Business Results

for the First Quarter of FY2017/3

August 2, 2016 (Tue.)
NH Foods Ltd.

Contents

I. Consolidated Business Results for FY2017/3 1Q (Apr.-Jun.)

II. Outlook for FY2017/3

III. Consolidated Financial Results for FY2017/3 1Q (Apr.-Jun.)

I. Consolidated Business Results for FY2017/3 1Q (Apr.-Jun.)

1. Operating Segment Data: 1Q (Apr.-Jun.)
2. Operating Segment Data: Processed Foods Business Division
3. Operating Segment Data: Fresh Meats Business Division
4. Operating Segment Data: Affiliated Business Division
5. Operating Segment Data: Overseas Business Division
6. External Customer Net Sales Results in Major Overseas Geographical Areas

1. Operating Segment Data: 1Q (Apr.-Jun.)

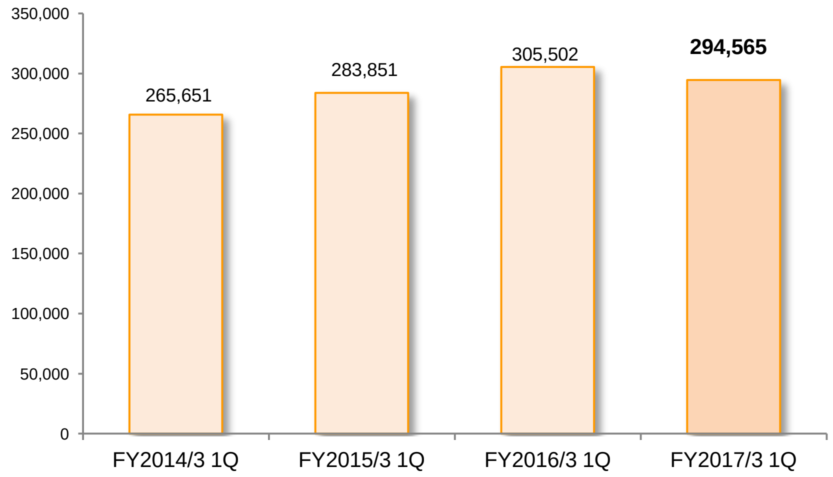
(¥ million)

		FY2014/3 1Q	FY2015/3 1Q	FY2016/3 1Q	**FY2017/3 1Q**	Variance	Variance (%)
Processed Foods Business Division	Net sales	78,435	82,555	79,604	**81,388**	1,784	2.2
	Operating income	753	1,069	40	**1,119**	1,079	-
Fresh Meats Business Division	Net sales	161,007	172,321	187,180	**184,293**	(2,887)	(1.5)
	Operating income	3,588	6,212	9,120	**8,342**	(778)	(8.5)
Affiliated Business Division	Net sales	33,832	35,441	36,909	**37,709**	800	2.2
	Operating income	(25)	(38)	192	**589**	397	206.8
Overseas Business Division	Net sales	49,899	60,207	68,199	**57,459**	(10,740)	(15.7)
	Operating income	(451)	2,275	2,610	**(809)**	(3,419)	-
Eliminations, adjustments and others	Net sales	(57,522)	(66,673)	(66,390)	**(66,284)**	106	-
	Operating income	611	404	(85)	**227**	312	-
Consolidated	Net sales	265,651	283,851	305,502	**294,565**	(10,937)	(3.6)
	Operating income	4,476	9,922	11,877	**9,468**	(2,409)	(20.3)

(¥ million)

(Consolidated)

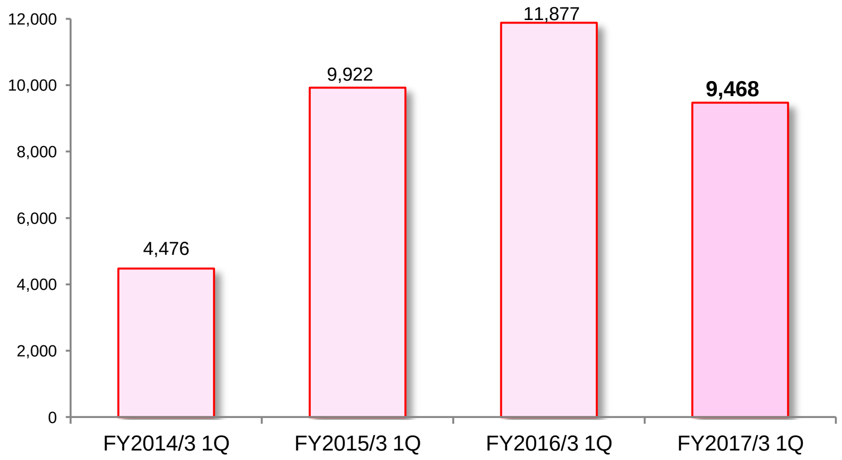
Net Sales



(¥ million)

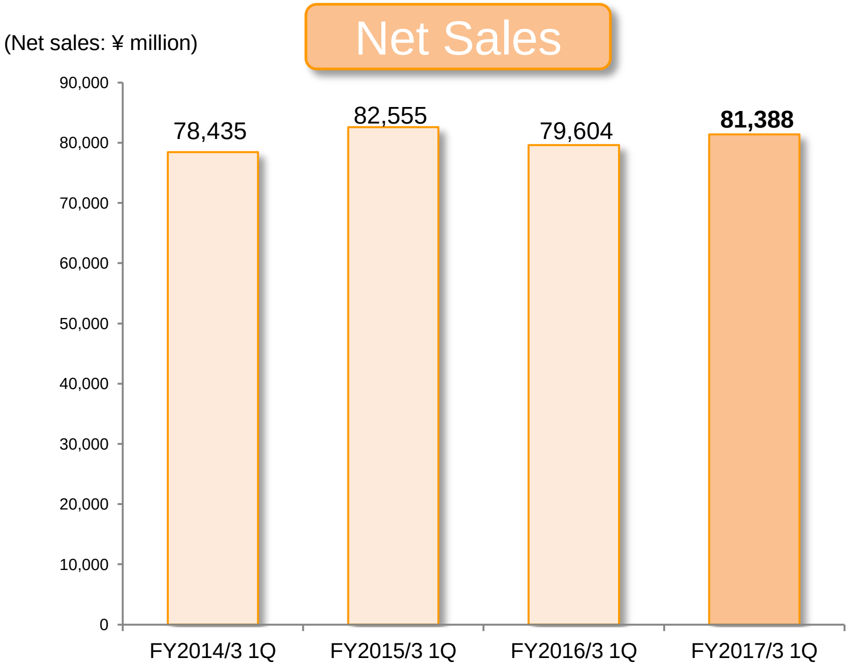
(Consolidated)

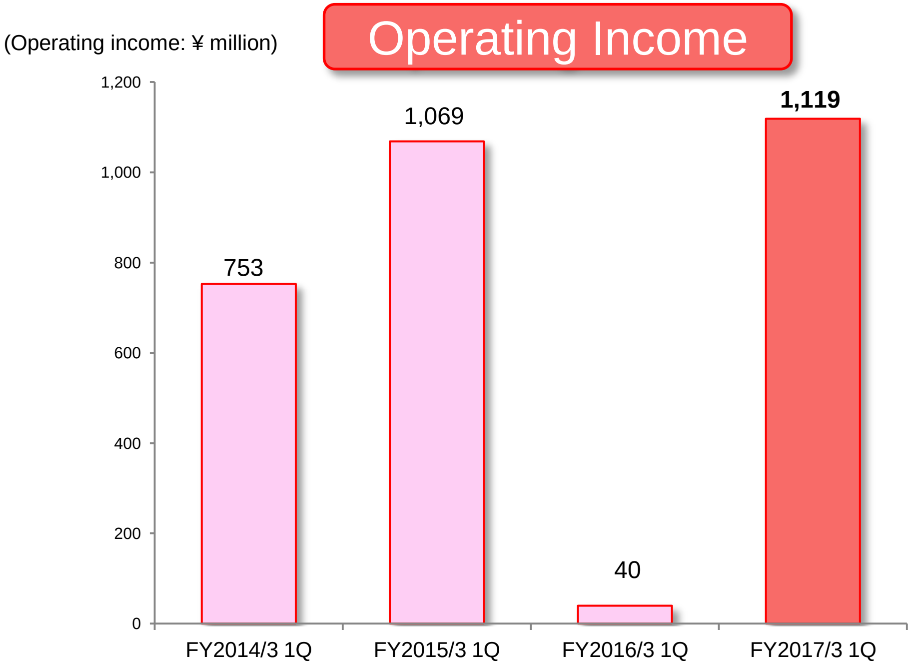
Operating Income



- Net sales by operating segment and net sales (by category) on page 22 of this presentation do not necessarily correspond (due to intersegment transactions).
- Net sales for each segment include intersegment sales.
- Due to the establishment of the Overseas Business Division, figures for past years have been rearranged retroactively and are reclassified accordingly.

