Volume
Cattle	21,437	108,715	15,035	70,983	16,050	81,000
Hogs	6,284	352,367	6,406	377,048	6,421	374,681
Chickens	4,460	15,157	4,649	15,852	4,826	16,041
Others	690	10,657	797	12,318	551	10,029
Biological assets measured at fair value	32,871		26,887		27,848	
Current	31,128		24,830		25,971	
Non-current	1,743		2,057		1,877	

The production volume of biological assets for the years ended March 31, 2018 and 2019 is as follows:

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)		Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)	
	Amount (millions of yen)	Volume	Amount (millions of yen)	Volume
Cattle	37,385	161,675	23,964	108,344
Hogs	22,831	618,698	22,397	650,244
Chickens	63,506	360,843	58,451	352,714
Others	390	3,596	708	6,660

Volume units are as follows:

Cattle: heads

Hogs: heads

Chickens: tons

Changes in biological assets for the years ended March 31, 2018 and 2019 are as follows:

(millions of yen)

IFRS Transition Date (as of April 1, 2017)	32,871
Increase due to birth, purchase and breeding	85,036
Decrease due to sale	(3,891)
Decrease due to slaughter	(84,982)
Loss on changes in fair value	(982)
Exchange differences on translation	(1,165)
Total	26,887
Current	24,830
Non-current	2,057
Year ended March 31, 2018 (as of March 31, 2018)	26,887
Increase due to birth, purchase and breeding	83,811
Decrease due to sale	(3,984)
Decrease due to slaughter	(77,307)
Loss on change in fair value	(697)
Exchange differences on translation	(862)
Total	27,848
Current	25,971
Non-current	1,877
Year ended March 31, 2019 (as of March 31, 2019)	27,848

Gain (loss) on changes in the fair value of biological assets is included in "Cost of goods sold" of the consolidated statement of income.

With respect to cattle and hogs, which are the Group's biological assets, the fair value is measured according to the valuation model based on the market approach, wherein the input is the sales price of similar types of assets, and since unobservable inputs are included, it is classified as Level 3. In addition, with respect to chickens, the fair value is measured according to the valuation model based on the cost approach, wherein the acquisition costs are inputs, and since unobservable inputs are included, it is classified as Level 3.

In the Group's activities to produce biological assets, there is a time gap between cash-out for the costs of production/feeding and cash-in from sales to third parties. In order to manage such financial risk, the Group strives to maintain working capital at an appropriate level.

11. Property, plant and equipment

(1) Changes in carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses are as follows:

(millions of yen)

Carrying amount	Land	Buildings	Machinery and equipment	Construction in progress	Total
IFRS Transition Date (as of April 1, 2017)	50,489	119,306	72,382	2,406	244,583
Acquisition	1,027	5,601	14,424	18,691	39,743
Acquisition due to business combinations	218	4,183	2,975	22	7,398
Disposal	(22)	(309)	(608)	(4)	(943)
Reclassification	27	6,398	5,636	(12,062)	(1)
Depreciation	-	(8,301)	(11,005)	-	(19,306)
Impairment losses	(129)	(426)	(715)	-	(1,270)
Foreign exchange translation differences	(173)	(471)	(345)	(101)	(1,090)
Others	-	192	(19)	(144)	29
Year ended March 31, 2018 (as of March 31, 2018)	51,437	126,173	82,725	8,808	269,143
Acquisition	1,428	4,185	14,481	25,658	45,752
Disposal	(127)	(348)	(796)	(42)	(1,313)
Reclassification	(714)	16,982	11,985	(28,896)	(643)
Depreciation	-	(8,786)	(12,138)	-	(20,924)
Impairment losses	(63)	(586)	(483)	-	(1,132)
Foreign exchange translation differences	(164)	(91)	(134)	(254)	(643)
Others	-	26	6	(374)	(342)
Year ended March 31, 2019 (as of March 31, 2019)	51,797	137,555	95,646	4,900	289,898

(millions of yen)

Acquisition cost	Land	Buildings	Machinery and equipment	Construction in progress	Total
IFRS Transition Date (as of April 1, 2017)	51,183	286,789	238,989	2,406	579,367
Year ended March 31, 2018 (as of March 31, 2018)	52,066	299,721	246,502	8,808	607,097
Year ended March 31, 2019 (as of March 31, 2019)	52,264	315,432	260,887	4,900	633,483

(millions of yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings	Machinery and equipment	Construction in progress	Total
IFRS Transition Date (as of April 1, 2017)	694	167,483	166,607	-	334,784
Year ended March 31, 2018 (as of March 31, 2018)	629	173,548	163,777	-	337,954
Year ended March 31, 2019 (as of March 31, 2019)	467	177,877	165,241	-	343,585

Depreciation of property, plant and equipment is included in “Cost of goods sold” and “Selling, general and administrative expenses” in the consolidated statement of income.

The amount of expenditures for property, plant and equipment under construction is included in “Construction in progress” in the table above.

(2) Leased assets under finance leases

The carrying amount of leased assets under finance leases included in property, plant and equipment is as follows:

(millions of yen)

	Land	Buildings	Machinery and equipment	Total
IFRS Transition Date (as of April 1, 2017)	-	3,601	7,694	11,295
Year ended March 31, 2018 (as of March 31, 2018)	-	3,316	7,394	10,710
Year ended March 31, 2019 (as of March 31, 2019)	365	3,031	8,019	11,415

(3) Commitments

The amount of commitments for the acquisition of property, plant and equipment as of April 1, 2017 and as of March 31, 2018 and 2019 was ¥1,580 million, ¥12,381 million and ¥52,811 million, respectively. Commitments as of March 31, 2019 include the contract amount of ¥49,700 million for the design and construction of a new baseball stadium, which represents an expected maximum contract amount and does not mean the actual payment amount.

(4) Impairment losses

Impairment losses were included in “Other expenses” in the consolidated statement of income.

The Group recognized impairment losses on property, plant and equipment of ¥1,270 million for the fiscal year ended March 31, 2018. The impairment losses, principally associated with idle assets and assets used for business which were related to the Processed Foods Business Division, resulted mainly from a decline in market value of the assets and an expected disposal of the assets due to restructuring of the production base.

The Group recognized impairment losses on property, plant and equipment of ¥1,132 million for the fiscal year ended March 31, 2019. The impairment losses, principally associated with idle assets related to the Processed Foods Business Division, resulted mainly from a decline in market value of the assets.

The fair value less costs of disposal, which formed the basis of calculation, was determined based on the appraisal value or market value of the assets, or by other means considered appropriate by management. The determined fair value falls under the Level 3 category of the fair value hierarchy.

12. Intangible assets and goodwill

(1) Changes in carrying amount, acquisition cost, and accumulated amortization and accumulated impairment losses are as follows:

(millions of yen)

Carrying amount	Goodwill	Software	Software in progress	Other	Total
IFRS Transition Date (as of April 1, 2017)	456	3,027	279	832	4,594
Acquisition	-	631	936	319	1,886
Acquisition due to business combinations	3,976	22	-	1,556	5,554
Disposal	-	(20)	-	(1)	(21)
Reclassification	-	477	(479)	0	(2)
Amortization	-	(1,172)	-	(236)	(1,408)
Impairment losses	-	(6)	-	(15)	(21)
Exchange differences on translation	(182)	(6)	0	(96)	(284)
Others	-	0	31	0	31
Year ended March 31, 2018 (as of March 31, 2018)	4,250	2,953	767	2,359	10,329
Acquisition	-	816	1,232	1	2,049
Disposal	-	(13)	-	(4)	(17)
Reclassification	-	1,244	(1,336)	1	(91)
Amortization	-	(1,216)	-	(277)	(1,493)
Impairment losses	(3,793)	(4)	-	(8)	(3,805)
Exchange differences on translation	175	(2)	(1)	(21)	151
Others	-	10	(31)	(5)	(26)
Year ended March 31, 2019 (as of March 31, 2019)	632	3,788	631	2,046	7,097

(millions of yen)

Acquisition cost	Goodwill	Software	Software in progress	Other	Total
IFRS Transition Date (as of April 1, 2017)	3,789	24,861	279	2,948	31,877
Year ended March 31, 2018 (as of March 31, 2018)	7,176	25,829	767	4,404	38,176
Year ended March 31, 2019 (as of March 31, 2019)	6,596	27,266	631	4,030	38,523

(millions of yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Software in progress	Other	Total
IFRS Transition Date (as of April 1, 2017)	3,333	21,834	-	2,116	27,283
Year ended March 31, 2018 (as of March 31, 2018)	2,926	22,876	-	2,045	27,847
Year ended March 31, 2019 (as of March 31, 2019)	5,964	23,478	-	1,984	31,426

Amortization of intangible assets is included in “Cost of goods sold” and “Selling, general and administrative expenses” in the consolidated statement of income.

