August 7, 2018

Summary of Consolidated Financial Statements for the Three Months Ended June 30, 2018

[Prepared under IFRS, UNAUDITED]

NISSIN FOODS HOLDINGS CO., LTD.
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Stock exchange listing: Tokyo
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Scheduled date of filing of Quarterly Securities Report: August 7, 2018 (in Japanese)
Scheduled date of dividend payment: -
Preparation of supplementary documents: Yes
Holding of financial results meeting: Yes (Conference call for institutional investors and analysts) (in Japanese)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months of the FY2019 (April 1, 2018–June 30, 2018)

(1) Consolidated Operating Results

(% figures represent year-on-year changes)

Three Months of	Revenue (¥ million)	(%)	Operating profit (¥ million)	(%)	Profit before tax (¥ million)	(%)	Profit attributable to owners of parent (¥ million)	(%)
FY 2019	103,399	+2.0	12,833	+44.9	13,465	+40.3	8,271	+30.2
FY 2018	101,337	—	8,856	—	9,599	—	6,353	—

Three Months of	Basic earnings per share (¥)	Diluted earnings per share (¥)
FY 2019	79.43	79.04
FY 2018	61.03	60.74

(2) Consolidated Financial Position

As of	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of parent (¥ million)	Equity attributable to owners of parent to total assets (%)
June 30, 2018	548,647	353,802	330,803	60.3
March 31, 2018	528,726	353,128	329,776	62.4

2. Details of Dividends

	Cash dividend per share				
	End of 1st quarter (¥)	End of 2nd quarter (¥)	End of 3rd quarter (¥)	Year-end (¥)	Total (¥)
FY 2018	—	45.00	—	45.00	90.00
FY 2019	—				
FY 2019 (Forecast)		55.00	—	55.00	110.00

Note: Modifications to the dividend forecast published most recently: None

3. Forecasts of Consolidated Financial Results for the FY 2019 (April 1, 2018–March 31, 2019)

(% figures represent changes from the previous year)

	Revenue (¥ million)	(%)	Operating profit (¥ million)	(%)	Profit attributable to owners of parent (¥ million)	(%)	Basic earnings per share (¥)
FY 2019	455,000	+3.2	36,000	+2.3	26,000	(10.8)	249.68

Note: Modifications to the forecast published most recently: None

* The percentages changes from the same period of the previous fiscal year are calculated using the figures for the result of the fiscal year ended March 31, 2018 that conform to the International Financial Reporting Standards (IFRS).

Notes:

(1) Changes in principal subsidiaries during the three months of FY 2019 (changes in specified subsidiaries that resulted in changes in scope of consolidation): None

-Newly consolidated: None

-Excluded from consolidation: None

(2) Changes in significant accounting policy and changes in accounting estimates:

1) Changes in accounting policies required by IFRS: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding (including treasury shares) as of the end of:

Three months of FY 2019	105,700,000 shares
FY 2018	117,463,685 shares

2) Number of treasury shares as of the end of:

Three months of FY 2019	1,563,845 shares
FY 2018	13,329,298 shares

3) Average number of shares during the period:

Three months of FY 2019	104,135,548 shares
Three months of FY 2018	104,099,308 shares

* This summary of quarterly consolidated financial statements is outside the scope of review by certified public accountants or audit firms.

* Notes for proper use of forecasts and other remarks

Adoption of IFRS:

The Group has adopted IFRS starting from the first quarter of the fiscal year ending March 31, 2019. Figures for the same period of the previous fiscal year and the fiscal year ended March 31, 2018 are also presented in accordance with IFRS. For details about the differences between IFRS and Japanese GAAP with respect to financial figures, please refer to page 25 "First-time adoption."

Disclaimer regarding appropriate use of forecasts:

Forecasts contain forward-looking statements based on estimates made as of the day of release of these materials. Actual results may differ materially depending on a number of factors including but not limited to potential risks and uncertainties. Please refer to page 4 for "(3) Explanation Concerning Consolidated Forecasts" for the conditions of assumptions for the forecast and cautions to use forecast.

1． Qualitative Information Concerning Three Months Results

The Group has adopted IFRS from the first quarter of the current consolidated fiscal year and compares and analyses figures for the first quarter of the previous consolidated fiscal year and the previous consolidated fiscal year by reclassifying them into IFRS.

(1) Qualitative Information Concerning Consolidated Business Results

During the three months under review, the global economy generally remained firm, as the driving force of domestic demand increased in each geographical area, although political and policy uncertainty grew, including increasing protectionism in the United States and political risks in Europe. In Western countries, capital expenditure remained solid owing to the strength of fiscal policy and improved corporate earnings. Consumer spending continued to recover with favorable income conditions, and moderate economic growth continued. In Asia, economies continued to expand thanks to the contribution of higher consumer spending linked to rising income levels in emerging countries, although the downward risk of the economy derived from trade friction between China and the United State was a concern.

In Japan, the economy continued to recover, reflecting further improvements in employment and income conditions, in addition to stable corporate earnings.

Under this environment, based on the “Medium-Term Management Plan 2021” of which term covers five years from the fiscal year ended March 31, 2017, to realize the improvements of “Earning power through operations” and “Value in capital markets,” we are working on the following strategies: 1) Promoting global branding, 2) Focusing on priority overseas locations, 3) Laying stronger foundations for our domestic profit base, 4) Establishing a second pillar that generates revenue and profit, 5) Developing and strengthening human resources for global management.

＜Consolidated results＞ (¥ Million)

	Three months of FY2018	Three months of FY2019	Year on year	
			Amount	%
Revenue	101,337	103,399	＋2,061	＋2.0
Operating profit	8,856	12,833	＋3,976	＋44.9
Profit before tax	9,599	13,465	＋3,865	＋40.3
Profit attributable to owners of parent	6,353	8,271	＋1,918	＋30.2

The following is an overview of performance by reportable segment:

1) NISSIN FOOD PRODUCTS

Sales of NISSIN FOOD PRODUCTS Co., Ltd. increased year on year with a rise in sales of cup-type noodle and bag-type noodle products. In cup-type noodles, sales of the *CUP NOODLE* brand significantly increased with the launch of Nissin Food 60th Anniversary Cup Noodle to commemorate the 60th anniversary of NISSIN FOOD PRODUCTS Co., Ltd. and the release of the *ASSARI SUKUNAME CUP NOODLE* series characterized by a lighter taste. Sales of the *NISSIN-NO-DONBEI* series and the *NISSIN YAKISOBA U.F.O.* series also remained strong partly due to the effect of launching new products. In bag-type noodles, *CHICKEN RAMEN AKUMA NO KIMU-RA*, which benefited from a powerful TV commercial and excellent palatability became a popular topic of conversation on social media and online news sites, contributed to sales of the *CHICKEN RAMEN* brand, which celebrated the 60th anniversary of its release, and sales of the *OWAN DE TABERU* series, which was released in September 2017, remained strong. As a result, these products contributed to the company’s sales.

Consequently, Revenue was ¥ 43,142 million (+0.6%) and operating profit was ¥ 5,875 million (+4.3%) in this reportable segment.

2) MYOJO FOODS

Looking at sales of MYOJO FOODS Co., Ltd., sales of the *MYOJO IPPEICHAN YOMISE NO YAKISOBA* series, a core cup-type noodles product, remained solid, and sales of the *MYOJO UMADASHIYA* series also grew. As a result, the company registered an increase in sales. Sales of bag-type noodles also increased year on year thanks to firm sales of the *MYOJO CHUKAZANMAI* series amid the sluggish market. Consequently, Revenue was ¥ 8,129 million (+10.3%) and operating profit was ¥ 752 million (+19.9%) in this reportable segment.

3) Chilled and frozen foods

At NISSIN CHILLED FOODS Co., Ltd., sales of the *FRY PAN HITOTSU DE* series whose easy preparation has proven popular rose, although the market conditions for chilled noodles were lackluster. Meanwhile, sales of fried noodle products recovered beyond the year-ago level, mainly helped by the *FUTOMEN YAKISOBA* series, a core product. As a result, the company posted a year-on-year gain in sales. However, overall profit declined mainly due to rises in raw material and logistics costs.

NISSIN FROZEN FOODS Co., Ltd. saw steady sales, mainly in products for commercial use. Sales of Chinese-type noodles without soup such as *REITO NISSIN CHUKA SHIRUNASHI TAN TAN MEN* increased, and sales of *NISSIN MOCHITTO NAMA PASTA*, *NISSIN SPA OH BIG* and *NISSIN SPA OH PREMIUM* continued to be strong in pasta products with precooked ingredients. As a result, the company registered a year-on-year increase in sales.

Consequently, Revenue was ¥ 13,654 million (+2.3%) and operating profit was ¥ 665 million (+4.1%) in this reportable segment.

4) The Americas

The Americas is working to strengthen the proposal of value-added products to create new demand and enhance cost competitiveness, in addition to empowering existing products.

Sales declined in the segment, affected by the effect of foreign currency exchange and a fall in the unit price of sales because of the severe sales environment in the United States, although sales of *NISSIN LAMEN*, a core product in Brazil, remained firm and the launch of new flavors in *CUP NOODLES* led to higher sales. Profit declined in the Americas segment given the deteriorated external environment in the United States, such as the rising cost of principal raw materials and increases in logistics and personnel costs.

Consequently, Revenue was ¥ 13,099 million (-1.9%) and operating profit was ¥ 311 million in this reportable segment.

5) China

In China, the instant noodles market has bottomed out in mainland China, and the market for high-end products is expanding. The Group has taken steps to expand its geographical sales areas and strengthen its *CUP NOODLES* brand. In this environment, sales increased year on year thanks to strong sales of cup-type noodles, mainly in the *CUP NOODLES* brand. Profit declined year on year, however, given rising personnel costs and raw material prices in China.