2. Operating Segment Data: Processed Foods Business Division (1)





(¥ million)

	FY2016/3 1Q	FY2017/3 1Q	Variance	Variance (%)
Net sales	79,604	81,388	1,784	2.2

(¥ million)

	FY2016/3 1Q	FY2017/3 1Q	Variance	Variance (%)
Operating income	40	1,119	1,079	-
Operating income ratio	0.1%	1.4%	-	

Net Sales in FY2017/3 1Q (Apr.-Jun.)

Revenues increased due to sales growth of new products such as *Kiwami-yaki Hamburg* in deli and processed foods, in addition to the sales volume recovery of commercial-use products, despite the delayed recovery of sales of PB products to volume retailers.

Operating Income in FY2017/3 1Q (Apr.-Jun.)

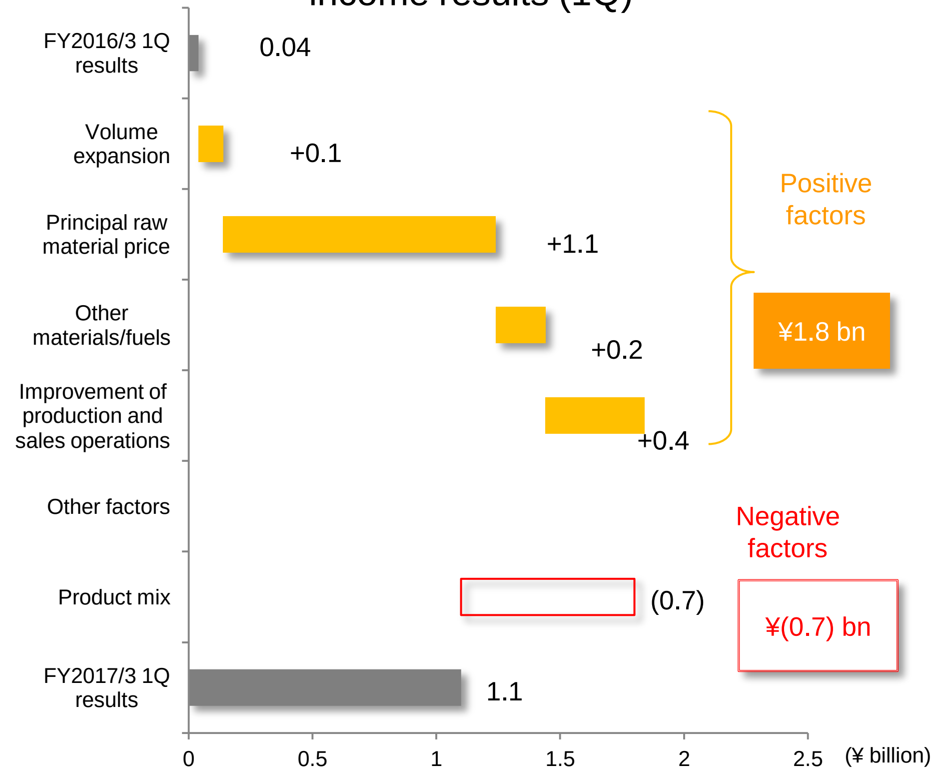
Operating income increased due to improved productivity in production operations as sales volume increased for commercial-use products due to volume recovery, in addition to improved prices for raw materials and fuels.

Factor Analysis: Changes in operating income

(¥ billion)

	FY2017/3		
	1Q forecasts	1Q results	Variance
Volume expansion	**0.2**	**0.1**	**(0.1)**
Profit margin improvement	**0.9**	**1.0**	**0.1**
External factors	**1.4**	**1.3**	**(0.1)**
Principal raw material price	1.2	1.1	(0.1)
Other materials/fuels	0.2	0.2	0.0
Internal factors	**(0.5)**	**(0.3)**	**0.2**
Product mix (product renewal)	(1.0)	(0.7)	0.3
Improvement of production and sales operations	0.5	0.4	(0.1)
Other factors	**0.0**	**0.0**	**0.0**
Total	**1.1**	**1.1**	**0.0**

Factor Analysis Graph: Changes in operating income results (1Q)



* Due to rounding, item tallies in each division may not match totals.

● Forecasts Variation Factor Analysis (FY2017/3 1Q)

[Volume expansion] Operating income fell slightly below the forecast due to slow recovery of sales of PB products to volume retailers and delayed introduction of products to meet demand in area.

[Product mix] Operating income did not reach forecast due to the delayed launch products with strategically-set prices.

[Improvement of production and sales operations] Cost improvements at production plants fell slightly below the forecast, as sales volume was less than forecasted.

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● Major brands sales results

(Photo)
"*SHCAU ESSEN®*"

(Photo)
"*Sakurahime ® no Okina Karaage*"
using branded fresh meat

Reference: Year-on-year sales comparison of major brand products

Hams and sausages	FY2017/3 1Q results	Deli and processed foods	FY2017/3 1Q results
SCHAU ESSEN	104%	*Ishigama Kobo*	100%
Mori-no-Kaori coarse-ground wieners	89%	*Chuka Meisai*	98%
Irodori Kitchen Series	94%	Prefried	106%
Gourmade Steak	110%	Hamburg and meatball	106%
Yakibutas	85%	Curries	119%
Consumer products total	97%	Consumer products total	102%

● Sales results by channel

1) Consumer products
Sales of hams and sausages fell slightly below those of last year due to slow recovery of PB products.
In deli and processed foods, sales of *Kiwami-yaki Hamburg* and new products using branded fresh meats performed strongly, exceeding those of last year.
2) Commercial-use products
Sales of hams and sausages exceeded those of last year due to the introduction of major products by major restaurant chains.
Sales of deli and processed foods were above those of last year due to growth in products sold to CVS channels, where continuous menu proposals were made in priority categories.

Reference: FY2017/3 1Q (year-on-year growth in sales by channel)

		Volume	Amount
Hams and sausages	Consumer-use	99%	97%
	Commercial-use	106%	107%
	Total	101%	99%
Deli and processed foods	Consumer-use	104%	102%
	Commercial-use	105%	104%
	Total	105%	103%