(2) R&D expenditures

The expenditures for the research and development activities expensed during the years ended March 31, 2018 and 2019 were ¥2,898 million and ¥3,159 million, respectively, which are included in “Cost of goods sold” and “Selling, general and administrative expenses” in the consolidated statement of income.

(3) Impairment test for cash-generating units including goodwill

1) Cash-generating units

The Group tests goodwill for impairment at least once by the end of each fiscal year, or whenever there is an indication that the goodwill may be impaired. The carrying amount of goodwill for each cash-generating unit is as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Breeders & Packers Uruguay S.A.	-	3,804	180
Others	456	446	452
Total	456	4,250	632

2) Calculation basis on which the recoverable amount has been determined

The major goodwill in the Group is related to Breeders & Packers Uruguay S.A.

The recoverable amount of Breeders & Packers Uruguay S.A. for the fiscal year ended March 31, 2018 was determined at the value in use. The value in use was determined by discounting to the present value the estimated cash flows that took into account the business plan approved by management and a future growth rate. The business plan covers the next five years and was prepared based on the external and internal sources of information, reflecting management's evaluation of future prospects of the industry and past data. The growth rate used for the measurement of the value in use was determined at 2.3% which is the estimated growth rate of the market to which the cash-generating unit belongs. The discount rate was determined at 10.2% on the basis of the weighted-average cost of capital (before tax), among others, of the market to which the cash-generating unit belongs.

As of March 31, 2018, the value in use exceeded the carrying amount. However, if the discount rate increases by 0.7%, impairment losses would be recognized.

The recoverable amount of Breeders & Packers Uruguay S.A. for the fiscal year ended March 31, 2019 was determined at fair value less costs of disposal. The fair value less costs of disposal was determined by applying the income approach, discounting to the present value the estimated cash flows that took into account the five-year business plan approved by management and a future growth rate. The business plan was prepared based on the external and internal sources of information, reflecting management's evaluation of future prospects of the industry and past data. The growth rate used for the measurement of the fair value was determined at 2.0% which is the estimated growth rate of the market to which the cash-generating unit belongs. The discount rate was determined at 9.1% on the basis of the weighted-average cost of capital (after tax), among others, of the market to which the cash-generating unit belongs. The fair value measurement is classified as Level 3 of the fair value hierarchy because the measurement includes significant unobservable inputs.

For the fiscal year ended March 31, 2019, due to the decreasing profitability of Breeders & Packers Uruguay S.A. in the Overseas Business Division, impairment losses of ¥3,793 million were recorded for goodwill, which is included in "Other expenses" in the consolidated statement of income.

13. Investments accounted for using the equity method

Investments in associates were accounted for using the equity method. There were no individually significant associates.

The carrying amount of the Group's interest in associates which were not individually significant is as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Carrying amount of investments accounted for using the equity method	5,100	14,426	14,400

The Group acquired 30% of the shares of Panus Poultry Group Company Limited in the fiscal year ended March 31, 2018. The differences of ¥7,081 million and ¥6,868 million resulted mainly from the goodwill under the equity method between the carrying amount and the Group's interest in net assets as of March 31, 2018 and 2019, respectively.

The Group's interest in profit, other comprehensive income and comprehensive income of associates which were not individually significant is as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Profit	1,069	918
Other comprehensive income	70	84
Comprehensive income	1,139	1,002

14. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major cause and changes thereof are as follows:

For the year ended March 31, 2018 (April 1, 2017 through March 31, 2018)

(millions of yen)

	Balance at IFRS transition date (April 1, 2017)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other	Balance at end of the year (March 31, 2018)
Deferred tax assets:					
Inventories	1,184	(27)	-	10	1,167
Accrued enterprise taxes	816	(84)	-	-	732
Accrued bonuses	3,136	68	-	-	3,204
Property, plant and equipment and intangible assets	14,485	359	-	180	15,024
Retirement benefit liabilities	5,298	247	(336)	-	5,209
Unused tax losses and unused tax credits	712	(499)	-	314	527
Other temporary differences	5,046	(1,399)	-	5	3,652
Total	30,677	(1,335)	(336)	509	29,515
Deferred tax liabilities:					
Inventories	(1,292)	391	-	-	(901)
Property, plant and equipment and intangible assets	-	-	-	(389)	(389)
Financial assets	(4,116)	34	(496)	-	(4,578)
Investments in subsidiaries	(2,194)	2,013	-	-	(181)
Total	(7,602)	2,438	(496)	(389)	(6,049)
Net deferred tax assets (liabilities)	23,075	1,103	(832)	120	23,466

(Note) The difference between deferred income tax charges and the amount recognized in profit or loss is exchange differences on translation of foreign operations.
The “Other” column includes mainly the amount of deferred tax assets and deferred tax liabilities recognized as a result of the acquisition of subsidiaries through business combination.

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

(millions of yen)

	Balance at beginning of the year (April 1, 2018)	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other	Balance at end of the year (March 31, 2019)
Deferred tax assets:					
Inventories	1,167	98	-	-	1,265
Accrued enterprise taxes	732	(212)	-	-	520
Accrued bonuses	3,204	(58)	-	-	3,146
Property, plant and equipment and intangible assets	15,024	(1,024)	-	-	14,000
Retirement benefit liabilities	5,209	297	831	-	6,337
Unused tax losses and unused tax credits	527	151	-	-	678
Other temporary differences	3,652	1,027	-	-	4,679
Total	29,515	279	831	-	30,625
Deferred tax liabilities:					
Inventories	(901)	(146)	-	-	(1,047)
Property, plant and equipment and intangible assets	(389)	175	-	-	(214)
Financial assets	(4,578)	429	1,560	-	(2,589)
Investments in subsidiaries	(181)	84	-	-	(97)
Total	(6,049)	542	1,560	-	(3,947)
Net deferred tax assets (liabilities)	23,466	821	2,391	-	26,678

(Note) The difference between deferred income tax charges and the amount recognized in profit or loss is exchange differences on translation of foreign operations.

Unused tax losses, unused tax credits and deductible temporary differences for which deferred tax assets were not recognized are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Unused tax losses and unused tax credits	15,044	16,939	21,789
Deductible temporary differences	4,230	5,285	4,596

The amount and expiration of unused tax losses and unused tax credits for which deferred tax assets were not recognized are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
1 year	203	218	142
2 years	272	165	143
3 years	253	231	438
4 years	225	479	1,052
5 years	556	740	4,596
Over 5 years	13,535	15,106	15,418
Total	15,044	16,939	21,789

The amount of future taxable temporary differences related to investments in the Group’s subsidiaries for which deferred tax liabilities were not recognized was ¥32,557 million, ¥31,896 million and ¥34,358 million as of April 1, 2017 and March 31, 2018 and 2019, respectively. This is because the Group is able to control the timing of reversing the temporary differences, and it is probable that temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

Income tax expense consisted of the following:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Current tax expense	16,500	11,766
Deferred tax expense (Note)	(1,426)	(516)
Total	15,074	11,250

(Note) Deferred tax expense arising from the write-down and the reversal of the previous write-down of deferred tax assets was not material for the fiscal years ended March 31, 2018 and 2019.