Consequently, Revenue was ¥ 9,230 million (+6.0%) and operating profit was ¥ 414 million (-37.6%) in this reportable segment.

Revenue in "Other," which includes business segments not included in reportable segments such as domestic confectionary, beverages, Europe and Asia was ¥ 16,142 million (+3.1%) and operating profit was ¥ 6,869 million (+363.1%).

(2) Analysis of Financial Position

Note: Refer to pages from 5 to 6 for further information.

(3) Explanation Concerning Consolidated Forecasts

The full-year forecasts of the consolidated financial results for the fiscal year ending March 2019 remain unchanged from the forecasts that were announced on May 10, 2018.

2. Condensed Consolidated Financial Statements and Significant Notes

(1) Condensed Consolidated Statements of Financial Position

(¥ Million)

	Date of transition to IFRS (As of April 1, 2017)	FY 2018 (As of March 31, 2018)	FY 2019 (As of June 30, 2018)
Assets			
Current assets			
Cash and cash equivalents	66,737	49,620	59,410
Trade and other receivables	67,101	72,538	68,124
Inventories	29,023	29,616	32,330
Income taxes receivable	244	1,567	1,592
Other financial assets	4,455	6,569	5,821
Other current assets	4,006	5,626	7,633
Subtotal	171,569	165,539	174,912
Assets held for sale	—	3,514	—
Total current assets	171,569	169,054	174,912
Non-current assets			
Property, plant and equipment	163,256	188,219	203,462
Goodwill and intangible assets	10,128	8,256	7,614
Investment property	10,940	7,225	7,214
Investments accounted for using the equity method	29,373	43,957	42,511
Other financial assets	92,671	97,998	98,058
Deferred tax assets	10,177	12,050	12,943
Other non-current assets	3,032	1,964	1,930
Total non-current assets	319,580	359,672	373,734
Total assets	491,149	528,726	548,647

(¥ Million)

	Date of transition to IFRS (As of April 1, 2017)	FY 2018 (As of March 31, 2018)	FY 2019 (As of June 30, 2018)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	91,845	101,762	106,914
Borrowings	20,946	6,701	22,732
Provisions	—	1,188	1,185
Accrued income taxes	6,978	5,214	6,369
Other financial liabilities	456	541	473
Other current liabilities	18,623	19,213	15,993
Subtotal	138,850	134,622	153,668
Liabilities directly related to assets held for sale	—	143	—
Total current liabilities	138,850	134,766	153,668
Non-current liabilities			
Borrowings	15,611	14,146	14,873
Other financial liabilities	3,307	2,841	2,771
Defined benefit liabilities	5,354	4,138	4,174
Provisions	328	270	256
Deferred tax liabilities	14,229	16,989	16,671
Other non-current liabilities	2,294	2,445	2,430
Total non-current liabilities	41,125	40,831	41,176
Total liabilities	179,976	175,597	194,845
Equity			
Share capital	25,122	25,122	25,122
Capital surplus	49,823	51,218	51,218
Treasury shares	(58,190)	(58,002)	(6,805)
Other components of equity	25,684	31,353	29,044
Retained earnings	257,942	280,083	232,223
Total equity attributable to owners of parent	300,382	329,776	330,803
Non-controlling interests	10,790	23,352	22,998
Total equity	311,173	353,128	353,802
Total liabilities and equity	491,149	528,726	548,647

(2) Condensed Consolidated Statements of Income and Comprehensive Income

(Condensed Consolidated Statements of Income)

(¥ Million)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	101,337	103,399
Cost of sales	64,987	67,039
Gross profit	36,349	36,359
Selling, general and administrative expenses	28,748	29,520
Gain on investments accounted for using the equity method	740	822
Other income	708	5,366
Other expenses	193	194
Operating profit	8,856	12,833
Finance income	854	918
Finance costs	110	286
Profit before tax	9,599	13,465
Income tax expense	3,172	5,103
Profit	6,427	8,362
Profit attributable to		
Owners of parent	6,353	8,271
Non-controlling interests	73	90
Profit	6,427	8,362
Earnings per share (Yen)		
Basic earnings per share(Yen)	61.03	79.43
Diluted earnings per share(Yen)	60.74	79.04

(Condensed Consolidated Statements of Comprehensive Income)

(¥ Million)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	6,427	8,362
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in equity instruments measured at fair value through other comprehensive income	3,129	(139)
Remeasurements of defined benefit plans	—	(14)
Share of other comprehensive income of entities accounted for using the equity method	62	(20)
Total items that will not be reclassified to profit or loss	3,192	(174)
Items that are or may be reclassified to profit or loss		
Net change in debt instruments measured at fair value through other comprehensive income	0	(0)
Cash flow hedges	2	44
Foreign currency translation differences on foreign operations	(223)	(1,374)
Share of other comprehensive income of entities accounted for using the equity method	247	(1,055)
Total items that are or may be reclassified to profit or loss	27	(2,386)
Total other comprehensive income	3,220	(2,560)
Comprehensive income	9,647	5,801
Comprehensive income attributable to		
Owners of parent	9,581	5,569
Non-controlling interests	66	231
Comprehensive income	9,647	5,801

(3) Condensed Consolidated Statements of Changes in Equity

Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

(¥ Million)

	Equity attributable to owners of parent						
				Other components of equity			
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Foreign currency translation differences on foreign operations	Cash flow hedges	Net change in financial instruments measured at fair value through other comprehensive income
Balance at April 1, 2017	25,122	49,823	(58,190)	1,626	—	(7)	22,531
Profit	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(209)	2	3,124
Total comprehensive income	—	—	—	—	(209)	2	3,124
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Sales of treasury shares	—	(3)	41	(37)	—	—	—
Cash dividend paid	—	—	—	—	—	—	—
Share-based payments	—	—	—	364	—	—	—
Changes in the ownership interest of a subsidiary without a loss of control	—	(5)	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	3	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(108)
Other	—	—	—	—	—	—	—
Total transactions with owners of parent	—	(5)	40	326	—	—	(108)
Balance at June 30, 2017	25,122	49,818	(58,149)	1,952	(209)	(4)	25,546

	Equity attributable to owners of parent					
	Other components of equity					
	Share of other comprehensive income of entities accounted for using the equity method	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at April 1, 2017	1,533	25,684	257,942	300,382	10,790	311,173
Profit	—	—	6,353	6,353	73	6,427
Other comprehensive income	310	3,227	—	3,227	(7)	3,220
Total comprehensive income	310	3,227	6,353	9,581	66	9,647
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Sales of treasury shares	—	(37)	—	0	—	0
Cash dividend paid	—	—	(4,684)	(4,684)	(143)	(4,827)
Share-based payments	—	364	—	364	—	364
Changes in the ownership interest of a subsidiary without a loss of control	—	—	—	(5)	1,075	1,069
Transfer from retained earnings to capital surplus	—	—	(3)	—	—	—
Transfer from other components of equity to retained earnings	—	(108)	108	—	—	—
Other	—	—	(55)	(55)	(167)	(222)
Total transactions with owners of parent	—	217	(4,634)	(4,381)	764	(3,617)
Balance at June 30, 2017	1,844	29,129	259,661	305,582	11,621	317,203

Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(¥ Million)

	Equity attributable to owners of parent						
				Other components of equity			
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Foreign currency translation differences on foreign operations	Cash flow hedges	Net change in financial instruments measured at fair value through other comprehensive income
Balance at April 1, 2018	25,122	51,218	(58,002)	1,819	(2,922)	(41)	30,039
Profit	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(1,531)	44	(139)
Total comprehensive income	—	—	—	—	(1,531)	44	(139)
Acquisition of treasury shares	—	—	(2)	—	—	—	—
Sales of treasury shares	—	(1)	8	(6)	—	—	—
Cancelation of treasury shares	—	—	51,190	—	—	—	—
Cash dividend paid	—	—	—	—	—	—	—
Share-based payments	—	—	—	400	—	—	—
Transfer from retained earnings to capital surplus	—	1	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total transactions with owners of parent	—	—	51,197	393	—	—	—
Balance at June 30, 2018	25,122	51,218	(6,805)	2,213	(4,453)	3	29,900

	Equity attributable to owners of parent					
	Other components of equity					
	Share of other comprehensive income of entities accounted for using the equity method	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at April 1, 2018	2,458	31,353	280,083	329,776	23,352	353,128
Profit	—	—	8,271	8,271	90	8,362
Other comprehensive income	(1,076)	(2,702)	—	(2,702)	141	(2,560)
Total comprehensive income	(1,076)	(2,702)	8,271	5,569	231	5,801
Acquisition of treasury shares	—	—	—	(2)	—	(2)
Sales of treasury shares	—	(6)	—	0	—	0
Cancelation of treasury shares	—	—	(51,190)	—	—	—
Cash dividend paid	—	—	(4,686)	(4,686)	(626)	(5,312)
Share-based payments	—	400	—	400	—	400
Transfer from retained earnings to capital surplus	—	—	(1)	—	—	—
Other	—	—	(253)	(253)	40	(213)
Total transactions with owners of parent	—	393	(56,132)	(4,541)	(585)	(5,127)
Balance at June 30, 2018	1,381	29,044	232,223	330,803	22,998	353,802

(4) Notes to Condensed Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

Nissin Foods Holdings Company Limited (hereinafter, “the Company”) is a stock company domiciled in Japan. The addresses of its registered head office and main offices are disclosed on the Company’s website (https://www.nissin.com/en_jp/). The Company’s condensed consolidated financial statements comprise the Company and its subsidiaries (hereinafter, “the Group”) and interests in the Company’s associates.