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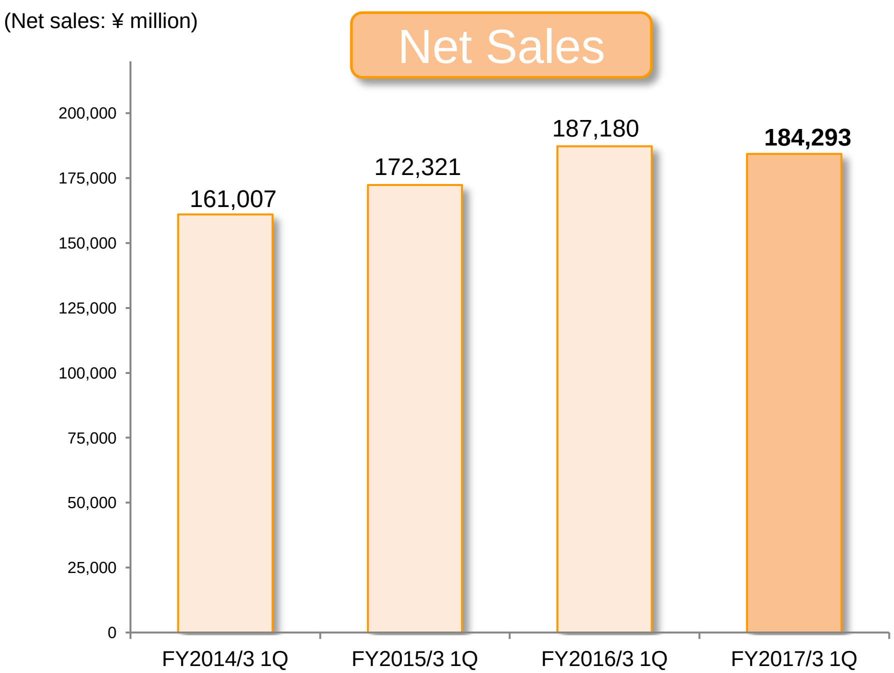
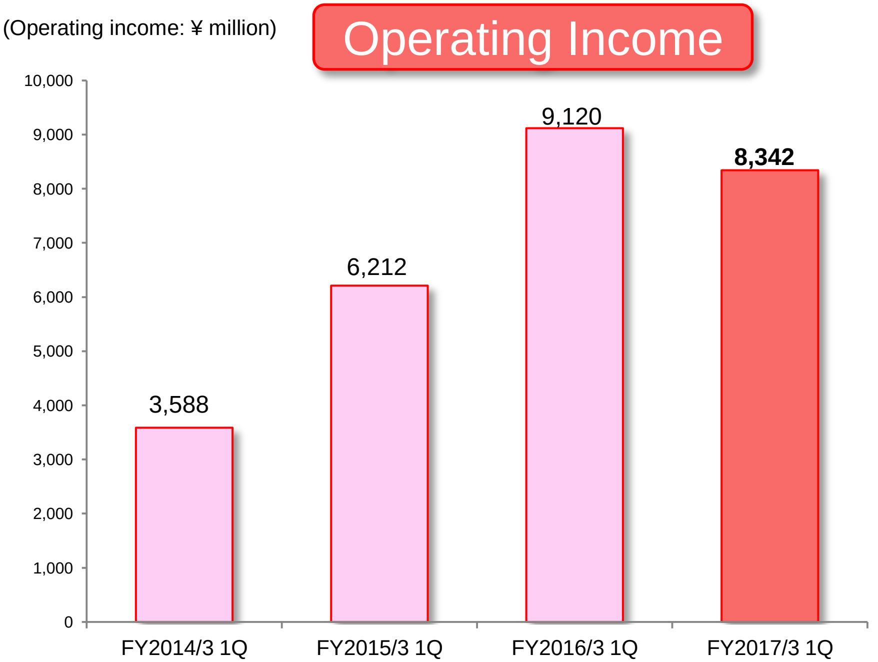


(¥ million)

	FY2016/3 1Q	FY2017/3 1Q	Variance	Variance (%)
Net sales	187,180	184,293	(2,887)	(1.5)



(¥ million)

	FY2016/3 1Q	FY2017/3 1Q	Variance	Variance (%)
Operating income	9,120	8,342	(778)	(8.5)
Operating income ratio	4.9%	4.5%	-	-

Net Sales in FY2017/3 1Q (Apr.-Jun.)
Although sales volume of imported beef and imported pork increased, revenues decreased due to a decline in sales volume of imported chicken and a drop in sales prices.

Operating income in FY2017/3 1Q (Apr.-Jun.)
Although sales volume at food companies grew, operating income decreased due to a drop in the market owing to excess inventory of imported chicken.

3. Operating Segment Data: Fresh Meats Business Division (2)

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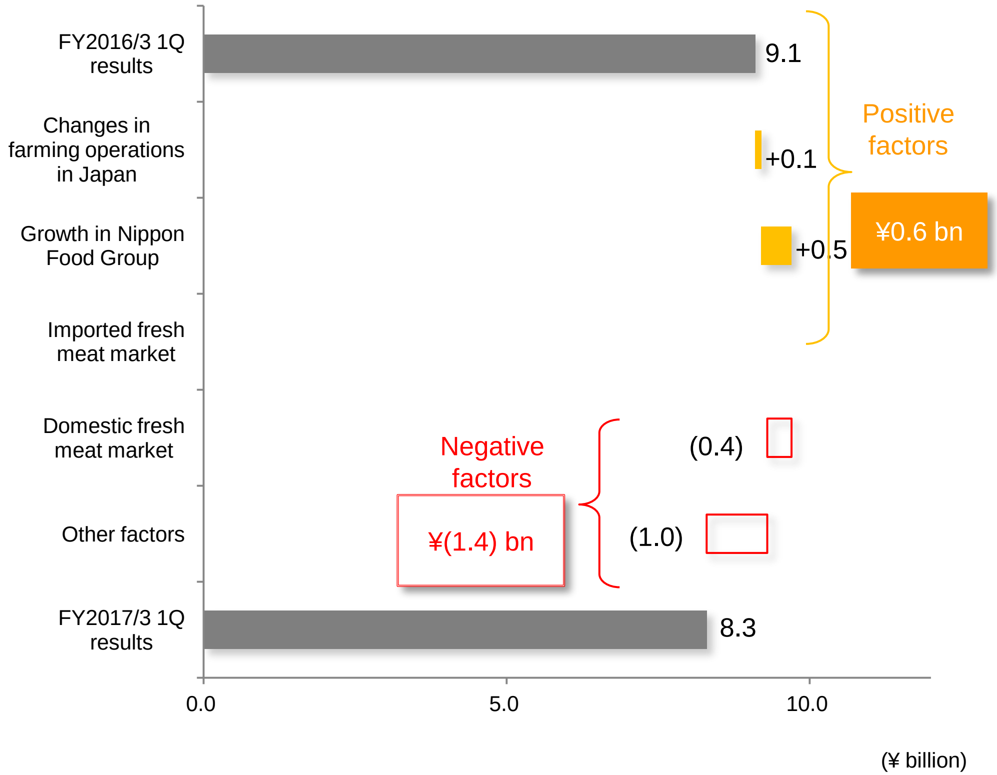
Factor Analysis: Changes in operating income

(¥ billion)

	FY2017/3		
	1Q forecasts	1Q results	Variance
Imported fresh meat market	(0.4)	0.0	0.4
Domestic fresh meat market	(0.1)	(0.4)	(0.3)
Changes in farming operation in Japan	(0.5)	0.1	0.6
Growth in Nippon Food Group	0.3	0.5	0.2
Other factors	(0.4)	(1.0)	(0.6)
Total	(1.1)	(0.8)	0.3

* Due to rounding, item tallies in each division may not match totals

Factor Analysis Graph: Changes in operating income results (1Q)