The Group is subject to income taxes, inhabitants taxes, and enterprise taxes. The effective statutory tax rate for income tax expense calculated based on these taxes was approximately 31.0% for the fiscal years ended March 31, 2018 and 2019. Foreign subsidiaries are subject to the tax rates of the countries in which they operate.

Factors that caused differences between the effective statutory tax rate and the average effective tax rate are as follows:

(%)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Effective statutory tax rate	31.0	31.0
(Adjustments)		
Difference in tax rates of foreign subsidiaries	(0.1)	0.0
Change in recoverability of deferred tax assets	0.5	2.6
Permanently non-deductible expenses	0.5	0.6
Tax credit	(2.4)	(0.9)
Impairment losses on goodwill	-	3.9
Other	(0.9)	0.0
Average effective tax rate	28.6	37.2

15. Interest-bearing liabilities

Interest-bearing liabilities consisted of the following:

(millions of yen)

Category	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
With collateral:			
Loans mainly from banks and insurance companies			
Maturing through 2019			
Interest rates: 1.5% to 3.25% (April 1, 2017)	562		
Interest rates: 1.5% to 3.25% (Year ended March 31, 2018)		431	
Interest rates: 3.25% (Year ended March 31, 2019)			300
Without collateral:			
Loans mainly from banks and insurance companies			
Maturing through 2025			
Interest rates: 0.5% to 13.0% (April 1, 2017)	82,126		
Interest rates: 0.2% to 18.0% (Year ended March 31, 2018)		74,776	
Interest rates: 0.24% to 25.0% (Year ended March 31, 2019)			85,546
Installment payables	192	128	64
Bonds with 2.01% coupon due December 2017	9,996	-	-
Bonds with 0.551% coupon due September 2019	9,982	9,989	9,997
Bonds with 0.934% coupon due September 2022	9,971	9,977	9,982
Bonds with 0.15% coupon due February 2024			9,954
Bonds with 0.25% coupon due February 2026			9,954
Bonds with 0.36% coupon due February 2029			9,948
Euro yen zero coupon convertible bonds with stock acquisition rights due September 2018	14,098	5,212	-
Finance lease obligations:			
Maturing through 2035 Interest rates: 0.0% to 3.0% (April 1, 2017)	11,482		
Maturing through 2035 Interest rates: 0.0% to 4.9% (Year ended March 31, 2018)		10,888	
Maturing through 2035 Interest rates: 0.0% to 4.9% (Year ended March 31, 2019)			11,264
Total	138,409	111,401	147,009
Current	61,750	48,979	62,746
Non-current	76,659	62,422	84,263

16. Leases

(1) Finance lease obligations

The Group leases buildings, machinery and equipment under finance leases.

The total minimum lease payments under finance lease contracts and present value thereof consist of the following:

(millions of yen)

	Total minimum lease payments			Present value of total minimum lease payments		
	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Within 1 year	2,730	2,745	2,912	2,631	2,652	2,827
1 to 5 years	6,452	6,183	6,408	6,173	5,923	6,173
Over 5 years	2,932	2,525	2,434	2,678	2,313	2,264
Total	12,114	11,453	11,754	11,482	10,888	11,264
Less: Future financial costs	(632)	(565)	(490)			
Present value of total minimum lease payments	11,482	10,888	11,264			

Certain lease contracts have renewal options or purchase options.

There are no escalation clauses or restrictions imposed by lease contracts (including restrictions on additional loans and additional leases).

(2) Operating leases

The Group leases office space, employee housing and office equipment under operating leases.

Lease payments under these leases were ¥10,223 million and ¥10,578 million for the fiscal years ended March 31, 2018 and 2019, respectively.

The total future minimum lease payments under non-cancelable operating leases consist of the following:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Within 1 year	1,961	2,302	2,301
1 to 5 years	6,019	5,941	4,463
Over 5 years	2,995	2,458	1,879
Total	10,975	10,701	8,643

Certain lease contracts have renewal options or purchase options.

There are no escalation clauses or restrictions imposed by lease contracts (including restrictions on additional loans and additional leases).

17. Trade and other payables

Trade and other payables consisted of the following:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Trade notes payable	9,362	12,515	11,658
Accounts payable—trade	65,156	69,056	67,057
Accounts payable—other	21,999	26,516	25,902
Refund liabilities	5,691	5,897	6,956
Total	102,208	113,984	111,573

(Note) Trade and other payables are classified into financial liabilities measured at amortized cost.

18. Other current liabilities

Other current liabilities consisted of the following:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Accrued expenses	25,172	26,373	26,806
Accrued consumption taxes	7,199	8,761	9,263
Contract liabilities	3,281	3,041	1,850
Other	784	729	869
Total	36,436	38,904	38,788

19. Post-employment benefit plans

(1) Overview of post-employment benefit plans

The Company has a retirement lump-sum severance plan and a defined benefit corporate pension plan based on a formula for determining benefits including a “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 defined benefit corporate pension plan. The defined benefit corporate pension plan provides annuity payments for the periods of 10 to 20 years commencing with mandatory retirement. The Company also has a defined contribution pension plan.

The Company has a contract-type corporate pension plan based on pension rules. The Company has established rules on the defined benefit corporate pension plan stipulating the details of the pension plan, such as eligibility requirements, contents and method for determining benefit payments and burden of contributions, by agreement with its employees and has had these rules approved by the Minister of Health, Labour and Welfare. The Company maintains the plans by signing contracts such as with trust banks and insurance companies for the payment of contributions and the management of accumulated funds. The trust banks administer and manage the plan assets while they perform actuarial calculations and payments of annual and lump-sum benefits.

The Company is responsible for executing its duties faithfully for the participants in compliance with laws and regulations and any orders issued by the Minister of Health, Labour and Welfare. Furthermore, the Company is prohibited from entering into any contracts or giving any directions on the administration and management of the pension reserves for the purpose of looking after its own interests or the interests of third parties other than the participants.

Plan assets are legally separate from the Company. Asset management trustees are responsible for plan assets and have a duty of loyalty to pension plan participants, such management responsibilities as a dispersed investment obligation, and a duty to prevent conflicts of interest.

Plan assets are invested on the basis of soundness. However, financial instruments have inherent investment risks. Defined benefit obligations are measured based on various pension actuarial assumptions, such as discount rates. Accordingly, there exists a risk that these assumptions may change.

Certain subsidiaries have defined benefit corporate pension plans, retirement lump-sum severance plans and defined contribution pension plans. Assumptions used for those plans are generally the same as those used for the Company’s plans.

(2) Defined benefit plan

The amounts related to the defined benefit plan on the consolidated statement of financial position are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Present value of defined benefit obligations	53,971	54,851	55,686
Fair value of plan assets	47,271	48,765	46,267
Net defined benefit liabilities (assets)	6,700	6,086	9,419
Amounts on the consolidated statement of financial position			
Retirement benefit liabilities	13,072	13,513	14,118
Other non-current assets	6,372	7,427	4,699

1) Changes in the present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Balance of defined benefit obligations at beginning of the year	53,971	54,851
Service cost	3,038	2,949
Interest cost	314	273
Remeasurement	549	552
Actuarial losses (gains) arising from changes in demographic assumptions	113	(141)
Actuarial losses (gains) arising from changes in financial assumptions	436	693
Benefits paid from the plan	(3,021)	(2,939)
Balance of defined benefit obligations at end of the year	54,851	55,686

The weighted-average duration of defined benefit obligations as of March 31, 2018 and 2019 was 11.9 years and 11.5 years, respectively.

2) Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Fair value of plan assets at beginning of the year	47,271	48,765
Interest income (Note)	323	284
Remeasurement	1,630	(2,126)
Return on plan assets (excluding the amount included in net interest cost)	1,630	(2,126)
Employer contribution	1,037	909
Benefits paid from the plan	(1,496)	(1,565)
Fair value of plan assets at end of the year	48,765	46,267

(Note) Interest income is measured as the fair value of plan assets multiplied by the discount rate.