Details of each business and principle activity of the Group are described in Note “Segment information.”

(Basis of preparation)

(1) Compliance with IFRS

The condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34. Since the requirements for “Specified Company of Designated International Accounting Standards” set forth in Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” are satisfied, the Group adopts the provisions of Article 93 of the same Ordinance.

The Group first adopted IFRS from the first quarter of the fiscal year ended March 31, 2019 with the date of transition to IFRS (hereinafter, “transition date”) on April 1, 2017. Effects of the transition to IFRS on the Group’s financial position and operating results at the time of transition and for the comparative year are described in Note “First-time adoption.”

The Group’s condensed consolidated financial statements were approved by the Board of Directors meeting held on August 7, 2018.

(2) Basis of measurement

The Group’s condensed consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments measured at fair value.

(3) Functional currency and presentation currency

The Group’s condensed consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency, and amounts of less than one million yen are rounded off to the nearest million yen.

(Significant accounting policies)

(1) Basis of consolidation

The consolidated financial statements include financial statements of the Company and its subsidiaries, and interests in investments in associates.

1) Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group considers that it has control over an entity when it has exposures to variable returns arising from its involvement with the entity, or when it has rights on the returns and has the ability to affect those returns through the exercise of its power over the entity.

The acquisition date of a subsidiary is the date on which the Group obtained control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which the Group loses control.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary.

The fiscal year end date of some subsidiaries is different from that of the Group since, primarily due to the local regulations and laws enforced in the region where the subsidiaries are located requesting fiscal year end date other than that of the Company, it is impracticable to unify the fiscal year end date. In such cases, the financial figures of the subsidiaries based on provisional closing on the fiscal year end of the Company are used.

All material intragroup transactions, assets, liabilities and unrealized gains or losses arising from intragroup transactions are eliminated on consolidation.

Comprehensive income of the subsidiaries is attributed to owners of parent and to the non-controlling interests even if non-controlling interests have a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration is recognized directly in equity attributable to owners of parent.

If the Group loses control over a subsidiary, gains or losses derived from such loss of control of the subsidiary shall be recognized in profit or loss.

2) Associates

An associate is an entity over which the Group has significant influence.

Investments in associates are accounted for using the equity method from the date on which the Group obtained the significant influence until the date on which it ceases to have the influence.

In cases where the accounting policies applied by an associate are different from those applied by the Group, adjustments are made to the associate's financial statements, if necessary. The fiscal year end date of the associates is different from that of the Group since, primarily due to the local regulations and laws enforced in the region where the associates are located or where the stocks of the associates are listed or relations with other shareholders, it is impracticable to unify the fiscal year end date.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred in exchange for control over an acquiree, the liabilities assumed and equity interests issued by the Company. The identifiable assets acquired and the liabilities assumed in the acquiree are measured at their acquisition-date fair values, except:

1) Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively.
2) Non-current assets and disposal groups classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (hereinafter, "IFRS 5") are measured in accordance with IFRS 5.
3) Liabilities or equity instruments that are related to share-based payment transactions based on stocks issued by the acquire, or replacement of the acquiree's share-based payment transactions with share-based payment transactions based on stocks issued by the Company, are measured in accordance with IFRS 2 "Share-based Payment" (hereinafter, "IFRS 2").

The excess of the sum of the consideration transferred, the amount recognized for non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the acquisition-date fair value of the identifiable assets acquired and liabilities assumed is recorded as goodwill in the consolidated statements of financial position. If the excess is negative, then a gain from a bargain purchase is recognized as profit in the consolidated statements of income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the items for which the accounting is incomplete are measured by provisional amounts. In case new information obtained during the measurement period, which shall not exceed one year from the acquisition date, if known, would have affected measurement of the amounts recognized as of that date, the provisional amounts recognized at the acquisition date are retrospectively adjusted.

Acquisition-related costs are expensed when incurred. The Group accounts for the acquisition of additional non-controlling interests as an equity transaction, and accordingly, it does not recognize goodwill attributable to such transactions.

(3) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions or an approximation of the rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the end of each reporting period. Differences arising from the translation and settlement are recognized in profit or loss. However, exchange differences arising from translation or settlement of financial assets measured at fair value through other comprehensive income (hereinafter, "FVTOCI") and cash flow hedges are recognized in other comprehensive income.

The assets and liabilities (including goodwill recognized in acquisition and adjustment of fair values) of foreign operations are translated into the functional currency using the exchange rates at the end of each reporting period, while income and expenses of foreign operations are translated into the functional currency using the average exchange rate for the period, unless there was significant change in the exchange rate during the period. Differences arising from the translation are recognized in other comprehensive income. On the disposal of the interest in a foreign operation, the cumulative amount of the foreign currency translation difference related to the foreign operation is reclassified to profit or loss in the same period.

(4) Financial instruments

1) Non-derivative financial assets

(A) Classification

The Group classifies financial assets other than derivatives into financial assets measured at amortized cost, financial assets measured at FVTOCI and financial assets measured at fair value through profit or loss (hereinafter, "FVTPL").

(a) Financial assets measured at amortized cost

Investments in debt instruments with contractual cash flow which are solely payments of principal and interest on the principal amount outstanding and which are held in order to collect the contractual cash flows are measured at amortized cost.

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

Financial assets are classified as debt instruments measured at FVTOCI if both of the following conditions are met.

・The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and sell the asset.

・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.

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

Financial assets, other than those measured at amortized cost or debt instruments at FVTOCI, whose subsequent changes in the fair value were irrevocably designated at initial recognition as measured at fair value through other comprehensive income are classified as financial assets at FVTOCI.

As the Group has adopted the exemption provision prescribed in IFRS 1 "First-time adoption of International Financial Reporting Standards" (hereinafter, "IFRS 1"), investments in equity instruments are designated as measured at fair value through other comprehensive income based on facts and conditions existed as of the date of transition to IFRS.

(d) Financial assets measured at fair value through profit or loss

Financial assets, other than those measured at amortized cost or FVTOCI, are classified as financial assets at FVTPL. Financial assets at FVTPL are measured at fair value at initial recognition and transaction costs are recognized in profit or loss when incurred.

(B) Initial recognition and measurement

The Group recognizes financial assets when the Group becomes a party to the contract provisions for the financial assets.

(C) Subsequent measurement

Financial assets are measured according to their classification after initial recognition.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. Interest incurred is included in finance costs in the consolidated statements of income.

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

(b-1) Debt instruments measured at fair value through other comprehensive income

Changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income except impairment gain or loss and currency exchange difference until the instruments are derecognized. When the asset is derecognized, the amount previously recognized other comprehensive income is transferred to profit or loss.

(b-2) Equity instruments measured at fair value through other comprehensive income

Changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. When the asset is derecognized, or its fair value has significantly decreased, the amount previously recognized in other comprehensive income is transferred directly to retained earnings. Dividends from the financial assets are recognized in profit or loss.

(c) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value after initial recognition and the changes in the fair value are recognized in profit or loss.

(D) Derecognition

Financial assets are derecognized when the contractual rights to the cash flow expire or are transferred, or when substantially all the risks and rewards of the ownership are transferred. Financial assets are derecognized on the date of the sales when sold in normal manner.

(E) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts on expected credit loss of financial assets measured at amortized cost.

(Determining significant increases in credit risks)

The Group assesses at the end of each reporting period whether the credit risks of financial instruments has significantly increased after initial recognition.

The Group determines whether the credit risk has significantly increased based on changes in the risk of a default occurring after initial recognition and in assessing whether there is any change in the risk of default, the Group takes into account the following matters.

・Deterioration of the trade partner’s financial condition
・Past due information
・Significant change in a credit rating by third-party agencies

(Expected credit loss approach)

Expected credit losses are the present value of the difference between contractual cash flows the Group has a right to receive pursuant to a contract and the cash flows actually expected to be received by the Group. If the credit risk on a financial asset has increased significantly after initial recognition, the Group measures the allowance for doubtful accounts for the financial asset at an amount equal to the lifetime expected credit loss. If the credit risk has not increased significantly, the Group measures the allowance for doubtful accounts for that financial asset at an amount equal to a 12-month expected credit loss.

Notwithstanding the above, the Group measures the allowance for doubtful accounts at an amount equal to lifetime

expected credit losses for trade receivables that do not contain a significant financing component.
The provision for the allowance for doubtful accounts for financial assets is recognized in profit or loss.

2) Non-derivative financial liabilities

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost at initial recognition. The Group recognizes financial liabilities measured at amortized cost on the issue date and other financial liabilities on the transaction date when the Group becomes a party to the contractual provisions.

The Group derecognizes financial liabilities when it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires.

(A) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value at and subsequent to the initial recognition and after that. The subsequent changes in fair value are recognized in profit or loss.

(B) Financial liabilities measured at amortized cost

Financial liabilities other than those measured at fair value through profit or loss are classified as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are measured at the fair value less transaction costs that are directly attributable to the issue of the financial liabilities at initial recognition. Financial liabilities measured at amortized cost is measured at amortized cost using the effective interest method after initial recognition and interest incurred is included in finance costs in the consolidated statements of income.

3) Derivatives and hedge accounting

Derivatives are initially measured at fair value at the date the contract is entered into, and are subsequently remeasured at fair value at the end of each reporting period.

The Group utilizes derivatives, including forward foreign exchange contracts and interest rate swap contracts to lower risks such as foreign exchange and interest rate risks.

How gain or loss resulting from remeasurement is recognized depends on whether derivatives are designated as hedging instrument and, in case designated, the nature of the hedged item.