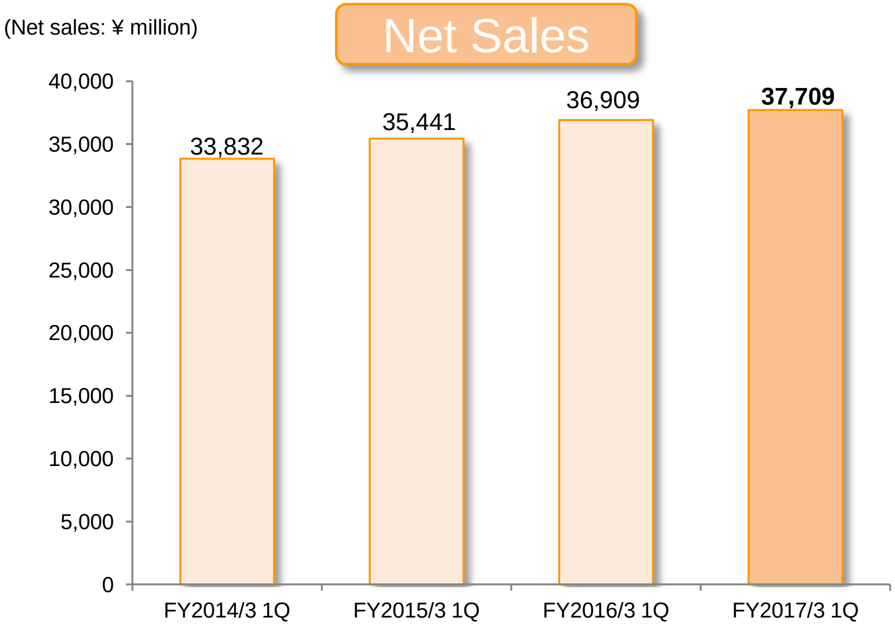


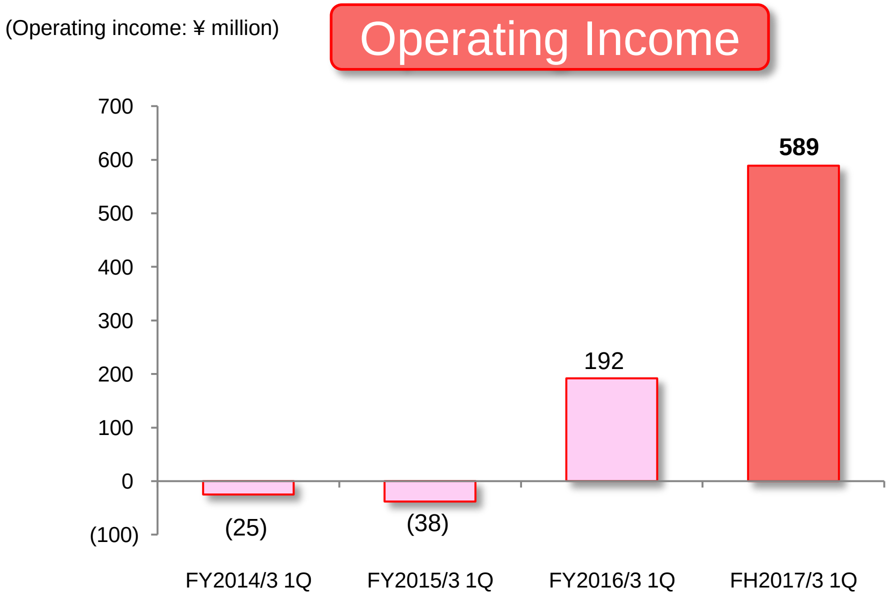
● Forecasts Variation Factor Analysis (FY2017/3 1Q)

[Imported fresh meat market] Although imported chicken struggled, operating income exceeded the forecast due to improved profit margins on imported beef.

[Changes in farming operations in Japan] Although the chicken market price fell compared to last year, operating income exceeded the forecast due to a turnaround in the market mainly for pork.

4. Operating Segment Data: Affiliated Business Division





(¥ million)

	FY2016/3 1Q	FY2017/3 1Q	Variance	Variance (%)
Net sales	36,909	37,709	800	2.2

(¥ million)

	FY2016/3 1Q	FY2017/3 1Q	Variance	Variance (%)
Operating income	192	589	397	206.8
Operating income ratio	0.5%	1.6%	-	-

Net Sales in FY2017/3 1Q (Apr.-Jun.)
(Marine products business)
Revenues increased due to growth in mainstay shrimp, squid and salmon products for volume retailer channels, and in-house manufactured products, such as octopus products of Kushiro Marusui Co., Ltd., in addition to strong performance in products for restaurant channels.
(Dairy products business)
Revenues increased due to growth in *Vanilla Yogurt* and yogurt beverages, where sales promotions were enhanced, in addition to strong sales of cheese in bread production channels and restaurant channels.

Operating Income in FY2017/3 1Q (Apr.-Jun.)
(Marine products business)
Operating income increased due to sales growth mainly in in-house manufactured products, in addition to an upturn in markets for salmon and other products.
(Dairy products business)
Operating income increased due to sales growth of yogurt and lactic acid bacteria beverages, an improved plant operating rates resulting from sales growth of cheese, in addition to improvement in raw materials prices.

5. Operating Segment Data: Overseas Business Division (1)

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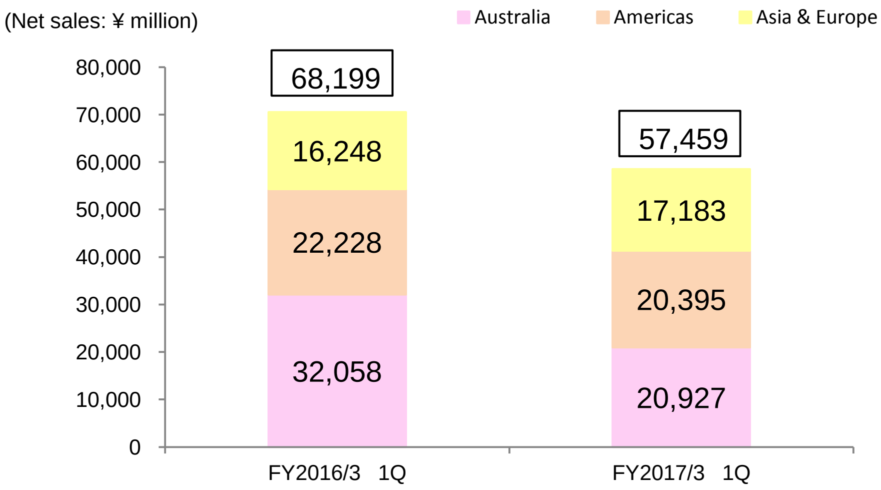
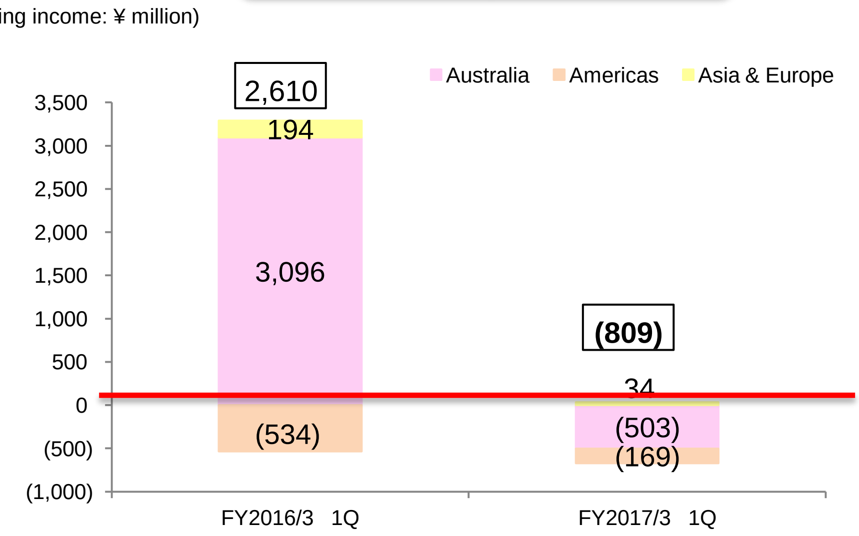
Net Sales



Operating Income



* Sales revenues and operating income amounts prior to consolidation adjustments (The figures for all overseas segments do not match the overseas total, by reason of the elimination of intersegment transactions.)

		FY2016/3 1Q	FY2017/3 1Q	Variance	Variance (%)
Overseas total	Net Sales	68,199	57,459	(10,740)	(15.7)
	Operating income	2,610	(809)	(3,419)	-
Australia	Net Sales	32,058	20,927	(11,131)	(34.7)
	Operating income	3,096	(503)	(3,599)	-
Americas	Net Sales	22,228	20,395	(1,833)	(8.2)
	Operating income	(534)	(169)	365	-
Asia & Europe	Net Sales	16,248	17,183	935	5.8
	Operating income	194	34	(160)	(82.5)

Net Sales in FY2017/3 1Q (Apr.-Jun.)