The Group plans to contribute ¥910 million to the defined benefit corporate pension plan during the fiscal year ending March 31, 2020.

3) Components of plan assets

The Group's plan assets as of April 1, 2017 and as of March 31, 2018 and 2019 are as follows:

IFRS Transition Date (as of April 1, 2017)

(millions of yen)

	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market
Equity instruments:		
Domestic stocks	15,157	-
Foreign stocks	3,005	-
Debt instruments:		
Domestic public and corporate bonds	3,692	-
Foreign public and corporate bonds	2,522	-
Life insurance company general accounts	-	9,091
Others	5,457	8,347
Total	29,833	17,438

Year ended March 31, 2018 (as of March 31, 2018)

(millions of yen)

	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market
Equity instruments:		
Domestic stocks	15,973	-
Foreign stocks	4,166	-
Debt instruments:		
Domestic public and corporate bonds	3,333	-
Foreign public and corporate bonds	3,026	-
Life insurance company general accounts	-	10,030
Others	4,092	8,145
Total	30,590	18,175

Year ended March 31, 2019 (as of March 31, 2019)

(millions of yen)

	Assets with quoted market prices in an active market	Assets without quoted market prices in an active market
Equity instruments:		
Domestic stocks	13,756	-
Foreign stocks	4,207	-
Debt instruments:		
Domestic public and corporate bonds	4,049	-
Foreign public and corporate bonds	3,686	-
Life insurance company general accounts	-	10,099
Others	4,226	6,244
Total	29,924	16,343

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 medium 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. Equity instruments 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 type and other relevant factors. The debt instruments consist primarily of government bonds, public bonds 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 equity instruments and debt instruments described above. As for the life insurance company general accounts, life insurance companies guarantee certain interest rates and repayment of principal.

4) Actuarial assumptions

Assumptions (weighted-average) used to measure the defined benefit obligations of the plans above are as follows:

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Discount rate	0.6%	0.5%	0.4%

The Company has adopted the "point-based benefits system." Accordingly, rate of increase in future compensation levels was not used to determine retirement benefit expenses for the fiscal years ended March 31, 2018 and 2019.

Assumptions used for the plans of subsidiaries were generally the same as those used for the Company's plans.

5) Sensitivity analysis for significant actuarial assumptions

The effects of a change in discount rate on defined benefit obligations as of April 1, 2017 and March 31, 2018 and 2019 are shown below. The sensitivity analysis is based on the assumption that there are no changes in other assumptions, but, in fact, changes in other assumptions may affect the sensitivity analysis.

(millions of yen)

		IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Discount rate	0.5% increase	(2,981)	(2,948)	(2,907)
	0.5% decrease	3,233	3,192	3,132

The method and assumptions used in the sensitivity analysis as of March 31, 2019 are the same as those used as of April 1, 2017 and as of March 31, 2018.

(3) Defined contribution pension plans

The Group recognized that the expenses related to the defined contribution plan are ¥10,304 million and ¥10,458 million for the fiscal years ended March 31, 2018 and 2019, respectively.

20. Common stock and other equity items

(1) Number of shares authorized and shares issued

Changes in number of shares authorized and shares issued are as follows:

(shares)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Number of shares authorized		
Common stock (Note 2)	570,000,000	285,000,000
Number of shares issued		
Balance at beginning of the year	210,895,298	214,991,609
Increase during the year (Notes 3 and 4)	4,096,311	2,500
Decrease during the year (Note 5)	-	(112,035,205)
Balance at end of the year	214,991,609	102,958,904

(Notes) 1. All shares issued by the Company are common stock with no par value that has no limitation set on the rights of holders. The shares issued have been fully paid in.

2. As a result of the share consolidation (at a ratio of one share for each two shares of common stock) effective from April 1, 2018, by the resolution of the 72nd Ordinary General Meeting of Shareholders held on June 28, 2017, the Articles of Incorporation have been amended so that the number of shares authorized shall be 285,000,000 shares.

3. Increase during the fiscal year ended March 31, 2018 is due to conversion of convertible bonds with stock acquisition rights and issuance of new shares through exercise of stock options.

4. Increase during the fiscal year ended March 31, 2019 is due to issuance of new shares through exercise of stock options.

5. Decrease during the fiscal year ended March 31, 2019 is due to the share consolidation (at a ratio of one share for each two shares of common stock) effective from April 1, 2018 and cancellation of treasury stock.

(2) Treasury stock

Changes in number of shares of treasury stock are as follows:

(shares)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Balance at beginning of the year	25,901	7,444
Increase during the year (Notes 1 and 2)	3,278	4,582,016
Decrease during the year (Notes 3 and 4)	(21,735)	(4,543,172)
Balance at end of the year	7,444	46,288

(Notes) 1. Increase during the fiscal year ended March 31, 2018 is due to purchase of shares less than one unit.

2. Increase during the fiscal year ended March 31, 2019 is due to purchase of shares less than one unit and tender offer.

3. Decrease during the fiscal year ended March 31, 2018 is due to issuance of new shares through exercise of stock options and sale of shares in response to requests for additional purchase of shares less than one unit.

4. Decrease during the fiscal year ended March 31, 2019 is due to the share consolidation (at a ratio of one share for each two shares of common stock) effective from April 1, 2018, sale of shares in response to requests for additional purchase of shares less than one unit, and cancellation of treasury stock.

(3) Common stock and capital surplus

Under the Companies Act of Japan (the “Companies Act”), at least 50% of the payment or delivery upon issuance of shares shall be credited to common stock, and the remainder shall be credited to legal capital surplus included under capital surplus. The Companies Act permits, upon approval at the General Meeting of Shareholders, the transfer of legal capital surplus to common stock.

(4) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings paid shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be appropriated for deficit disposition and also may be reversed upon approval at the General Meeting of Shareholders.

(5) Accumulated other comprehensive income

1) Remeasurement of defined benefit plans

A reassessment of defined benefit obligations that identifies the difference between actuarial assumptions at the beginning of the fiscal year and actual results, a return on plan assets at fair value (excluding the amount included in net interest cost) and other components.

2) Financial assets measured at fair value through other comprehensive income

Differences between the fair value and the acquisition price of financial assets measured at fair value through other comprehensive income, accumulated until derecognition.

3) Exchange differences on translation of foreign operations

Exchange differences attributable to the consolidation of the financial results of foreign operations whose financial statements are prepared in foreign currencies.

4) Share of other comprehensive income of investments accounted for using the equity method

The Company’s share of exchange differences on translation of foreign operations accounted for using the equity method.

21. Dividends

Dividends paid for the fiscal years ended March 31, 2018 and 2019 are as follows:

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

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 9, 2017	Common stock	10,965	52.00	March 31, 2017	June 5, 2017

(Note) Effective from April 1, 2018, the Company carried out a share consolidation at a ratio of one share for each two shares of common stock. Dividends per share whose record date is before March 31, 2018 represent the actual amounts of dividends per share prior to the relevant share consolidation.

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

Resolution	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 10, 2018	Common stock	11,394	53.00	March 31, 2018	June 4, 2018

(Note) Effective from April 1, 2018, the Company carried out a share consolidation at a ratio of one share for each two shares of common stock. Dividends per share whose record date is before March 31, 2018 represent the actual amounts of dividends per share prior to the relevant share consolidation.

Dividends with effective dates in the following fiscal year are as follows:

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

Resolution	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 10, 2018	Common stock	Retained earnings	11,394	53.00	March 31, 2018	June 4, 2018

(Note) Effective from April 1, 2018, the Company carried out a share consolidation at a ratio of one share for each two shares of common stock. Dividends per share whose record date is before March 31, 2018 represent the actual amounts of dividends per share prior to the relevant share consolidation.