The Group designates derivatives as hedging instruments of cash flow hedges (hedging exposure to changes in cash flow from recognized assets or liabilities, or specific risks related to highly probable forecasted transactions).

At the inception of hedges, the Group documents the hedging relationship between a hedging instrument and hedged item to which hedge accounting is applied, and the objectives and strategies of risk management for undertaking the hedge.

When a derivative used for hedging offsets the fair value of a hedged item or changes in cash flows, the Group assesses and documents at the inception of the hedging relationship and on an ongoing basis whether the hedging relationship meets the hedge effectiveness requirements. The Group performs the ongoing assessment of hedge effectiveness at the end of each reporting period or, if earlier, upon a significant change in the circumstance affecting the hedge effectiveness requirements.

Hedges that qualify for stringent requirements for hedge accounting are accounted for as follows:

(A) Fair value hedges

Gains or losses on hedging instruments are recognized in profit or loss. Gains or losses on hedged items are recognized in profit or loss with adjusting book value of the hedged items.

(B) Cash flow hedges

The effective portion of gain or loss on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-monetary assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of nonmonetary assets or liabilities.

When hedged future cash flow is no longer expected to occur, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss.

When hedged future cash flow is still expected, any related cumulative gain or loss that has been recognized in equity as other comprehensive income remains in equity until the future cash flow occurs.

4) Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and presented as a net amount in the consolidated statements of financial position only when the Group has a legally enforceable right to set off recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5) Fair value of financial instruments

Fair value of financial instruments that are being traded in active financial markets at the end of each reporting period refers to quoted prices or dealer quotations. If there is no active market, fair value of financial instruments is determined using appropriate valuation models.

Determined fair value is classified into three levels according to observability of the inputs to valuation techniques used to measure the fair value.

Level 1 is measured at quoted prices in active markets for identical assets or liabilities.

Level 2 is fair value of asset or liability other than that measured at Level 1, and is measured with inputs that are observable for the asset or liability, either directly or indirectly.

Level 3 is measured with inputs that are unobservable for the asset or liability.

6) Finance income and finance costs

Finance income mainly consists of interest income, dividend income and derivatives gain (excluding gains on hedging instruments which are recognized in other comprehensive income). Interest income is recognized upon occurrence using the effective interest method.

Finance costs mainly consist of interest expense and derivative loss (excluding losses on hedging instruments which are recognized in other comprehensive income).

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value, and due within three months from the date of acquisition.

(6) Inventories

The acquisition cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are measured at the lower of acquisition cost or net realizable value, and the costs are determined by primarily using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(7) Property, plant and equipment

Property, plant and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes any costs directly attributable to the acquisition of the asset; and dismantlement, removal and restoration costs; as well as borrowing costs eligible for capitalization.

Except for assets that are not subject to depreciation, such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items are as follows:

- Buildings and structures: 15 to 50 years
- Machinery: 10 years
- Tools and fixtures: 2 to 22 years

The estimated useful lives and depreciation method are reviewed at each fiscal year end, with the effect of any changes in estimate being accounted for on a prospective basis.

Upon derecognition of property, plant and equipment, net proceeds from disposal (or sales) less book value is recognized in profit or loss.

(8) Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is measured by using the cost model for property, plant and equipment and is stated at cost less accumulated depreciation and accumulated impairment losses.

Except for land, assets are depreciated using the straight-line method over their estimated useful lives.

(9) Goodwill and intangible assets

1) Goodwill

Goodwill is stated at acquisition cost less accumulated impairment losses.

Goodwill is not amortized and is stated at acquisition cost less accumulated impairment losses. Goodwill is allocated to assets, cash-generating units or group of cash-generating units that are identified according to locations and types of businesses and tested for impairment annually or more frequently if there is any indication for impairment.

Impairment losses on goodwill are recognized in profit or loss and no subsequent reversal is made.

2) Intangible assets

Intangible assets are measured by using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses.

Separately acquired intangible assets are measured at cost at the initial recognition, and the costs of intangible assets acquired in business combinations are recognized at fair value at the acquisition date.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Software: 5 years
- Trademark: 10 - 20 years

The estimated useful lives and amortization method of intangible assets are reviewed at each fiscal year end, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but they are tested for impairment annually or more frequently if there is any indication for impairment.

Expenditures on research activities to obtain new scientific or technical knowledge are recognized as expenses when they occurred. Expenditures on development activities are capitalized as intangible assets, if, and only if, they are reliably measurable, they are technically and commercially feasible, it is highly probable that they will generate future economic benefits, and the Group intends and has adequate resources to complete their developments and use or sell them.

(10) Lease

Leases are classified as finance leases whenever substantially all the risks and rewards of ownership are transferred to the Group. All other leases are classified as operating leases.

1) Finance lease

(Lessee)

In finance lease transactions, leased assets are recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between the finance costs and the reduction of the outstanding obligation based on the interest method. Finance costs are recognized in profit or loss. Leased assets are depreciated using the straight-line method over the shorter of their estimated useful lives and lease terms.

2) Operating lease

(Lessee)

In operating lease transactions, total lease payments are recognized as an expense using the straight-line method over the lease terms.

(Lessor)

In operating lease transactions, total lease receivables are recognized as income using the straight-line method over the lease terms.

(11) Impairment of non-financial assets

The Group assesses at the end of each fiscal year whether there is any indication that each asset or the cash-generating unit (or the group of cash-generating units) to which the asset belongs may be impaired. When there is any indication of impairment, the recoverable amount of the asset is estimated. The recoverable amount of goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are estimated on the same timing of every fiscal year.

The recoverable amount of an asset or cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. In determining the value in use, estimated future cash flows are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, the Group uses an appropriate valuation model supported by available fair value indicators. Only if the recoverable amount of an asset or cash-generating unit falls below its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized.

The Group assesses whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased, such as there are any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases where the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment loss is reversed up to the lower of the estimated recoverable amount, or the carrying amount (net of depreciation) that would have been determined if no impairment loss had been recognized in prior years.

(12) Assets held for sale

An asset or asset group that is expected to be recovered through a sale transaction rather than through continuing use is classified into a non-current asset or disposal group held for sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and the Group management commits to the sale plan. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount or its fair value less costs to sell.

(13) Employee benefits

1) Post-employment benefits

The Group has corporate pension fund system, welfare pension fund system and post-retirement benefit as defined benefit pension plans. Also, the Company and certain consolidated subsidiaries have defined contribution plans, in addition to defined benefit pension plans.

Regarding defined benefit plans, current service costs are calculated using the projected unit credit method in actuarial calculations made at the consolidated fiscal year-end date, and service costs and net interest are recognized in profit or loss when incurred.

As for the discount rate, the discount period is determined based on the period until the expected date of benefit payments in each fiscal year, and the discount rate is determined by reference to market yields on high-quality corporate bonds at the end of the fiscal year corresponding to the discount period.

All of the actuarial gains/losses incurred in the period are recognized in other comprehensive income, and the cumulative amount that is recognized as other components of equity is immediately reclassified to retained earnings. Net retirement benefit liabilities are the present value of defined benefit obligations less fair value of plan assets.

Regarding defined contribution plans, the amount of contributions by the Group is recognized as expenses at the time employees render services that give entitlement to the benefit.

2) Other employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis, and are recognized as an expense when the related services are rendered.

For bonuses, when there is a present legal or constructive obligation to make payments of bonuses, and a reliable estimate of the obligation can be made, the estimated amount to be paid is accounted for as a liability.

For the paid absence obligations, when there is a legal or constructive obligation with respect to accumulating paid absence systems and a reliable estimate of the obligation can be made, the estimated amount to be paid based on those systems is accounted for as a liability.

(14) Share-based payments

The Group has implemented share option plans as equity-settled share-based payment plans. The fair value of the share option at the grant date is recognized as an expense over the vesting period and the corresponding amount is recognized as an increase in other components of equity. The fair value of options granted is determined using the Black-Scholes model, taking into account the terms and conditions of the options.

(15) Provisions

Provisions are recognized if the Group has present obligations (legal or constructive obligations) as a result of past events, if it is probable that settling the obligations will require outflows of resources embodying economic benefits, and if the obligations can be estimated reliably.

Where the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations. In calculating the present value, the Group uses the pretax discount rate reflecting current market assessments of the time value of money and the risks specific to the liability. Increases due to passage of time is recognized as finance costs.

(Asset retirement obligations)

Costs for restoration of leased property used by the Group to its original condition or removal of hazardous materials associated with the property are estimated based on historical experience and recognized as a provision for asset retirement obligations. While these costs are expected to be incurred after more than one year, they will be affected by the future business plans.

(Provision for losses on lawsuits)

For provisions for losses due to payment of compensation for damages that could arise as a result of lawsuits, the estimated loss resulting from the payment of compensation for damages is recognized, if a lawsuit is filed and if it is probable that compensation for damages to an outside third party will have to be paid.

(Business loss provisions)

Provision for business losses is recognized at the expected amount of losses on the businesses to be discontinued. Provision is recognized when there is a detailed formal plan, and implementation or announcement of such a plan creates valid expectations in other affected parties that the execution of the liquidation plan will be virtually certain.

(16) Revenue from the contracts with customers

The Group recognizes revenue in the amount that reflects a consideration to which the Group expects to be entitled in exchange for the transfer of goods and services to customers, based on the following five-step approach:

Step 1: Identify the contracts 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 separate performance obligations
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group sells consumer products including instant noodles, chilled noodles, frozen noodles, confectionery and beverages. For sales of such products, because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items.