Although sales grew in the processed foods business in the Americas operations, revenues decreased amid a decline in sales in the hog-raising business, and struggling sales resulting from declining shipments in the Australian operations.

5. Operating Segment Data: Overseas Business Division (2)

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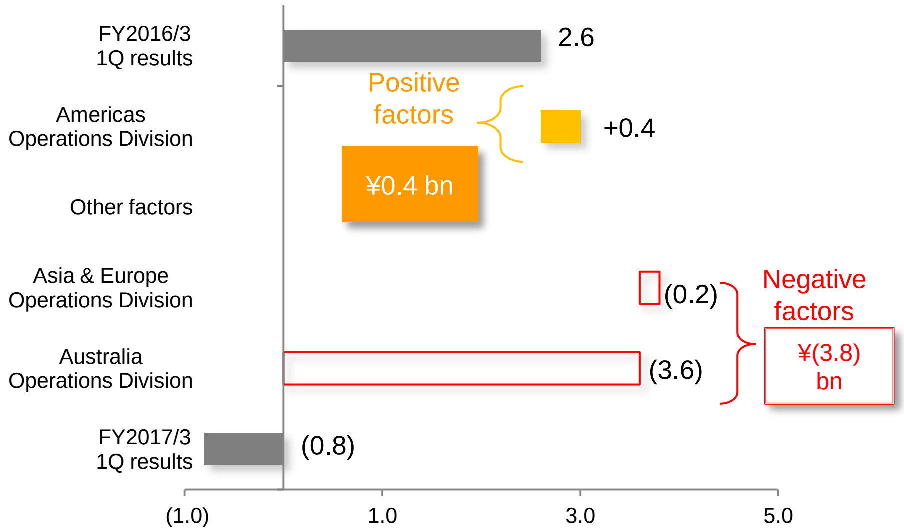
Factor Analysis: Changes in operating income

(¥ billion)

	FY2017/3 Forecasts		
	1Q forecasts	1Q results	Variance
Australia Operations Division	(2.9)	(3.6)	(0.7)
Americas Operations Division	0.2	0.4	0.2
Asia & Europe Operations Division	0.1	(0.2)	(0.3)
Other factors	(0.1)	0.0	0.1
Total	(2.7)	(3.4)	(0.7)



Forecasts Variation Factor Analysis

● Australia operations

Operating income fell below the forecast due to high prices resulting from a dramatic jump in the purchase cost of feeder cattle, in addition to a decline in the plant operating rates owing to the impact of difficulties in collecting cattle.

● Americas operations

Operating income exceeded the forecast due to recovery in the pork market prices in the hog-raising business and strong sales in the U.S. of processed foods such as *Crazy Cuisine*.

● Asia & Europe operations

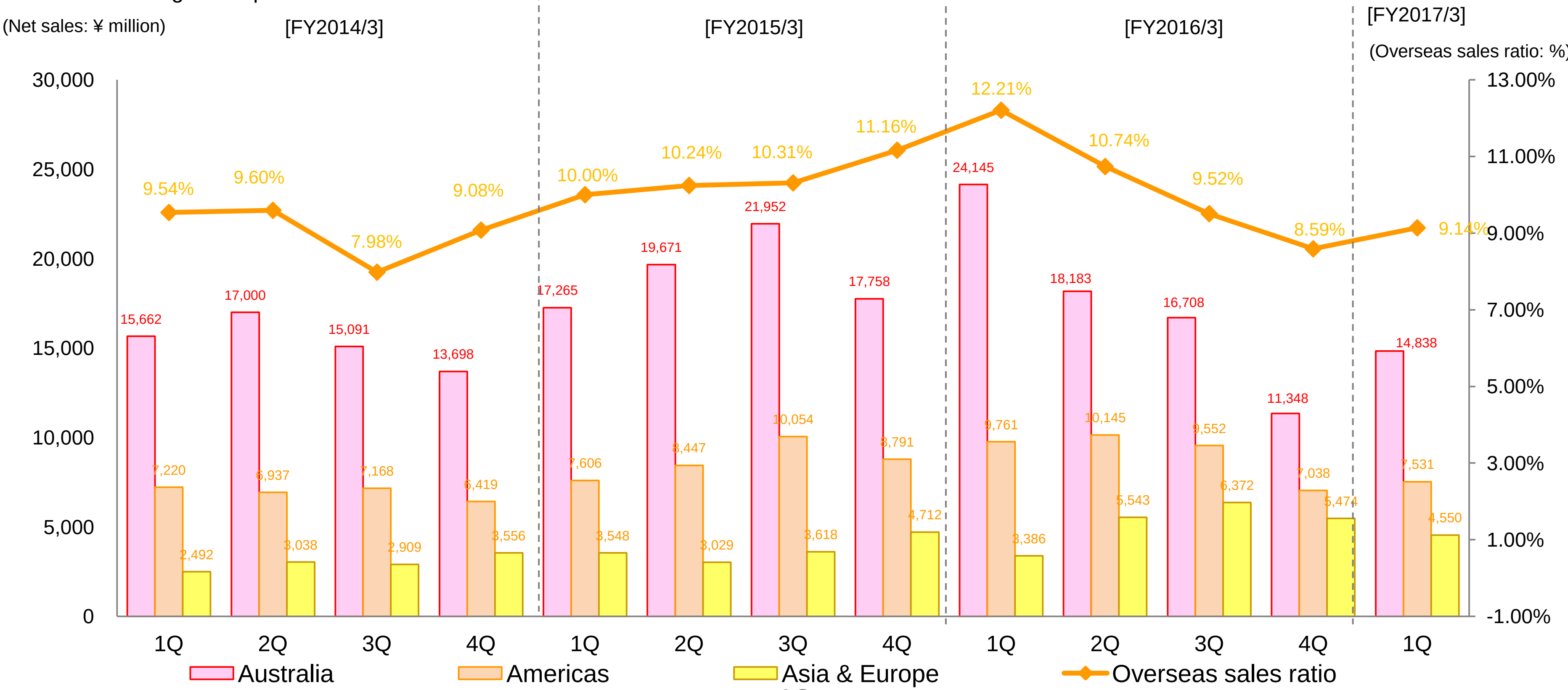
Although pork exports to Japan, Hong Kong, and Taiwan grew, operating income in the Europe operations fell below the forecast due to the impact of high costs including soaring prices for imported raw materials, mainly pork at production plants in China.

6. External Customer Net Sales Results in Major Overseas Geographical Areas

(¥ million)

	FY2014/3	FY2015/3	FY2016/3					FY2017/3
	Full year	Full year	1Q	2Q	3Q	4Q	Full year	1Q
Australia	61,451	76,646	24,145	18,183	16,708	11,348	70,384	14,838
Americas	27,744	34,898	9,761	10,145	9,552	7,038	36,496	7,531
Asia & Europe	11,995	14,907	3,386	5,543	6,372	5,474	20,775	4,550
Overseas total	101,190	126,451	37,292	33,871	32,632	23,860	127,655	26,919
Overseas sales ratio	9.02%	10.43%	12.21%	10.76%	9.52%	8.59%	10.29%	9.14%