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

Resolution	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019	Common stock	Retained earnings	9,262	90.00	March 31, 2019	June 3, 2019

22. Share-based payment

(1) Terms and conditions of stock options

The Company has previously adopted a stock option plan. On May 9, 2008, however, the Board of Directors resolved to abolish the stock option plan except for those stock options granted on or before March 31, 2008.

Title of grantees: Director, Executive Officer, Audit & Supervisory Board Member and Executive Officer of the Company

Settlement: Equity-settled

Exercise period: 20 years after grant date

Vesting conditions: Pursuant to the “Stock Acquisition Rights Allotment Agreement”

Existing stock options of the Company as of March 31, 2019 are as follows:

	Number of shares (shares)	Number of outstanding options (units)	Exercise price (yen)	Expiry	Vesting conditions
Issue in July 2004	9,000	18	1	June 30, 2024	Note 1
Issue in July 2005	6,500	13	1	June 30, 2025	Note 1
Issue in July 2006	11,000	22	1	June 30, 2026	Note 2
Issue in July 2007	13,000	26	1	June 30, 2027	Note 2
Total	39,500	79			

(Notes) Vesting conditions are as follows:

1. An individual to whom stock acquisition rights are allotted may exercise stock acquisition rights from the date following the date one year after losing any titles, including corporate officer, of the Company. Any other conditions, based on the resolution by the Board of Directors, shall be as set forth in the “Stock Acquisition Rights Allotment Agreement” to be entered into between the Company and each individual to whom the stock acquisition rights are allotted.
2. A holder of stock acquisition rights may exercise stock acquisition rights within four years from the date following the date one year after losing any titles, including Director, Audit & Supervisory Board Member and Executive Officer, of the Company and its associates (20% or more owned by the Company). Any other conditions, based on the resolution by the Board of Directors, shall be as set forth in the “Stock Acquisition Rights (stock options as share-based payment) Allotment Agreement” to be entered into between the Company and each individual to whom the stock acquisition rights are allotted.

(2) Changes in stock options granted

Changes in stock options granted are as follows:

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)		Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)	
	Stock options (shares)	Average exercise price per share (yen)	Stock options (shares)	Average exercise price per share (yen)
Outstanding at beginning of the year	74,000	2	42,000	1
Exercised during the year	(32,000)	2	(2,500)	1
Outstanding at end of the year	42,000	2	39,500	1
Exercisable at end of the year	14,000	2	12,500	1

(Notes) 1. The number of stock options is translated into the number of shares.

2. The weighted-average share price at exercise of stock options during the year was ¥6,435 for the fiscal year ended March 31, 2018 and ¥4,545 for the fiscal year ended March 31, 2019.
3. The weighted-average remaining life of the outstanding stock options was 6.3 years for the fiscal year ended March 31, 2018 and 5.0 years for the fiscal year ended March 31, 2019.
4. As of April 1, 2018, the Company carried out a share consolidation at a ratio of one share for each two shares of common stock. The number of shares and exercise price were adjusted retrospectively taking into account the relevant share consolidation.

23. Net sales

(1) Disaggregation of revenue

The Group disaggregates revenue from each of the four reportable segments, the “Processed Foods Business Division,” the “Fresh Meats Business Division,” the “Affiliated Business Division,” and the “Overseas Business Division,” into the categories of “Hams and sausages,” “Processed foods,” “Fresh meats,” “Marine products,” “Dairy products,” and “Others,” depending on the type of goods and services.

Net sales by product type for the fiscal years ended March 31, 2018 and 2019 are as follows:

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

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Hams and sausages	140,793	901	-	2,270	143,964	(11,560)	132,404
Processed foods	176,836	29,340	31,964	11,682	249,822	(16,733)	233,089
Fresh meats	17,182	622,928	-	90,991	731,101	(14,758)	716,343
Marine products	-	130	86,172	9,132	95,434	(1,630)	93,804
Dairy products	-	-	37,793	5	37,798	(3,607)	34,191
Others	7,229	11,615	3,742	11,797	34,383	14,249	48,632
Total	342,040	664,914	159,671	125,877	1,292,502	(34,039)	1,258,463

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

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Hams and sausages	136,618	908	-	2,320	139,846	(11,490)	128,356
Processed foods	178,220	28,639	30,880	13,070	250,809	(17,154)	233,655
Fresh meats	15,904	609,404	-	93,347	718,655	(15,098)	703,557
Marine products	-	95	80,403	9,267	89,765	(1,627)	88,138
Dairy products	-	-	36,871	-	36,871	(3,601)	33,270
Others	8,112	10,774	3,627	10,536	33,049	14,155	47,204
Total	338,854	649,820	151,781	128,540	1,268,995	(34,815)	1,234,180

(2) Balances from contracts with customers

Balances from contracts with customers are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Contract liabilities	3,281	3,041	1,850
Refund liabilities	5,691	5,897	6,956

Of the contract liability balances above, the amount of those recognized as revenue for the fiscal years ended March 31, 2018 and 2019 is as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Amount included in the opening balance of contract liabilities	3,044	2,827

The Group receives payments from customers according to the contractual billing schedule.

Contract liabilities represent payments received prior to the performance under the contract. Accordingly, their balances vary depending on the Group's status of performance obligation in the contract.

The amount of income recognized from performance obligations satisfied in the fiscal years ended March 31, 2018 and 2019 is not material.

24. Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Labor costs	71,605	72,603
Distribution costs	38,546	40,528
Advertising expenses	8,442	7,964
Lease payments	8,154	8,539
Depreciation and amortization	5,611	5,775
Other	32,797	32,929
Total	165,155	168,338

25. Transfer through the posting system

In the fiscal year ended March 31, 2018, 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 the Major League Baseball team, the Los Angeles Angels of Anaheim, under the "United States-Japan Player Contract Agreement."

26. Other income and other expenses

(1) Other income

Other income consisted of the following:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Gain on sale of fixed assets	3,167	927
Foreign exchange gains	2,301	6,039
Other	1,038	1,544
Total	6,506	8,510

(2) Other expenses

Other expenses consisted of the following:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Impairment losses	1,292	4,937
Loss on sale and retirement of fixed assets	1,427	2,096
Foreign exchange losses	718	1,901
Other	371	358
Total	3,808	9,292

27. Financial income and financial costs

(1) Financial income

Financial income consisted of the following:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Dividend income		
Financial assets measured at fair value through other comprehensive income	437	506
Interest income		
Financial assets measured at amortized cost	631	710
Gain on valuation of derivatives		
Financial assets and financial liabilities measured at fair value through profit or loss	1,090	209
Foreign exchange gains	57	-
Other	5	2
Total	2,220	1,427

(2) Financial costs

Financial costs consisted of the following:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Interest expenses		
Financial liabilities measured at amortized cost	1,185	1,311
Commission expenses		
Financial liabilities measured at amortized cost	101	101
Loss on valuation of derivatives		
Financial assets measured at fair value through profit or loss	-	929
Foreign exchange losses	-	1,215
Other	6	5
Total	1,292	3,561

28. Other comprehensive income

Changes in each item of other comprehensive income during the year are as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans		
Amount recognized during the year	1,081	(2,678)
Before tax effects	1,081	(2,678)
Tax effects	(336)	831
After tax effects	745	(1,847)
Financial assets measured at fair value through other comprehensive income		
Amount recognized during the year	2,328	(5,658)
Before tax effects	2,328	(5,658)
Tax effects	(496)	1,560
After tax effects	1,832	(4,098)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount recognized during the year	(2,739)	289
Reclassification adjustments	9	46
Before tax effects	(2,730)	335
Tax effects	-	-
After tax effects	(2,730)	335
Share of other comprehensive income of investments accounted for using the equity method		
Amount recognized during the year	70	84
Before tax effects	70	84
Tax effects	-	-
After tax effects	70	84
Total	(83)	(5,526)

29. Earnings per share

(1) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary shareholders of parent by the weighted-average number of shares of common stock outstanding during the fiscal years ended March 31, 2018 and 2019. The weighted-average number of shares of common stock outstanding does not include shares of common stock repurchased as shares of treasury stock.