(17) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group will comply with the conditions attached to them and receive the grants. With regard to government grants related to an acquisition of assets, the amount of grants is deducted from the acquisition cost of the assets.

(18) Income tax expenses

Income tax expenses consist of current income taxes and deferred income taxes. Income tax expenses are recognized in profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

1) Current income tax

Tax expenses for the period are measured at the amount of income taxes payable in respect of the taxable profit for a period. These tax amounts are calculated based on tax rates that have been enacted or substantially enacted at the end of the period.

2) Deferred income tax

Deferred income taxes are calculated based on the temporary differences between the tax base of assets and liabilities and the carrying amount at the end of each reporting date. A deferred tax asset is recognized for deductible temporary differences, carryforward of unused tax losses and tax credits that will reduce future tax obligations to the extent that it is probable that future taxable profit will be available against which they can be utilized. A deferred tax liability is recognized for all taxable temporary differences in principle.

The deferred tax asset or liability is not recognized for the following temporary differences from:

(A) goodwill

(B) the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of transaction, affect neither accounting profit nor taxable profit or loss

The deferred tax liability for the taxable temporary differences associated with investments in subsidiaries and associates is not recognized to the extent that it is highly probable that the timing of the reversal of the temporary difference is able to be controlled, and the temporary difference will not reverse in the foreseeable future.

The deferred tax asset for the deductible temporary differences arising from investments in subsidiaries and associates is recognized, to the extent that it is highly probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year in which the related temporary differences will reverse, based on tax rates that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity, or income taxes are levied on different taxable entities but these entities intend to settle the current tax assets and liabilities on a net basis or these current tax assets and liabilities will be realized simultaneously.

Quarterly income tax expense is calculated based on an estimated annual effective tax rate.

(19) Equity

1) Ordinary shares

For ordinary shares, their issue prices are recorded in share capital and share surplus. Cost (net of tax) associated with the issue of ordinary shares are deducted from share capital and capital surplus.

2) Treasury shares

When the Group acquires shares of the Company, the amount of the consideration paid including transaction costs directly attributable to the acquisition is deducted from equity. When the Group sells treasury shares, the difference between the carrying amount and the consideration received from the sale is recognized in equity.

(20) Earnings per share

Basic earnings per share are calculated by dividing profit or loss for a quarterly period attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares issued, adjusted by the number of treasury shares during the period. Diluted earnings per share are calculated by adjusting the effects of dilutive potential ordinary shares.

(Significant accounting estimates and judgements on estimates)

In preparation of consolidated financial statements in accordance with IFRS, management is required to apply accounting policies and make judgements, estimates and assumptions that affect the amounts of assets, liabilities, income and expenses.

These estimates and assumptions for the basis of them are reviewed continuously. The effects of changes in estimates are recognized prospectively from the period in which the estimates are changed. Furthermore, due to uncertainties in the estimates and assumptions, significant adjustments to the carrying amount of assets or liabilities may be required in the future periods.

The followings are material accounting estimates and judgements associated with estimates in the condensed quarterly consolidated financial statements of the Group.

(A) Financial instruments (Significant accounting policies (4) Financial instruments)

(B) Impairment of non-financial assets (Significant accounting policies (11) Impairment of non-financial assets)

(C) Recoverability of deferred tax assets (Significant accounting policies (18) Income tax expenses)

(D) Accounting methods and valuation of provisions (Significant accounting policies (15) Provisions)

(E) Measurement of defined benefit liabilities (Significant accounting policies (13) Employee benefits)

(F) Estimates of useful life and residual value of property, plant and equipment and intangible assets (Significant accounting policies (7) Property, plant and equipment and (9) Goodwill and intangible assets)

(Segment Information)

(1) Outline of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to make decisions about resources to be allocated and assess its performance.

The Group employs holding company system of six operating companies in Japan and four overseas business regions as strategy platforms, the reportable segments consist of "NISSIN FOOD PRODUCTS," "MYOJO FOODS," "Chilled and frozen foods," "The Americas" and "China." The segments of "NISSIN FOOD PRODUCTS," "MYOJO FOODS," "The Americas" and "China" are operating the business of manufacturing and selling cup- and bag-type noodles. The "Chilled and frozen foods" segment is operating the business of manufacturing and selling chilled and frozen foods.

(2) Segment profit and performance

The accounting method for the operating segments that are reported is generally same as described in "Significant accounting policies."

Reportable segments profit is on an operating profit basis. Intersegment revenue and transfers are based on market prices.

Three months ended June 30, 2017(From April 1, 2017 to June 30, 2017)

(¥ Million)

	Reportable segment						Others *1	Total	Reconciliations *2	Consolidated *3
	NISSIN FOOD PRODUCTS	MYOJO FOODS	Chilled and frozen foods	The Americas	China	Subtotal				
Revenue										
Sales to third party	42,895	7,373	13,350	13,355	8,707	85,682	15,655	101,337	―	101,337
Intersegment sales	175	1,234	349	1	27	1,788	6,807	8,596	(8,596)	―
Total	43,070	8,607	13,699	13,357	8,734	87,470	22,463	109,933	(8,596)	101,337
Segment profit (Operating profit)	5,631	627	639	1,073	664	8,636	1,483	10,119	(1,263)	8,856
Finance income	―	―	―	―	―	―	―	―	―	854
Finance costs	―	―	―	―	―	―	―	―	―	110
Profit before tax	―	―	―	―	―	―	―	―	―	9,599
Other items										
Depreciation and amortization	1,434	364	191	368	451	2,809	1,246	4,056	72	4,128
Gain on investments accounted for using the equity method	―	―	―	―	―	―	740	740	―	740
Capital expenditures	11,051	906	354	790	1,479	14,584	2,770	17,354	―	17,354

(Note)1. “Others” consists of the operating segments not included in reportable segment. It includes domestic confectionery and beverages business, and overseas business in Europe and Asia.

2. Operating profit under “Reconciliations” amounted to minus ¥ 1,263 million, consisting of minus ¥ 96 million from elimination of intersegment transactions and minus ¥ 1,166 million from group expenses.

3. Segment profit is adjusted to operating profit of condensed quarterly consolidated statements of income.

Three months ended June 30, 2018(From April 1, 2018 to June 30, 2018)

(¥ Million)

	Reportable segment						Others *1	Total	Reconciliations *2	Consolidated *3
	NISSIN FOOD PRODUCTS	MYOJO FOODS	Chilled and frozen foods	The Americas	China	Subtotal				
Revenue										
Sales to third party	43,142	8,129	13,654	13,099	9,230	87,256	16,142	103,399	―	103,399
Intersegment sales	226	1,461	90	2	252	2,034	7,123	9,157	(9,157)	―
Total	43,369	9,590	13,744	13,102	9,483	89,290	23,265	112,556	(9,157)	103,399
Segment profit (loss) (Operating profit)	5,875	752	665	(311)	414	7,396	6,869	14,266	(1,433)	12,833
Finance income	―	―	―	―	―	―	―	―	―	918
Finance costs	―	―	―	―	―	―	―	―	―	286
Profit before tax	―	―	―	―	―	―	―	―	―	13,465
Other items										
Depreciation and amortization	1,556	389	201	425	521	3,094	1,369	4,464	59	4,524
Gain on investments accounted for using the equity method	―	―	―	―	―	―	822	822	―	822
Capital expenditures	16,901	313	521	625	822	19,184	1,742	20,927	―	20,927

(Note) 1. “Others” consists of the operating segments not included in reportable segment. It includes domestic confectionery and beverages business, and overseas business in Europe and Asia.

2. Operating profit under “Reconciliations” amounted to minus ¥ 1,433 million, consisting of minus ¥ 126 million from elimination of intersegment transactions and minus ¥ 1,306 million from group expenses.

3. Segment profit (loss) is adjusted to operating profit of condensed quarterly consolidated statements of income.

(First-time adoption)

The Group disclosed the condensed quarterly consolidated financial statements under IFRS for the first time from the first quarter of this fiscal year. The latest consolidated financial statements under Japanese GAAP are prepared for the fiscal year ended March 31, 2018, and the transition date is April 1, 2017.

(1) Exemption under IFRS 1

IFRS requires that, in principle, first-time adopters of IFRS (hereinafter "First-time adopter") retrospectively apply the requirements of IFRS. However, IFRS 1 provides exemptions that is forcefully required to apply or can be voluntarily applied to part of the requirements of IFRS. The effect of applying IFRS was adjusted in retained earnings or other component of equity at the transition date. The exemption provisions the Group has applied as at the date of transition from Japanese GAAP to IFRS are as follows:

・Business combinations

First-time adopter is allowed not to apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") retrospectively to business combinations that occurred before the transition date. The Group chose the exemption not to retrospectively apply IFRS 3 to business combinations carried out before the transition date. Therefore, goodwill arising in business combinations prior to the transition date is recorded at the carrying amount under Japanese GAAP at the transition date. Furthermore, goodwill has been conducted impairment test at the transition date regardless of whether there was any indication of impairment.

・Deemed cost

IFRS 1 allows first-time adopters to use the fair value of property, plant and equipment, investment property and intangible assets at the transition date as its deemed cost. The Group has used the fair value of certain property, plant and equipment on the transition date as its deemed cost.

・Foreign currency translation differences on foreign operations

IFRS 1 permits that the cumulative balance of all foreign currency translation differences on foreign operations can be deemed as zero at the transition date. The Group has elected to treat all foreign currency translation differences on foreign operations as zero at the transition date.

・Share-based payment transactions

IFRS 1 encourages but not enforces to apply IFRS 2 to share-based payments granted on or after November 7, 2002 and vested before the transition date. The Group chose not to apply IFRS 2 to share-based payments vested before the transition date.