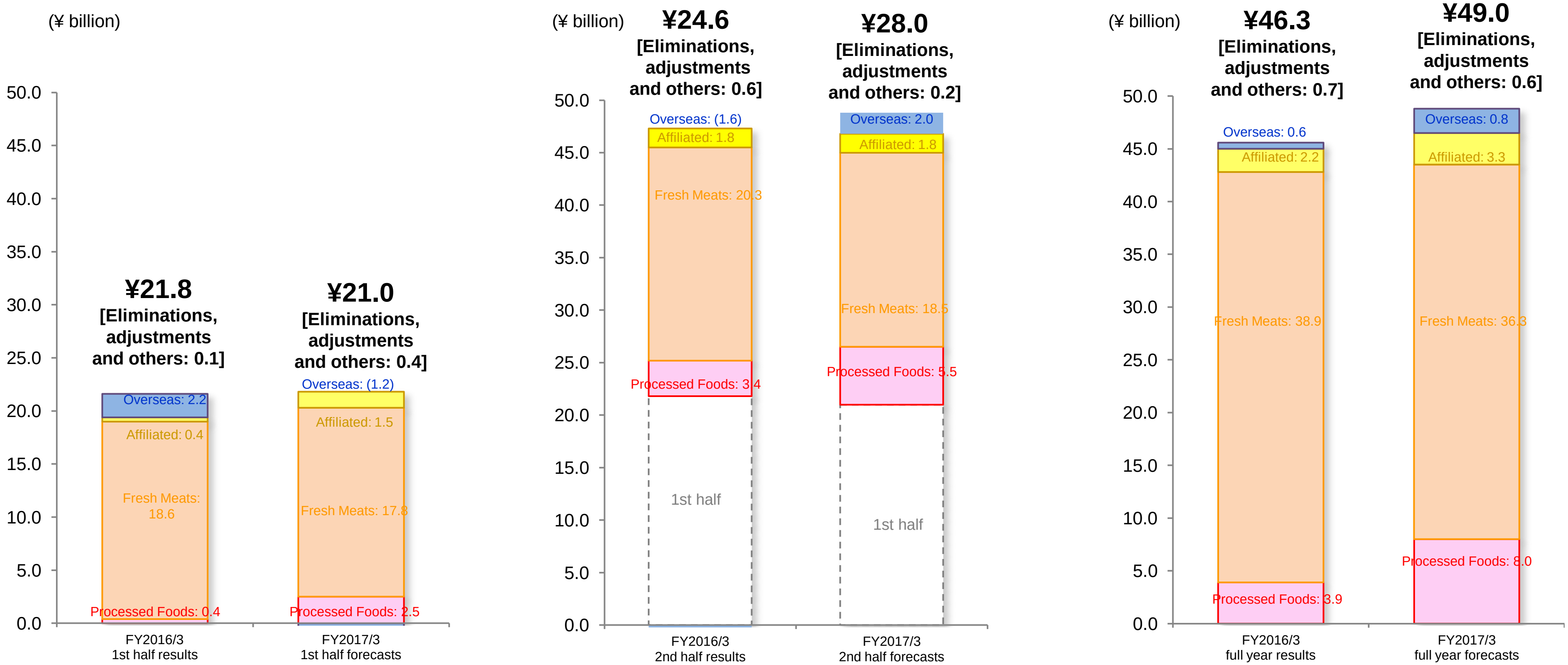
* Net sales figures represent net sales to external customers.



II. Outlook for FY2017/3

1. FY2017/3 Operating Income Forecasts
2. Processed Foods Business Division: Outlook
3. Fresh Meats Business Division: Outlook
4. Affiliated Business Division: Outlook
5. Overseas Business Division: Outlook

1. FY2017/3 Operating Income Forecasts (1)



(¥ billion)

	FY2017/3 1st half forecasts			FY2017/3 2nd half forecasts			FY2017/3 full year forecasts		
	FY2016/3 1st half results		Variance	FY2016/3 2nd half results		Variance	FY2016/3 full year results		Variance
Processed Foods Business Division	0.4	**2.5**	2.1	3.4	**5.5**	2.1	3.9	**8.0**	4.1
Fresh Meats Business Division	18.6	**17.8**	(0.8)	20.3	**18.5**	(1.8)	38.9	**36.3**	(2.6)
Affiliated Business Division	0.4	**1.5**	1.1	1.8	**1.8**	0.0	2.2	**3.3**	1.1
Overseas Business Division	2.2	**(1.2)**	(3.4)	(1.6)	**2.0**	3.6	0.6	**0.8**	0.2
Eliminations, adjustments and others	0.1	**0.4**	0.3	0.6	**0.2**	(0.4)	0.7	**0.6**	(0.1)
Total	21.8	**21.0**	(0.8)	24.6	**28.0**	3.4	46.3	**49.0**	2.7

* Due to rounding, item tallies in each division may not match totals.

1. FY2017/3 Operating Income Forecasts (2)

Variance from initial forecasts

* Forecasts for the 2Q, 1st half, and full year are the forecasts revised in the 1Q.

(¥ billion)

	FY2017/3 2Q forecasts			FY2017/3 1st half forcasts			FY2017/3 full year forecasts		
	Initial forecasts		Variance	Initial forecasts		Variance	Initial forecasts		Variance
Processed Foods Business Division	1.4	**1.4**	0.0	2.5	**2.5**	0.0	8.0	**8.0**	0.0
Fresh Meats Business Division	9.0	**9.5**	0.5	17.0	**17.8**	0.8	35.5	**36.3**	0.8
Affiliated Business Division	0.7	**0.9**	0.2	1.2	**1.5**	0.3	3.0	**3.3**	0.3
Overseas Business Division	0.4	**(0.4)**	(0.8)	0.3	**(1.2)**	(1.5)	2.3	**0.8**	(1.5)
Eliminations, adjustments and others	0.0	**0.2**	0.2	0.0	**0.4**	0.4	0.2	**0.6**	0.4
Total	11.5	**11.5**	0.0	21.0	**21.0**	0.0	49.0	**49.0**	0.0

* Due to rounding, item tallies in each division may not match totals

(¥ billion)

Processed Foods Business Division	Variance from initial forecasts								
	2Q forecasts			1st half forecasts			Full year forecasts		
	Initial forecasts		Variance	Initial forecasts		Variance	Initial forecasts		Variance
Volume expansion	**0.3**	**0.3**	**0.0**	**0.5**	**0.4**	**(0.1)**	**1.0**	**0.9**	**(0.1)**
Profit margin improvement	**0.7**	**0.7**	**0.0**	**1.5**	**1.7**	**0.1**	**3.1**	**3.2**	**0.1**
External factors	1.1	1.1	0.0	2.4	2.4	0.0	4.0	4.0	0.0
Principal raw material price	0.9	0.9	0.0	2.0	2.0	0.0	3.0	3.0	0.0
Other materials/fuels	0.2	0.2	0.0	0.4	0.4	0.0	1.0	1.0	0.0
Internal factors	(0.4)	(0.4)	0.0	(0.9)	(0.7)	0.2	(0.9)	(0.7)	0.2
Product mix (product renewal)	(1.0)	(1.0)	0.0	(2.0)	(1.7)	0.3	(3.0)	(2.7)	0.3
Improvement of production and sales operations	0.6	0.6	0.0	1.1	1.0	(0.1)	2.1	2.0	(0.1)
Other factors	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**1.0**	**1.0**	**0.0**	**2.0**	**2.0**	**0.0**	**4.1**	**4.1**	**0.0**

(¥ billion)

Fresh Meats Business Division	Variance from initial forecasts								
	2Q forecasts			1st half forecasts			Full year		
	Initial forecasts		Variance	Initial forecasts		Variance	Initial forecasts		Variance
Imported fresh meat market	(0.2)	(0.2)	0.0	(0.6)	(0.2)	0.5	0.9	1.4	0.5
Domestic fresh meat market	(0.1)	(0.2)	(0.1)	(0.3)	(0.6)	(0.4)	(1.0)	(1.4)	(0.4)
Changes in farming operations in Japan	(0.5)	(0.6)	(0.1)	(1.0)	(0.5)	0.5	(1.6)	(1.0)	0.5
Growth in Nippon Food Group	0.2	0.3	0.1	0.6	0.8	0.2	(1.3)	(1.1)	0.2
Other factors	0.1	0.7	0.6	(0.3)	(0.4)	(0.1)	(0.4)	(0.5)	(0.1)
Total	(0.5)	0.0	0.5	(1.6)	(0.8)	0.8	(3.4)	(2.6)	0.8

•Due to rounding, item tallies in each division may not match totals.