Diluted earnings per share are calculated by adjusting the profit and weighted-average number of shares of common stock outstanding on the assumption that all dilutive potential shares of common stock have been converted to shares of common stock. The Group holds stock options, which are dilutive potential shares of common stock. For stock options, the expected number of shares acquired at fair value (determined at the average share price of the Company's stock during the year) is calculated based on the exercise price of outstanding stock options granted, which is added to the weighted-average number of shares of common stock outstanding.

(2) Amount of basic earnings per share and basis of calculation

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

(3) Amount of diluted earnings per share and basis of calculation

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

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

30. Cash flow information

(1) Significant non-cash transactions

Non-cash transactions (investing and financing transactions that do not require the use of cash or cash equivalents) are as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Acquisition of assets under finance lease transactions	2,368	3,746
Conversion of bonds with stock acquisition rights	8,917	-

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

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

(millions of yen)

	Balance at IFRS transition date (April 1, 2017)	Changes associated with cash flows	Changes not associated with cash flows		Balance at end of the year (March 31, 2018)
			Exchange differences on translation	Others	
Short-term bank loans	48,927	(4,221)	(4,005)	219	40,920
Long-term bank loans	33,953	47	(6)	421	34,415
Bonds	44,047	(10,000)	-	(8,869)	25,178
Lease obligations	11,482	(2,923)	0	2,329	10,888
Total	138,409	(17,097)	(4,011)	(5,900)	111,401

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

(millions of yen)

	Balance at beginning of the year (April 1, 2018)	Changes associated with cash flows	Changes not associated with cash flows		Balance at end of the year (March 31, 2019)
			Exchange differences on translation	Others	
Short-term bank loans	40,920	9,026	(2,076)	1,988	49,858
Long-term bank loans	34,415	3,490	135	(2,052)	35,988
Bonds	25,178	24,780	-	(123)	49,835
Lease obligations	10,888	(3,360)	0	3,736	11,264
Total	111,401	33,936	(1,941)	3,549	146,945

31. Financial instruments

(1) Capital management

Aiming for stable and sustainable growth of corporate value, the Group prioritizes the distribution of profit to shareholders as a key management issue. To that end, the Group maintains an optimal capital structure that ensures capital efficiency improvement as well as financial soundness as its basic policy for capital management, ensuring a balance among cash and cash equivalents, interest-bearing liabilities, and capital. The Group is not subject to particular significant capital requirements (other than general rules such as the Companies Act of Japan).

The balances of cash and cash equivalents, interest-bearing liabilities, and capital (equity attributable to owners of the parent) as of April 1, 2017 and March 31, 2018 and 2019 are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Cash and cash equivalents	80,716	58,290	48,108
Interest-bearing liabilities	138,409	111,401	147,009
Capital (equity attributable to owners of the parent)	378,601	417,982	401,014

(2) Financial risk management

In the normal course of business, the Group is exposed to financial risks, including market risk, credit risk, and liquidity risk. In order to mitigate these risks, the Group conducts risk management in accordance with certain policies. The Group uses derivative transactions in order to mitigate risks described hereafter, and not for speculative purposes.

1) Market risk

(i) Currency risk

The Group also operates businesses overseas, and thus is exposed to foreign currency exchange rate risk in relation to its transactions conducted in currencies other than the functional currency as well as its net investments in foreign operations. In order to mitigate this risk, the Group uses derivatives, such as foreign currency forward exchange contracts. In addition, the Group continually monitors the foreign exchange markets and periodically assesses foreign currency exchange rate risk in accordance with its currency risk management policies. All derivative transactions are conducted in accordance with the currency risk management policies and the internal regulations that specify transaction authority and transaction amount limits.

The major net exposures to currency risk of the Group (excluding exposures hedged by such means as forward exchange contracts) as of April 1, 2017 and March 31, 2018 and 2019 are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
U.S. dollar	21,161	29,329	26,516
Chilean peso	12,928	7,473	7,188

Sensitivity analysis of currency risk

For the fiscal years ended March 31, 2018 and 2019, if the U.S. dollar and the Chilean peso each appreciated against the functional currency by 1%, the effects on profit before tax in the consolidated statement of income would be as follows. This analysis assumes that all other variables remain unchanged, and does not include the effects of translation into the presentation currency of financial instruments denominated in the functional currency, income and expenses as well assets and liabilities of foreign operations.

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Profit before tax		
U.S. dollar	293	265
Chilean peso	75	72

(ii) Share price risk

The Group holds shares in companies, such as business partners, to promote smooth business operations in relation to maintaining and developing business relationships. As such, the Group is exposed to share price risk. In order to mitigate the risk, the Group reviews all holdings of shares annually. Only when the Group determines that a holding of shares contributes to closer cooperation for stable transactions and business expansion and is thus indispensable for its sustainable growth, the Group continues the holding of shares. If there is less need for a holding of shares, the holding of shares is disposed of appropriately in light of share prices and market conditions.

Sensitivity analysis of share price risk

If the prices of shares in companies, such as business partners, held by the Group as of March 31, 2018 and 2019 increased by 1%, the effects on other comprehensive income (before tax effects) in the consolidated statement of income would be as follows. This analysis assumes that all other variables remain unchanged.

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Effects on other comprehensive income	282	220

(iii) Interest rate risk

The Group holds interest-bearing liabilities with floating interest rates. As such, the Group is exposed to interest rate risk. In order to mitigate the risk, the Group uses interest rate swap contracts. Accordingly, the Group’s exposure to interest rate risk is limited, and the effect on profit before tax in the consolidated statement of income is immaterial.

2) Credit risk

The Group holds trade and other receivables. As such, the Group is exposed to credit risk. In order to mitigate the risk, the Group controls due dates and balances in accordance with sales management policies and other regulations and also ensures regular monitoring of the credit standing of business partners. The Group is not exposed to credit risk that is excessively concentrated in a particular counterparty. Derivative transactions entered into to mitigate currency risk and interest rate risk are exposed to the credit risk of the counterparty financial institutions. Those financial institutions are creditworthy, and therefore the credit risk is considered to be extremely limited. The carrying amount of financial assets less impairment losses in the consolidated statement of financial position represents the maximum credit risk exposure. The amount of receivables that are past due but not impaired is immaterial.

3) Liquidity risk

The Group raises funds necessary for its business operations through bank loans and issuance of bonds, and accordingly is exposed to liquidity risk, which is the risk of failure to meet payment obligations at due dates. The Company manages financial plans by continually monitoring and updating them through the cash management system and reports from the subsidiaries. The Group strives to reduce the liquidity risk by maintaining the level of necessary working capital under this framework as well as by entering into commitment line agreements with financial institutions.

The balance of financial liabilities by settlement date is as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)				
	Carrying amount	Contractual amount	Within 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term bank loans	48,927	48,927	48,927	-	-
Trade and other payables	102,208	102,208	102,208	-	-
Bonds	29,949	30,853	10,350	10,456	10,047
Bonds with stock acquisition rights	19,296	19,358	-	19,358	-
Long-term bank loans	33,953	35,519	409	1,102	34,008
Lease obligations	11,482	12,114	2,730	6,452	2,932
Derivative financial liabilities					
Derivatives	729	729	729	-	-
Total	246,544	249,708	165,353	37,368	46,987

(millions of yen)

	Year ended March 31, 2018 (as of March 31, 2018)				
	Carrying amount	Contractual amount	Within 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term bank loans	40,920	40,920	40,920	-	-
Trade and other payables	113,984	113,984	113,984	-	-
Bonds	19,966	20,503	149	20,354	-
Bonds with stock acquisition rights	5,422	5,430	5,430	-	-
Long-term bank loans	34,415	35,655	403	9,988	25,264
Lease obligations	10,888	11,453	2,745	6,183	2,525
Derivative financial liabilities					
Derivatives	1,847	1,847	1,772	75	-
Total	227,442	229,792	165,403	36,600	27,789

(millions of yen)

	Year ended March 31, 2019 (as of March 31, 2019)				
	Carrying amount	Contractual amount	Within 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term bank loans	49,858	49,858	49,858	-	-
Trade and other payables	111,573	111,573	111,573	-	-
Bonds	49,835	50,965	10,197	20,538	20,230
Long-term bank loans	35,988	37,312	279	11,847	25,186
Lease obligations	11,264	11,754	2,912	6,408	2,434
Derivative financial liabilities					
Derivatives	320	320	244	76	-
Total	258,838	261,782	175,063	38,869	47,850

(Notes) 1. The Group entered into commitment line agreements with financial institutions totaling ¥75,000 million as of April 1, 2017 and as of March 31, 2018 and 2019, which are unused and readily available.