・Leases

IFRS 1 allows first-time adopter to determine whether contracts contain a lease as of the transition date. The Group has applied the exemption and determined whether contracts contain a lease based on facts and circumstances as of the transition date.

・Designation of financial instruments recognized prior to the transition date

IFRS 1 allows first-time adopter to determine the classification of financial instruments under IFRS 9 "Financial instruments" (hereinafter "IFRS 9") based on facts and circumstances as of the transition date, rather than facts and circumstances that exist at the time of initial recognition. In addition, IFRS 1 allows to designate equity instruments measured at fair value through other comprehensive income based on facts and circumstances as of the transition date.

The Group has determined the classification of financial instruments under IFRS 9 based on facts and circumstances as of the transition date and designate certain equity instruments measured at fair value through other comprehensive income.

・Application of transition measures of IFRS 15

IFRS 15 "Revenue from Contracts with Customers" permits first-time adopter need not to restate contracts that are completed contracts at the beginning of the first reporting period and those that were modified before the beginning of the period. The Group has applied the practical expedient not to restate contracts completed as on April 1, 2018 which is the beginning of the first reporting period and contracts changed condition before the same date.

There is no material effect due to application of the expedient to consolidated statements of financial position and consolidated income statements.

(2) Mandatory exemption under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interest," "classification and measurement of financial assets" and "impairment of financial assets." The company applies these exemptions prospectively from transition date.

(3) Reconciliations

The reconciliations required to be disclosed at the first-time adoption of IFRS are as follows.

"Effect of changes in fiscal year" includes the effect of unifying fiscal periods of subsidiaries with that of the Company, "Reclassification" includes items that do not affect retained earnings and comprehensive income and "Differences in recognition and measurement" includes items that affect retained earnings and comprehensive income.

Reconciliation of equity at the date of transition to IFRS (April 1, 2017)

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Effect of changes in fiscal year	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	70,919	(826)	(3,356)	—	66,737	(1)	Cash and cash equivalents
Notes and accounts receivable-trade Allowance for doubtful receivables	64,905	(270)	2,697	(229)	67,101	(2)(3)	Trade and other receivables
Marketable securities	1,155	(64)	3,364	—	4,455	(1)(4)	Other financial assets
Finished goods and merchandise Raw materials and supplies	28,907	(69)	—	185	29,023	(3)(5)(9)	Inventories
	—	—	244	—	244	(7)	Income taxes receivable
Others	6,849	59	(2,902)	—	4,006	(2)	Other current assets
Total current assets	172,737	(1,170)	46	(44)	171,569		Total current assets
Fixed assets							Non-current assets
Tangible fixed assets Building and structures, net Machinery, equipment and vehicles, net Tools and fixtures, net Land Leased assets, net Construction in progress Others, net	188,013	339	(10,940)	(14,156)	163,256	(8)(9)(10)	Property, plant and equipment
	—	—	10,940	—	10,940	(8)	Investment property
Intangible fixed assets Goodwill Others	44,070	(0)	(941)	(33,001)	10,128	(11)	Goodwill and intangible assets
Investments and other assets Investments in securities	121,837	1	(28,364)	(802)	92,671	(4)	Other financial assets

Investments in capital Long-term loans	—	—	29,373	—	29,373	(12)	Investments accounted for using the equity method
Deferred tax assets	7,270	(9)	—	2,915	10,177	(6)	Deferred tax assets
Net defined benefit asset	335	—	(335)	—	—	(13)	Other non-current assets
Others	3,046	(11)	145	(148)	3,032	(19)	
Allowance for doubtful receivables	(132)	—	132	—	—		
Total fixed assets	364,442	320	9	(45,192)	319,580		Total non-current assets
Total assets	537,180	(850)	56	(45,236)	491,149		Total assets

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Effect of changes in fiscal year	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable-trade	90,919	(364)	180	1,109	91,845	(14)	Trade and other payables
Short-term borrowings	18,450	(48)	2,544	—	20,946	(15)	Borrowings
Lease liabilities within one year	449	(3)	—	10	456	(16)	Other financial liabilities
Accrued income taxes	7,926	(94)	(853)	—	6,978	(17)	Accrued income taxes
Others	18,101	(22)	(1,815)	2,359	18,623	(18)	Other current liabilities
Total current liabilities	135,847	(533)	56	3,480	138,850		Total current liabilities
Long-term liabilities							Non-current liabilities
Long term borrowings	15,867	(256)	—	—	15,611		Borrowings
Lease liabilities beyond one year	2,863	(6)	451	—	3,307	(16)	Other financial liabilities
Asset retirement obligations	55	—	272	—	328		Provisions
Deferred tax liabilities	18,631	—	—	(4,402)	14,229	(6)	Deferred tax liabilities
Liability for retirement benefits	7,346	4	—	(1,996)	5,354	(19)	Defined benefit liabilities
Others	3,051	(32)	(724)	—	2,294		Other non-current liabilities
Total long-term liabilities	47,815	(290)	—	(6,398)	41,125		Total non-current liabilities
Total liabilities	183,662	(824)	56	(2,918)	179,976		Total liabilities
Equity							Equity
Common stock	25,122	—	—	—	25,122		Share capital
Capital surplus	49,823	—	—	—	49,823		Capital surplus
Retained earnings	308,074	110	—	(50,242)	257,942	(21)	Retained earnings
Treasury stock, at cost	(58,190)	—	—	—	(58,190)		Treasury shares
Accumulated other comprehensive income Stock acquisition rights	17,853	(182)	—	8,012	25,684	(20)	Other components of equity
	342,684	(72)	—	(42,229)	300,382		Total equity attributable to owners of parent
Non-controlling interests	10,833	46	—	(89)	10,790		Non-controlling interests
Total equity	353,517	(26)	—	(42,318)	311,173		Total equity
Total liabilities and equity	537,180	(850)	56	(45,236)	491,149		Total liabilities and equity

Reconciliation of equity at the date of June 30, 2017

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	57,441	(1,937)	—	55,503	(1)	Cash and cash equivalents
Notes and accounts receivable-trade Allowance for doubtful receivables	58,376	2,415	(206)	60,585	(2)(3)	Trade and other receivables
Marketable securities	1,154	1,945	—	3,100	(1)(4)	Other financial assets
Finished goods and merchandise Raw materials and supplies	30,562	(14)	147	30,696	(3)(5)(9)	Inventories
	—	492	—	492	(7)	Income taxes receivable
Others	9,147	(2,926)	(592)	5,628	(2)	Other current assets
	156,683	(25)	(651)	156,006		Subtotal
	—	1,275	—	1,275	(9)	Assets held for sale
Total current assets	156,683	1,249	(651)	157,281		Total current assets
Fixed assets						Non- current assets
Tangible fixed assets Building and structures, net Machinery, equipment and vehicles, net Tools and fixtures, net Land Leased assets, net Construction in progress Others	200,611	(12,192)	(14,158)	174,261	(8)(9)(10)	Property, plant and equipment
	—	10,931	—	10,931	(8)	Investment property
Intangible assets Goodwill Others	41,312	(626)	(31,108)	9,578	(11)	Goodwill and intangible assets
Investments and other assets Investments in securities Investments in capital Long-term loans	126,686	(28,575)	(801)	97,309	(4)	Other financial assets
	—	29,645	227	29,873	(12)	Investments accounted for using the equity method
Deferred tax assets	7,366	—	2,757	10,123	(6)	Deferred tax assets
Net defined benefit asset	311	(311)	—	—	(13)	
Others	2,458	(254)	(149)	2,053	(19)	Other non-current assets
Allowance for doubtful receivables	(133)	133	—	—		
Total fixed assets	378,614	(1,249)	(43,233)	334,131		Total non-current assets
Total assets	535,297	—	(43,884)	491,413		Total assets

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	87,129	2,732	210	90,071	(14)	Trade and other receivables
Short-term borrowings	20,852	3,191	—	24,043	(15)	Borrowings
Lease liabilities within one year	471	—	10	481	(16)	Other financial liabilities
Accrued income taxes	4,127	(343)	—	3,784	(17)	Accrued income taxes
Others	17,860	(5,580)	2,363	14,644	(18)	Other current liabilities
Total current liabilities	130,441	—	2,584	133,026		Total other current liabilities
Long-term liabilities						Non- current liabilities
Long term debt	14,556	—	—	14,556		Borrowings
Lease liabilities beyond one year	2,804	451	—	3,255	(16)	Other financial liabilities
Asset retirement obligations	78	241	—	319		Provisions
Deferred tax liabilities	19,841	—	(4,442)	15,398	(6)	Deferred tax liabilities
Liability for retirement benefits	7,290	—	(1,878)	5,411	(19)	Defined benefit liabilities
Others	2,934	(692)	—	2,241		Other non-current liabilities
Total long-term liabilities	47,505	—	(6,321)	41,183		Total non-current liabilities
Total liabilities	177,947	—	(3,737)	174,209		Total liabilities
Equity						Equity
Common stock	25,122	—	—	25,122		Share capital
Capital surplus	49,818	—	—	49,818		Capital surplus
Retained earnings	309,241	—	(49,580)	259,661	(21)	Retained earnings
Treasury stock	(58,149)	—	—	(58,149)		Treasury shares
Accumulated other comprehensive income Stock acquisition rights	19,607	—	9,522	29,129	(20)	Other components of equity
	345,640	—	(40,057)	305,582		Total equity attributable to owners of parent
Non-controlling interests	11,710	—	(89)	11,621		Non-controlling interests
Total equity	357,350	—	(40,147)	317,203		Total equity
Total liabilities and equity	535,297	—	(43,884)	491,413		Total liabilities and equity