2. Processed Foods Business Division: Outlook

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● Measures to expand sales of Gift products

- Target 110% year-on-year sales in summer and year-end gifts combined.
- Target 123% year-on-year sales for *Utsukushi-no-Kuni*. (*Sales ratio is 26%.)
- Strengthen products to respond to a variety of needs.

(Unit: thousands)

		FY2016/3 results		FY2017/3 forecasts	
		Units	Variance	Units	Variance
Summer gift-giving season	Overall unit sales	2,070	98%	2,070	100%
	(*Utsukushi-no-Kuni*)	507	118%	563	111%
Year-end gift-giving season	Overall unit sales	3,878	87%	4,488	116%
	(*Utsukushi-no-Kuni*)	865	105%	1,125	130%
Total	Overall unit sales	5,948	91%	6,558	110%
	(*Utsukushi-no-Kuni*)	1,372	109%	1,688	123%

● Measures to expand sales of major brands

1) Hams and sausages
- Further expand *SCHAU ESSEN* market share, and carry out sales enhancement and brushed up of *Mori-no-Kaori*, *Irodori Kitchen Series*, and others.

2) Deli and processed foods
- Boost sales of core categories such as *Chuka Meisai* and *Ishigama Kobo*, and new products such as *Kiwami-yaki Hamburg*.
- Set up stations to promote Chinese food products *Chuka Meisai* and *Tenshinkaku* and products for breakfast, with the aim of further sales expansion.

Reference: Year-on-year sales comparison of major brand products and forecasts

Hams and sausages	FY2017/3 full year forecasts	Deli and processed foods	FY2017/3 full year forecasts
SCHAU ESSEN	102%	*Ishigama Kobo*	105%
Mori-no-Kaori coarse-ground wieners	105%	*Chuka Meisai*	102%
Irodori Kitchen Series	110%	Prefried	108%
Gourmade Steak	110%	Hamburg and meatball	104%
Yakibutas	110%	Curries	102%

● Measures to expand sales by channel

1) Consumer products
- Implement PB measures for volume retailers and sales promotions for hams and sausages as well as for deli and processed foods.
- Expand sales by launching new products for fall and winter.

2) Commercial-use products
- Expand sales and sales routes by proposing new products that take advantage of the traits of mainstay product lines through the visualization of production and sales.

3) Promotion of area strategy
- Reinforce community-based sales and implement product development taking into account regional characteristics.

Reference: Year-on-year sales forecasts by channel

FY2017/3 full year forecasts		Amount
Hams and sausages	Consumer	104%
	Commercial-use	106%
	Total	104%
Deli and processed foods	Consumer	104%
	Commercial-use	108%
	Total	106%

● Production businesses in Japan

- Although the grain market prices have shown signs of volatility, the market is expected to stabilize, partly due to a stronger yen.
- The chicken market is expected to recover due to an anticipated decrease in production volume of chicken over the second half.
- Although the impact of PED still lingers, pork production is expected to stabilize over the second half.

● Domestic fresh meat market

- Although beef prices are expected to remain high, sales volume is not expected to increase and it is uncertain whether costs can be shifted to sales prices.
- Although the impact of PED is settling down, pork prices are expected to remain on the same level as last year or rise slightly.
- Market conditions are expected to recover as chicken supply is expected to be tight toward the second half.

● Imported fresh meat market

- Beef prices are expected to be high despite expansion of the market in response to an increase in shipments of American beef.
- With respect to pork, no major changes are expected in the price of products for Japan, but caution is required as demand is growing in China.
- The market for chicken is expected to recover due to expectation of higher local chicken prices in the future as inventory adjustments progress from summer to the start of fall.

● Fresh meat sales (food companies)

- An increase in sales volume is expected as a result of aggressive sales promotion taking advantage of TV commercials for *Sakurahime* running in Hokkaido and the Kinki area.
- Advance the development of new markets including for restaurants to achieve increased sales volume.

4. Affiliated Business Division: Outlook

Nipponham Group 人輝く、食の未来

● Measures to expand sales of marine products business

(Marine Foods)

- Expand sales of Mie Plant products by developing long-life chilled products using ultra-high pressure processing machines and products for new sales channels and brushing up existing products.
- Expand sales of mainstay products such as octopus products by promoting implementation of "Hokkaido fairs" featuring Kushiro Marusui Co., Ltd., and develop high value-added products that feature ingredients made in Hokkaido.
- Enhance our ability to procure materials and products through expanding purchase sources and group (NH Foods Chile Y Compania Limitada and Hoko Co., Ltd.) collaboration.

(Hoko)

- Expand sales by enhancing sales promotions and building an increased production system at the Hachinohe plant.
- Further expand sales for canned mackerel by introducing TV commercials limited to certain areas.

● Measures to expand sales of dairy products business

(Cheese)

- Improve productivity of baby cheese and smoked cheese, and expand our share of the growing commercial cheese market for consumer by establishing an enhanced production system.
- Further expand our share of commercial-use products by making proposals (product development) using our know-how cultivated over long years to respond to the diversifying needs of new business partners for commercial-use products, and establish the enhanced production system at the Yamato Plant for ROLF Brand products that has started full-fledged operations.

(Yogurt)

- Expand our production capacity by pursuing further improvement of productivity and expanding sales of mainstay products including *Vanilla Yogurt*.
- Enhance product promotion with sales promotions that link advertising in TV commercials, in-store, and on the Web.
- Develop TOP CUP as a pillar product by proposing new ways of enjoying it and continuously introducing new products.

● Trends in the price of principal raw materials and other materials

- Global demand is increasing for marine products, and even if there is a short-term decline for some fish species, prices will generally rise.
- Prices for cheese ingredients are expected to remain low due to a continuing state of excess supply in the Oceania region caused by the slowdown of the Chinese economy and other factors, although prices in the countries of origin in the European region have bottomed out and turned around.
- As with cheese ingredients, low prices for yogurt ingredients (non-fat dry milk) are expected to continue in overseas markets; however, prices of ingredients for domestically produced yogurt will remain high due to the shortage of raw milk in Japan.

(Photo)
Marine Foods Corporation
Fishermen Bar Series
using ultra-high pressure
processing machines
"*Steamed Oyster Marinade*"

(Photo)
Kushiro Marusui Co., Ltd.
"*Tako from Hokkaido*"

(Photo)
Hoko Co., Ltd.
"*ROLF SMOKED CHEESE*"

5. Overseas Business Division: Outlook

Nipponham Group 人輝く、食の未来

Australia Operations Division

- Achieve a 40% sales ratio of branded beef, which is not easily affected by the market, as soon as possible.
- Ascertain the foreign exchange and market conditions in each country to optimize sales targets.
- Cattle procurement prices are expected to remain in a high range, although prices are believed to settle down slightly from the current high levels.

Americas Operations Division

- The outlook for the pork market in the U.S. is unclear, as pork production is expected to increase in the U.S., while exports to China are performing favorably.
- Work to expand sales by carrying out aggressive marketing amid strong performance in the fresh meat and marine products wholesale business and processed foods within the U.S.

Reference: FY2017/3 1Q Australia operations sales results

Major countries for sales	Volume (ratio breakdown)	Volume (variance year on year)
Japan	27%	102%
United States	18%	48%
South Korea	13%	104%
China	6%	69%
Taiwan	4%	75%
Australia	15%	97%
Others	17%	85%
Total	100%	79%

Asia & Europe Operations Division

- Results are expected to improve for Ege-Tav in Turkey due to recovery in the domestic market, although the situation remains unpredictable because of political instability in the country.
- It is believed that pork exports from Europe to Japan and Asia will continue to be strong.