2. Bonds with stock acquisition rights include the assessed fair value of embedded derivatives.

(3) Derivatives and hedging activities

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivatives are foreign currency exchange rate risk (principally in U.S. dollars and Chilean pesos) and interest rate risk. The Group uses foreign currency forward exchange contracts to mitigate foreign currency exchange rate risk. In addition, the Group uses interest rate swap contracts to mitigate interest rate risk.

The Group documents its risk management policies including strategies for the purpose of undertaking hedge transactions. All derivatives are entered into under the purpose, strategies and related rules which regulate transactions.

Derivatives which do not qualify for hedge accounting

These derivatives are used to mitigate foreign currency exchange rate risk and interest rate risk. Changes in fair value of derivatives which do not qualify for hedge accounting are recognized in profit or loss immediately.

As of April 1, 2017 and March 31, 2018 and 2019, the contract amounts or notional principal amounts of derivatives held by the Group that did not qualify for hedge accounting are as follows:

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Interest rate swap contracts	3,000	3,000	3,000
Foreign currency forward exchange contracts	76,935	77,073	87,960

The Group also has a policy that derivatives are not to be used for purposes other than for hedging. The Group's derivatives contain no provisions that require such derivatives to maintain an investment grade credit rating from each of the major credit rating agencies.

(4) Fair value of financial instruments

1) Measurement of fair value

The Group measures the fair value of financial assets and financial liabilities as follows:

(Cash and cash equivalents, trade and other receivables, trade and other payables, short-term bank loans)

The fair values of these items are measured at the carrying amount because they are settled in the short term and the fair value is almost equivalent to the carrying amount.

(Investment securities)

The fair values of marketable investment securities are measured using market prices. The fair values of unlisted shares are measured using valuation techniques (such as the market approach and the income approach).

(Other financial assets)

The fair values of foreign currency forward exchange contracts are measured at the value determined using the discounted cash flow model for the contract term with observable market data including forward exchange rates.

(Bonds and long-term bank loans)

The fair values of bonds and long-term bank loans are measured at the present value of the future cash flows discounted by an assumed rate applied for a new similar contract.

(Other financial liabilities)

The fair values of foreign currency forward exchange contracts and interest rate swap contracts are measured at the value determined using the discounted cash flow model for the contract term with observable market data including forward exchange rates and market interest rates.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

The table below does not include financial instruments measured at fair value or financial instruments whose carrying amounts fairly approximate the fair value.

(millions of yen)

	IFRS Transition Date (as of April 1, 2017)		Year ended March 31, 2018 (as of March 31, 2018)		Year ended March 31, 2019 (as of March 31, 2019)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Financial liabilities measured at amortized cost						
Bank loans	33,953	34,733	34,415	35,147	35,988	36,750
Bonds	44,047	44,911	25,178	25,663	49,835	50,383

Financial liabilities measured at amortized cost are classified as Level 2.

3) Financial instruments measured at fair value

The table below shows analytical results on financial instruments measured at fair value. Each level is defined as follows. There are no financial instruments measured at fair value on a non-recurring basis.

Level 1: Fair value measured at quoted prices in active markets

Level 2: Fair value determined, either directly or indirectly, by using observable inputs other than Level 1

Level 3: Fair value determined using valuation techniques based on unobservable inputs

The Group recognizes transfers between the levels of the fair value hierarchy at the date when the event or the change in circumstances resulting in the transfer occurred.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for the fiscal years ended March 31, 2018 and 2019.

(millions of yen)

IFRS Transition Date (as of April 1, 2017)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	-	879	-	879
Debt financial assets	-	236	758	994
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	24,500	-	5,970	30,470
Total financial assets	24,500	1,115	6,728	32,343
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	5,927	-	5,927
Total financial liabilities	-	5,927	-	5,927

(millions of yen)

Year ended March 31, 2018 (as of March 31, 2018)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	-	113	-	113
Debt financial assets	-	288	754	1,042
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	28,160	-	5,651	33,811
Total financial assets	28,160	401	6,405	34,966
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	2,057	-	2,057
Total financial liabilities	-	2,057	-	2,057

(millions of yen)

Year ended March 31, 2019 (as of March 31, 2019)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	351	482	-	833
Debt financial assets	-	287	742	1,029
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	22,044	-	5,117	27,161
Total financial assets	22,395	769	5,859	29,023
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	320	-	320
Total financial liabilities	-	320	-	320

Reconciliation for financial instruments classified as Level 3

The reconciliation from the opening balances to the closing balances of financial instruments classified as Level 3 in fair value measurements is as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Balance at beginning of the year	6,728	6,405
Other comprehensive income	(371)	(534)
Purchase	50	0
Disposal	(4)	(13)
Others	2	1
Balance at end of the year	6,405	5,859

Financial assets classified as Level 3 mainly consist of unlisted shares, whose fair values are measured using valuation techniques based on market prices of peer companies and other methods.

Fair value measurements of unlisted shares use unobservable inputs, such as a valuation multiple. The fair value increases (decreases) as an operating income multiple rises (declines).

(5) Financial assets measured at fair value through other comprehensive income

The Group designates investments in equity financial assets held for maintaining and enhancing business relationships as financial assets measured at fair value through other comprehensive income, in light of the purpose of holding the assets.

1) Fair value by issuer of shares

The fair value of investments in equity financial assets designated as financial assets measured at fair value through other comprehensive income is as follows:

IFRS Transition Date (as of April 1, 2017)

(millions of yen)

Issuer of shares	Amount
MOS FOOD SERVICES, INC.	4,872
Chubu Shiryo Co., Ltd.	2,517
漯河双匯万中禽業加工有限公司	1,744
TOMONY Holdings, Inc.	1,509
漯河双匯万中禽業発展有限公司	1,307

Year ended March 31, 2018 (as of March 31, 2018)

(millions of yen)

Issuer of shares	Amount
MOS FOOD SERVICES, INC.	4,759
Chubu Shiryo Co., Ltd.	4,556
AXYZ Co., Ltd.	2,340
漯河双匯万中禽業加工有限公司	1,744
漯河双匯万中禽業発展有限公司	1,307

Year ended March 31, 2019 (as of March 31, 2019)

(millions of yen)

Issuer of shares	Amount
MOS FOOD SERVICES, INC.	4,039
Chubu Shiryo Co., Ltd.	2,466
漯河双匯万中禽業加工有限公司	1,679
AEON CO., LTD.	1,541
AXYZ Co., Ltd.	1,149

2) Dividend income

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Investments derecognized during the year	28	2
Investments held at end of the year	409	504
Total	437	506

3) Equity financial assets measured at fair value through other comprehensive income derecognized during the year

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Fair value upon derecognition	1,788	513
Accumulated gain upon derecognition	1,172	260

These were sold primarily as a result of reviewing business relationships.

4) Transfer to retained earnings

The Group transfers an accumulated gain or loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the investment is disposed of or when its fair value declines significantly.