Reconciliation of equity at the date of March 31,2018

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	56,131	(6,510)	—	49,620	(1)	Cash and cash equivalents
Notes and accounts receivable-trade Allowance for doubtful receivables	68,734	4,035	(231)	72,538	(2)(3)	Trade and other receivables
Marketable securities	51	6,518	—	6,569	(1)(4)	Other financial assets
Finished goods and merchandise Raw materials and supplies	29,432	—	184	29,616	(3)(5)(9)	Inventories
	—	1,567	—	1,567	(7)	Income taxes receivable
Others	11,113	(5,491)	4	5,626	(2)	Other current assets
	165,464	118	(42)	165,539		Subtotal
	—	3,514	—	3,514	(9)	Assets held for sale
Total current assets	165,464	3,633	(42)	169,054		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets Building and structures, net Machinery, equipment and vehicles, net Tools and fixtures, net Land Leased assets, net Construction in progress Others	214,071	(10,739)	(15,111)	188,219	(8)(9)(10)	Property, plant and equipment
	—	7,225	—	7,225	(8)	Investment property
Intangible assets Goodwill Others	37,264	(909)	(28,099)	8,256	(11)	Goodwill and intangible assets
Investments and other assets						
Investments in securities Investments in capital Long-term loans	139,362	(41,904)	540	97,998	(4)	Other financial assets
	—	43,047	910	43,957	(12)	Investments accounted for using the equity method
Deferred tax assets	9,351	—	2,698	12,050	(6)	Deferred tax assets
Net defined benefit asset	405	(405)	—	—	(13)	Other non-current assets
Others	3,199	(953)	(280)	1,964	(19)	
Allowance for doubtful receivables	(1,006)	1,006	—	—		
Total fixed assets	402,647	(3,633)	(39,342)	359,672		Total non-current assets
Total assets	568,111	—	(39,385)	528,726		Total assets

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	98,844	1,787	1,130	101,762	(14)	Trade and other receivables
Short-term borrowings	3,235	3,465	―	6,701	(15)	Borrowings
Lease liabilities within one year	481	51	8	541	(16)	Other financial liabilities
Accrued income taxes	5,886	(671)	―	5,214	(17)	Accrued income taxes
Others	22,267	(5,822)	2,768	19,213	(18)	Other current liabilities
	―	1,188	―	1,188		Provisions
	130,715	―	3,907	134,622		Subtotal
	―	143	―	143		Liabilities directly related to assets held for sale
Total current liabilities	130,715	143	3,907	134,766		Total current liabilities
Long-term liabilities						Non-current liabilities
Long term debt	14,146	―	―	14,146		Borrowings
Lease liabilities beyond one year	2,523	318	―	2,841	(16)	Other financial liabilities
Asset retirement obligations	78	192	―	270		Provisions
Deferred tax liabilities	20,311	―	(3,321)	16,989	(6)	Deferred tax liabilities
Liability for retirement benefits	5,461	―	(1,323)	4,138	(19)	Defined benefit liabilities
Others	3,099	(654)	―	2,455		Other non-current liabilities
Total long-term liabilities	45,620	(143)	(4,645)	42,831		Total non-current liabilities
Total liabilities	176,335	―	(737)	175,597		Total liabilities
Equity						Equity
Common stock	25,122	―	―	25,122		Share capital
Capital surplus	51,218	―	―	51,218		Capital surplus
Retained earnings	327,996	―	(47,912)	280,083	(21)	Retained earnings
Treasury stock	(58,002)	―	―	(58,002)		Treasury shares
Accumulated other comprehensive income Stock acquisition rights	21,971	―	9,382	31,353	(20)	Other components of equity
	368,306	―	(38,530)	329,776		Total equity attributable to owners of parent
Non-controlling interests	23,470	―	(117)	23,352		Non-controlling interests
Total equity	391,776	―	(38,647)	353,128		Total equity
Total liabilities and equity	568,111	―	(39,385)	528,726		Total liabilities and equity

Notes on reconciliations of equity

(1) Cash and cash equivalents

(Reclassifications)

Under Japanese GAAP, the Group included short-term deposits with deposit terms exceeding three months in Cash and deposits, but under IFRS, they are reclassified to Other financial assets (Current).

Under Japanese GAAP, the Group included short-term investments with maturities of less than three months from the date of acquisition in marketable securities, but under IFRS, they are reclassified to cash and cash equivalents.

(2) Trade and other receivables

(Reclassifications)

Under Japanese GAAP, the Group included Notes and accounts receivable – trade, Allowance for doubtful receivables and other receivables in others (Current assets), but under IFRS, they are reclassified to trade and other receivables.

(3) Adjustments to trade receivables and inventories due to change in revenue recognition

(Recognition and measurement difference)

Under Japanese GAAP, revenue from certain sales of goods transactions was recognized on a shipping basis. Under IFRS, revenue is recognized at the time upon delivery, which results in an adjustment to trade and other receivables as well as inventories.

(4) Other financial assets

(Reclassifications)

Under Japanese GAAP, the Group included derivative assets in others (Current assets), but under IFRS, they are reclassified to other financial assets (Current).

Under Japanese GAAP, the Group separately presented investments in securities, investments in capital, long-term loans, allowance for doubtful receivables and others. Within this context, derivative assets were included in others (Non-current assets), but under IFRS, they are reclassified to other financial assets (Non-current).

(Recognition and measurement difference)

Under Japanese GAAP, interest-rate swaps that meet specific requirements were treated with the "exceptional method." Under IFRS, it has been treated with principle hedge accounting and measured at fair value.

Under Japanese GAAP, non-marketable equity instruments were carried at the acquisition cost, and impairment loss was recognized as required depending on the financial condition of the issuing company. Under IFRS, these equity instruments are designated as financial assets measured at fair value through other comprehensive income, and are measured at fair value with the change recognized as other comprehensive income and reclassified to retained earnings in case of derecognition or significant decrease in fair value.

(5) Inventories

(Reclassifications)

Under Japanese GAAP, the Group presented inventories in the separate accounts of finished goods and merchandise and raw materials and supplies, but under IFRS, all the inventory accounts are presented aggregately in inventories.

(6) Deferred tax assets and deferred tax liabilities

(Recognition and measurement difference)

Amounts of deferred tax assets and deferred tax liabilities have been adjusted for reasons such as temporary differences arising from transition to IFRS from Japanese GAAP.

(7) Income taxes receivable

(Reclassifications)

Under Japanese GAAP, the Group included income taxes receivables in others (Current assets), but under IFRS, they are reclassified to income taxes receivable.

(8) Investment property

(Reclassifications)

In accordance with IFRS, Investment property is reclassified from Properly, plant and equipment to be separately presented.

(9) Assets held for sale

(Reclassifications)

In accordance with IFRS, non-current assets held for sale is reclassified from Property, plant and equipment to be separately presented.

(10) Property, plant and equipment

(Recognition and measurement difference)

Under Japanese GAAP, property taxes were recorded as an expense, but under IFRS, it is included in the acquisition cost, and increases the property, plant and equipment.

The fair values of certain items of property, plant and equipment as of the date of transition to IFRS were used as their deemed cost. The fair value of the items was 19,555 million yen and the carrying amount under Japanese GAAP was 39,744 million yen.

(11) Goodwill

(Recognition and measurement difference)

The Group conducted impairment testing on cash generating units including goodwill at the date of transition to IFRS. According to the testing, the Group identified that the Brazil business is not likely to generate future cash flows as originally expected, the Group has recognized impairment loss of 33,001 million yen which is deducted from retained earnings. The recoverable amount of 18,426 million yen is measured as its value in use. The amount of value in use reflects the Group's historical experience and other external evidences, and is determined based on cash flow projections on the most recent financial budgets approved by management, using a discount rate of 14.3%.

(12) Investments accounted for using the equity method

(Reclassifications)

Under Japanese GAAP, the Group included investments accounted for using the equity method in investments in securities, but under IFRS they are separately disclosed as investments accounted for using the equity method.

(13) Other non-current assets

(Reclassifications)

Under Japanese GAAP, the Group separately presented defined benefit assets, but under IFRS, they are presented in other non-current assets.

(14) Trade and other payables

(Reclassifications)

Under Japanese GAAP, the Group separately presented notes and accounts payable-trade, accrued payables and accrued expenses in others (Current liabilities), but under IFRS, they are presented in trade and other payables.

(Recognition and measurement difference)

Under Japanese GAAP, tax levies such as property tax, etc. are recorded based on tax notification imposed by the government. Under IFRS, they are recognizing the estimated liabilities related to the payment of levies when the timing of payment obligation occurs in our company, and increase the trade and other payables.

(15) Borrowings

(Reclassifications)

Under Japanese GAAP, the Group included current portion of long-term borrowings in others (Current liabilities), but under IFRS, they are separately presented as borrowings (Current).

(16) Other financial liabilities

(Reclassifications)

Under Japanese GAAP, the Group independently presented lease liabilities within / beyond one year in Current liabilities and Long-term liabilities and financial liabilities in others, but under IFRS, they are separately reclassified to Current and Non-current other financial liabilities.

(17) Accrued income taxes

(Reclassifications)

Under Japanese GAAP, the Group included enterprise taxes of pro forma standards taxation in accrued income taxes, but under IFRS, they are reclassified to other non-current liabilities.

(18) Other current liabilities

(Reclassifications)

Under Japanese GAAP, the Group included accrued rebates in accrued payables, but under IFRS, they are reclassified to other current liabilities.

(Recognition and measurement difference)

Under Japanese GAAP, unused paid absences are not required to be recognized as liabilities. However, under IFRS, such obligations shall be recognized as liabilities. As a result, other current liabilities increase accordingly.