FY2017/3 Overseas Business Division: Factors for changes and operating income forecasts

(¥ billion)

Overseas Business Division	Variance from initial forecasts						Operating income forecasts					
	2Q forecasts			1st half forecasts			2Q forecasts		1st half forecasts		Full year forecasts	
	Initial forecasts		Variance	Initial forecasts		Variance	Initial forecasts	Forecasts	Initial forecasts	Forecasts	Initial forecasts	Forecasts
Australia Operations Division	(0.1)	**(1.1)**	(1.0)	(3.0)	**(4.7)**	(1.7)	0.5	**(0.5)**	0.7	**(1.0)**	2.6	**0.9**
Americas Operations Division	0.7	**0.9**	0.2	1.0	**1.3**	0.3	0.0	**0.2**	(0.3)	**0.0**	(0.5)	**(0.2)**
Asia & Europe Operations Division	0.3	**0.3**	0.0	0.4	**0.1**	(0.3)	0.1	**0.1**	0.4	**0.1**	1.1	**0.8**
Other factors	(0.1)	**0.0**	0.1	(0.2)	**0.0**	0.2	(0.2)	**0.1**	(0.5)	**(0.3)**	(0.9)	**(0.8)**
Total	0.8	**0.1**	(0.8)	(1.9)	**(3.4)**	(1.5)	0.4	**(0.4)**	0.3	**(1.2)**	2.3	**0.8**

* Due to rounding, item tallies in each division may not match totals.

III. Consolidated Financial Results for FY2017/3 1Q (Apr.-Jun.)

1. FY2017/3 Business Results at a Glance and Full Year Forecasts
2. Selling, General and Administrative Expenses / Other Operating Costs and Expenses / Other Income
3. Balance Sheets / Capital Expenditures / Depreciation and Amortization

1. FY2017/3 Business Results at a Glance and Full Year Forecasts

(¥ million, %)

	FY2016/3 results			FY2017/3 results and forecasts						
	1Q results	1st half results	Full year results	1Q results	Variance	Volume growth rate	1st half forecasts	Variance	Full year forecasts	Variance
Net Sales	305,502	620,309	1,240,728	294,565	(3.6)	-	610,000	(1.7)	1,250,000	0.7
Hams and sausages	33,263	69,972	141,459	32,591	(2.0)	0.5	70,000	0.0	143,000	1.1
Processed foods	51,811	107,799	221,308	54,994	6.1	6.2	114,700	6.4	232,600	5.1
Fresh meats	182,702	363,854	716,899	170,350	(6.8)	3.2	346,400	(4.8)	712,500	(0.6)
Beef	76,526	149,389	288,976	68,727	(10.2)	3.0	139,300	(6.8)	291,200	0.8
Pork	57,927	116,858	233,327	57,228	(1.2)	(0.6)	115,800	(0.9)	232,800	(0.2)
Chicken	41,938	84,892	170,388	38,417	(8.4)	7.2	78,900	(7.1)	166,100	(2.5)
Other fresh meats	6,311	12,715	24,208	5,978	(5.3)	(1.2)	12,400	(2.5)	22,400	(7.5)
Marine products	21,317	45,191	94,704	20,619	(3.3)		43,900	(2.9)	94,300	(0.4)
Dairy products	7,879	15,856	31,396	8,194	4.0		16,500	4.1	32,400	3.2
Others	8,530	17,637	34,962	7,817	(8.4)		18,500	4.9	35,200	0.7
Cost of goods sold	250,552	511,068	1,019,504	240,986	(3.8)					
Gross profit	54,950	109,241	221,224	53,579	(2.5)					
Gross profit ratio	18.0%	17.6%	17.8%	18.2%	-					
SG&A expenses	43,073	87,447	174,884	44,111	2.4					
Operating Income	11,877	21,794	46,340	9,468	(20.3)		21,000	(3.6)	49,000	5.7
Income before income taxes	11,378	20,743	32,139	8,411	(26.1)		19,000	(8.4)	44,000	36.9
Net income attributable to NH Foods Ltd.	8,598	15,366	21,779	5,919	(31.2)		13,500	(12.1)	31,000	42.3

* Reclassified amounts were originally calculated in accordance with U.S. accounting standards.
* Variance and volume growth ratio: Year-on-year comparisons are expressed as % increase/decreases.

2. Selling, General and Administrative Expenses / Other Operating Costs and Expenses / Other Income

(¥ million, %)

	SG&A expenses	FY2016/3 1Q results	FY2017/3 1Q results	FY2017/3 Variance (%)	FY2017/3 Variance
★(1)	Selling, general and administrative expenses	43,073	44,111	2.4	1,038
	Personnel	17,197	17,607	2.4	410
★(2)	Advertising	2,634	2,852	8.3	218
★(3)	Logistics	12,654	12,947	2.3	293
	Others	10,588	10,705	1.1	117

Major reasons for increase/decrease

★(1) SG&A expenses: The ratio of SG&A expenses to net sales increased 0.9 point from 14.1% to 15.0% due to a decrease in net sales and an increase in personnel expenses, etc.

★(2) Advertising: Advertising expenses increased ¥0.2 billion due mainly to sales promotion expenses.

★(3) Logistics: Logistics costs increased ¥0.3 billion due to higher transportation expenses resulting from an upswing in sales volume.

(¥ million)

		FY2016/3 1Q results	FY2017/3 1Q results	FY2017/3 Variance	FY2016/3 Full year results
★(1)	Other operating costs and expenses (income) - net	285	829	544	12,151
	Fixed assets	285	742	457	12,160
	Others	-	87	87	(9)
	Other income (expenses) - net	80	106	26	(664)
	Interest and dividends income	402	368	(34)	1,032
	Foreign exchange gains (losses)	(310)	(194)	116	(1,706)
	Others	(12)	(68)	(56)	10
	Interest expense	294	334	40	1,386

Major reasons for increase/decrease

★(1) Other operating costs and expenses (income) – net: Increased by approximately ¥0.5 billion due mainly to increase in Fixed assets.

3. Balance Sheets / Capital Expenditures / Depreciation and Amortization

(¥ million, %)

	Consolidated balance sheets	FY2016/3 Year-end results	FY2017/3 1Q results	Variance (%)	Variance
★(1)	Total assets	682,855	690,862	1.2	8,007
	Cash and cash equivalents	67,321	74,455	10.6	7,134
★(2)	Trade notes and accounts receivable	128,352	125,427	(2.3)	(2,925)
★(3)	Inventories	137,395	141,879	3.3	4,484
	Property, plant and equipment - at cost, less accumulated depreciation	268,172	267,302	(0.3)	(870)
	Investments and other assets	40,515	39,627	(2.2)	(888)
	Deferred income taxes - non-current	9,321	9,586	2.8	265
	Total liabilities	321,495	335,509	4.4	14,014
★(4)	Trade notes and accounts payable	94,420	102,096	8.1	7,676
	Interest-bearing debt	154,606	156,007	0.9	1,401
	Liability under retirement and severance program	14,426	14,642	1.5	216
	Total NH Foods Ltd. Shareholders' equity	356,353	350,462	(1.7)	(5,891)
	Noncontrolling interests	5,007	4,891	(2.3)	(116)
	Total equity	361,360	355,353	(1.7)	(6,007)

Major reasons for increase/decrease

★(1)	**Total assets:**	**Increased by approximately ¥8.0 billion mainly due to an increase in cash and cash equivalents.**
★(2)	**Trade notes and accounts receivable:**	**Decreased by approximately ¥2.9 billion due to a drop in fresh meat market.**
★(3)	**Inventories:**	**Increased by approximately ¥4.5 billion due to an increase in inventories of marine and other products.**
★(4)	**Trade notes and accounts payable:**	**Increased by approximately ¥7.7 billion mainly due to an increase in accounts payables.**

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2016/3 1Q results	FY2017/3 1Q results	FY2017/3 Variance (%)	FY2017/3 Variance	FY2017/3 Forecasts
Capital expenditures	10,981	5,686	(48.2)	(5,295)	62,200
Production facilities	5,826	2,632	(54.8)	(3,194)	20,500
Marketing and logistics facilities	771	792	2.7	21	9,900
Farms and processing facilities	927	696	(24.9)	(231)	13,400
Overseas business facilities	739	794	7.4	55	10,900
Other facilities	2,718	772	-	(1,946)	7,500
Depreciation and amortization	4,662	4,914	5.4	252	20,000

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