Accumulated gains (after tax) in other comprehensive income that were transferred to retained earnings for the fiscal years ended March 31, 2018 and 2019 were ¥757 million and ¥233 million, respectively.

(6) Bonds with stock acquisition rights

On March 26, 2014, the Company issued ¥30.0 billion convertible bonds with stock acquisition rights (the “Bonds”). The conversion period, during which an investor can exercise a conversion to shares of the Bonds, is from April 9, 2014 through September 12, 2018. If not repurchased, not early redeemed or not converted to shares before the maturity, the Bonds are redeemed at the nominal amount. The Bonds include call and put options categorized within derivatives.

As of April 1, 2017 and March 31, 2018 and 2019, the equity portion and the liability portion of the convertible bonds with stock acquisition rights above are as follows:

(millions of yen)

Category	IFRS Transition Date (as of April 1, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Year ended March 31, 2019 (as of March 31, 2019)
Equity portion:			
Carrying amount	159	59	-
Liability portion:			
Principal amount	14,160	5,220	-
(Difference) Unamortized discount	(62)	(8)	-
Carrying amount	14,098	5,212	-
Embedded derivatives	5,198	210	-

32. Related parties

Compensation for major management executives is as follows:

(millions of yen)

	Year ended March 31, 2018 (consolidated) (April 1, 2017 through March 31, 2018)	Year ended March 31, 2019 (consolidated) (April 1, 2018 through March 31, 2019)
Basic compensation	266	261
Performance-based compensation	57	35
Stock acquisition-based compensation	59	56
Total	382	352

33. Significant subsidiaries

Significant subsidiaries of the Group are as described in “I Overview of the Company, 4 Overview of affiliated entities.” Please note, however, that “I Overview of the Company, 4 Overview of affiliated entities” is not included in the English translation.

There were no subsidiaries that had individually significant non-controlling interests as of March 31, 2018 and 2019.

34. Contingent liabilities

There were no significant contingent liabilities.

35. Significant subsequent events

There were no applicable items.

36. First-time adoption

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

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

(1) Exemption of IFRS 1

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

- IFRS 3 "Business Combinations" is not applied to business combinations made prior to March 31, 2008.
- The Group measures certain property, plant and equipment and investment property at the fair value as of the transition date, and uses the fair value as the deemed cost at that date.
- The cumulative translation differences as of the IFRS transition date for foreign operations are deemed to be zero.
- With respect to the designation of financial instruments recognized prior to the IFRS transition date, the Group designates financial instruments in accordance with IFRS 9 based on the facts and circumstances that exist as of the transition date.

(2) Mandatory exceptions on retrospective application of IFRS 1

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

(3) Reconciliations from US GAAP to IFRS

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

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

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

Items that do not have an effect on retained earnings and comprehensive income are presented under "Reclassifications" of the reconciliations, and items that have an effect on retained earnings and comprehensive income are presented under "Differences in recognition and measurement" thereof.

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

(millions of yen)

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

(millions of yen)

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

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

(Notes to presentation reclassification)

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

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

(Notes to difference of recognition and measurement)

A. Biological assets

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

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

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

B. Deemed cost

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

C. Financial instruments

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

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

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

D. Income tax

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

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

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

E. Post-employment benefits

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

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

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

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

F. Levies

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

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

G. Convertible bonds with stock acquisition rights

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

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

H. Exchange differences on translation of foreign operations

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

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

I. Unification of reporting period

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

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

In addition, some of the associates make adjustments for important transactions or events that occur during the period between the different closing dates for the preparation of the consolidated financial statements.

J. Retained earnings

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

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

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

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

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

(millions of yen)

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

(millions of yen)

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

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

(millions of yen)

US GAAP Line Item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS Line Item
Net Sales	1,269,201	(11,623)	885	1,258,463		Net Sales
Cost of Goods Sold	1,033,355	13,534	589	1,047,478	A, E, F	Cost of Goods Sold
Selling, General and Administrative Expenses	186,628	(22,432)	959	165,155	E, F	Selling, General and Administrative Expenses
Other Operating Costs and Expenses (Income)—Net	(66)	66	-	-		
Gain From The Transfer Through The Posting System	2,273	-	-	2,273		Gain from the Transfer through the Posting System
	-	6,513	(7)	6,506		Other Income
	-	6,041	(2,233)	3,808		Other Expenses
	-	2,302	(82)	2,220	C	Financial Income
	-	1,324	(32)	1,292	C, G	Financial Costs
Interest Expense	1,172	(1,172)	-	-		
Other Income (Expenses)—Net	70	(70)	-	-		
	-	1,069	-	1,069		Share of Profit (Loss) in Investments Accounted for Using the Equity Method
Income before Income Taxes	50,455	830	1,513	52,798		Profit before Tax
Income Taxes	14,105	(239)	1,208	15,074	D	Income Tax Expense
Income after Income Taxes and Equity in Earnings Of Associated Companies	36,350					
Equity in Earnings Of Associated Companies—Net of Applicable Income Taxes	1,069	(1,069)	-	-		
Net Income	37,419	-	305	37,724		Profit
Net Loss Attributable to Noncontrolling Interests	(272)	272	-	-		
						Profit Attributable to:
Net Income Attributable to NH Foods Ltd.	37,147	-	405	37,552		Owners of the Parent
	-	(272)	444	172		Non-controlling Interests

(millions of yen)

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

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

(Notes to presentation reclassification)

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

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

(Notes to difference of recognition and measurement)

A. Biological assets

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

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

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

B. Deemed cost

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

C. Financial instruments

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

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

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

D. Income tax

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

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

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

E. Post-employment benefits

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

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

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

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

F. Levies

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

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

G. Convertible bonds with stock acquisition rights

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

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

H. Exchange differences on translation of foreign operations

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

Therefore, in comparison with US GAAP at the end of the previous consolidated fiscal year, accumulated other comprehensive income increased by ¥1,016 million.

I. Unification of reporting period

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

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

In addition, some of the associates make some adjustments for significant transactions or events that occur during the period between the different closing dates in preparing consolidated financial statements.

J. Retained earnings

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

Adjustments to retained earnings as of March 31, 2018 (end of the previous consolidated fiscal year)

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

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

(7) Notes to cash flow for the previous consolidated fiscal year (April 1, 2017 – March 31, 2018)

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

37. Approval of consolidated financial statements

These consolidated financial statements were approved by Yoshihide Hata, President and Representative Director, and Hajime Takamatsu, CFO, as of June 26, 2019.

(2) Other

Quarterly information for the fiscal year ended March 31, 2019

(Cumulative period)	Three months ended June 30, 2018 (April 1, 2018 through June 30, 2018)	Six months ended September 30, 2018 (April 1, 2018 through September 30, 2018)	Nine months ended December 31, 2018 (April 1, 2018 through December 31, 2018)	Fiscal year ended March 31, 2019 (April 1, 2018 through March 31, 2019)
Net sales (millions of yen)	304,378	618,000	953,761	1,234,180
Profit before tax	15,268	23,173	34,684	30,267
Profit attributable to owners of the parent	11,105	16,371	24,046	19,561
Basic earnings per share	103.32	152.30	223.73	183.21

(Accounting period)	First quarter (April 1, 2018 through June 30, 2018)	Second quarter (July 1, 2018 through September 30, 2018)	Third quarter (October 1, 2018 through December 31, 2018)	Fourth quarter (January 1, 2019 through March 31, 2019)
Basic earnings (loss) per share	103.32	48.98	71.43	(40.52)

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.

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, 2019, 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-one 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.

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.

INDEPENDENT AUDITOR'S REPORT

June 26, 2019

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:

Kenichi Takai

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 statement of financial position, and the consolidated statements of income, comprehensive income, changes in equity and cash flows of NH Foods Ltd. and its consolidated subsidiaries for the fiscal year from April 1, 2018 to March 31, 2019, and notes to consolidated financial statements.

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 International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, 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, 2019, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

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, 2019.

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, 2019 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.