(19) Defined benefit assets and liabilities

(Recognition and measurement difference)

Under Japanese GAAP, actuarial gains and losses arising from defined benefit plans are recognized in other comprehensive income when incurred, and charged to income in the following year. Under IFRS, actuarial gains and losses are recognized in other comprehensive income and to be reclassified to retained earnings immediately.

As for the Company and consolidated subsidiaries which have defined benefit plans, there exist differences on the actuarial assumptions, between Japanese GAAP and IFRS. As a result, defined benefit assets and liabilities are adjusted due to the remeasurement of defined benefit plans.

(20) Other components of equity

(Recognition and measurement difference)

1) The Group uses the exemption provided by IFRS 1, deems the cumulative translation differences of foreign operations as zero and reclassifies all to retained earnings at the date of transition to IFRS.
2) Under Japanese GAAP, non-marketable equity instruments were carried at the acquisition cost, with any impairment loss was recognized as required depending on the financial condition of the issuing company. Under IFRS, these equity instruments are designated as equity instruments measured at fair value through other comprehensive income, and increase the other components of equity 270 million yen at the date of transition to IFRS.
3) Under Japanese GAAP, certain land is subject to the law concerning land revaluation, the difference between the Revaluation and the book value of the land are included in Land revaluation reserve as a part of the net assets. Under IFRS, it reverses the valuation differences, and increases the other components of equity 6,382 million yen at the date of transition to IFRS.
4) Under Japanese GAAP, interest-rate swaps that meet specific requirements were treated with the “exceptional method.” Under IFRS, it is treated with principle hedge accounting and measures them as fair value, and decreases the other components of equity 7 million yen at the date of transition to IFRS.

(21) Reconciliation of retained earnings

(¥ Million)

	Date of transition to IFRS (At April 1, 2017)	At June 30, 2017	At March 31, 2018
Adjustments of trade receivables and inventories	(39)	(47)	(47)
Adjustments of goodwill and intangible assets	(32,081)	(31,439)	(29,413)
Adjustments of property, plant and equipment	(16,474)	(16,504)	(15,994)
Adjustments of unused paid absences	(1,619)	(1,619)	(1,908)
Adjustments of defined benefit assets and liabilities	1,483	1,526	1,962
Adjustments of recoverability of deferred tax assets	399	399	—
Adjustments of accumulated foreign currency translation differences on foreign operations	(1,403)	(1,403)	(1,403)
Adjustments of levies	(756)	(550)	(770)
Others	249	59	(337)
Total	(50,242)	(49,580)	(47,912)

Reconciliation of profit (loss) and comprehensive income for the period from April 1, 2017 to June 30, 2017

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net sales	119,045	(17,733)	25	101,337	(1)	Revenue
Cost of sales	65,166	―	(178)	64,987	(6)	Cost of sales
Gross profit	53,878	(17,733)	204	36,349		Gross profit
	―	708	―	708	(5)	Other income
Selling, general and administrative expenses	46,757	(17,684)	(324)	28,748	(1)(2) (6)	Selling, general and administrative expenses
	―	193	―	193	(5)	Other expenses
	―	517	223	740	(3)(5)	Gain on investments accounted for using equity method
Operating income	7,121	983	751	8,856		Operating profit
Non-operating income	1,625	(1,625)	―	―	(8)	
Non-operating expenses	197	(197)	―	―	(8)	
Extraordinary gains	632	(454)	(177)	―	(8)	
Extraordinary losses	167	(106)	(60)	―	(8)	
	―	854	―	854	(5)	Finance income
	―	110	―	110	(5)	Finance costs
Income before income taxes	9,014	(49)	634	9,599		Profit before tax
Total income taxes	3,187	(49)	34	3,172	(7)	Income tax expenses
Net income	5,826	―	600	6,427		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain(loss) on available-for-sale securities	3,022	―	106	3,129	(8)	Net change in equity instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	(63)	―	63	―	(4)	Remeasurements of defined benefit plans
	―	―	62	62		Share of other comprehensive income of entities accounted for using the equity method
	2,959	―	233	3,192		Total items that will not be reclassified to profit or loss
						Items that are or may be reclassified to profit or loss
	―	―	0	0		Net change in debt instruments measured at fair value through other comprehensive income
Deferred gain(loss) on	2	―	0	2		Cash flow hedges

hedges						
Foreign currency translation adjustments	(1,840)	—	1,617	(223)		Foreign currency translation differences on foreign operations
Share of other comprehensive income(loss) of entities accounted for by the equity method	312	—	(64)	247		Share of other comprehensive income(loss) of entities accounted for by the equity method
	(1,525)	—	1,553	27		Total items that are or may be reclassified to profit or loss
Total other comprehensive income(loss)	1,433	—	1,786	3,220		Total other comprehensive income
Comprehensive income	7,260	—	2,387	9,647		Comprehensive income

Reconciliation of profit (loss) and comprehensive income for the fiscal year 2018
(From April 1, 2017 to March 31, 2018)

(¥ Million)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net sales	516,400	(75,489)	(1)	440,909	(1)	Revenue
Cost of sales	282,271	－	565	282,837	(6)	Cost of sales
Gross profit	234,128	(75,489)	(566)	158,072		Gross profit
	－	7,448	146	7,594	(5)	Other income
Selling, general and administrative expenses	200,016	(75,338)	(955)	123,722	(1)(2)(6)	Selling, general and administrative expenses
	－	9,241	1,096	10,338	(5)	Other expenses
	－	2,680	889	3,569	(3)(5)	Gain on Investments accounted for using equity method
Operating income	34,112	735	327	35,175		Operating profit
Non-operating income	7,855	(6,984)	(870)	－	(8)	
Non-operating expenses	1,378	(1,378)	－	－	(8)	
Extraordinary gains	6,808	(5,715)	(1,093)	－	(8)	
Extraordinary losses	9,872	(8,454)	(1,418)	－	(8)	
	－	2,568	－	2,568	(5)	Finance income
	－	590	－	590	(5)	Finance costs
Income before income taxes	37,525	(154)	(217)	37,153		Profit before tax
Total income taxes	8,406	(154)	(217)	8,035	(7)	Income tax expenses
Net income	29,118	－	(0)	29,117		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain(loss) on available-for-sale securities	7,405	－	1,500	8,905	(8)	Net change in equity instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	881	－	179	1,060	(4)	Remeasurements of defined benefit plans
	－	－	220	220		Share of other comprehensive income of entities accounted for by the equity method
	998	－	(998)	－		
	9,285	－	901	10,186		Total items that will not be reclassified to profit or loss
						Items that are or may be reclassified to profit or loss
	－	－	6	6		Net change in debt instruments measured at fair value through other comprehensive

						income
Deferred gain(loss) on hedges	(35)	—	1	(34)		Cash flow hedges
Foreign currency translation adjustments	(6,061)	—	3,259	(2,802)		Foreign currency translation differences on foreign operations
Share of other comprehensive income(loss) of entities accounted for by the equity method	931	—	(226)	704		Share of other comprehensive income(loss) of entities accounted for by the equity method
	(5,166)	—	3,040	(2,126)		Total items that are or may be reclassified to profit or loss
Total other comprehensive income(loss)	4,118	—	3,941	8,060		Total other comprehensive income
Comprehensive income	33,236	—	3,941	37,178		Comprehensive income

Notes on reconciliations of profit (loss) and comprehensive income

(1) Revenue

Under Japanese GAAP, the Group recognized revenue for sale of goods at the time of shipping. However, under IFRS, revenue has been recognized at the time of the delivery of goods.

In addition, under Japanese GAAP, certain rebates were presented as selling, general and administrative expenses. However, under IFRS, such rebates have been deducted from revenue.

(2) Goodwill

Under Japanese GAAP, goodwill was amortized over the reasonably estimated period. However, under IFRS, amortization of goodwill on and after the transition date was discontinued, and impairment test is performed in each period.

(3) Investments accounted for using the equity method

Under Japanese GAAP, goodwill for affiliates was amortized over a reasonably estimated period in which the benefits of the investment were expected to be realized and recognized as gain on investments accounted for using the equity method. However, under IFRS, goodwill has not been amortized on and after the transition date.

(4) Actuarial gains and losses

Under Japanese GAAP, the Group has recognized actuarial gains or losses at the time of occurrence in other comprehensive income and recognized as expenses at once in the following fiscal year. However, under IFRS, these are immediately transferred to retained earnings through other comprehensive income.

(5) Reclassification

For items presented as non-operating income, non-operating expenses, extraordinary income and extraordinary losses under Japanese GAAP, finance-related items are presented as finance income and finance costs, and the other items are presented as other income, other expenses and gain on investments accounted for using the equity method under IFRS.

(6) Unused paid absences

The Group recognized unused paid absences, not recognized under Japanese GAAP, as personnel expenses under IFRS.

(7) Income tax expenses

Under Japanese GAAP, the Group disclosed income taxes and income taxes adjustment separately. However, under IFRS, the amounts are shown in one line as income tax expenses. In connection with the adoption of IFRS, the recoverability of the entire deferred tax assets are reassessed. Furthermore, under Japanese GAAP, tax effects on the elimination of unrealized gains were calculated based on the effective tax rates of selling entities. Under IFRS, these are calculated based on effective tax rates of acquiring entities.

(8) Equity instruments

Under Japanese GAAP, gain or loss on sales of equity instruments and impairment of such instruments were recorded as profit or loss. However, under IFRS, for equity instruments designated as financial assets measured at fair value through other comprehensive income, changes in a fair value have been recognized as other comprehensive income and transferred to retained earnings when it has been derecognized.