

(Translation)

May 9, 2016

**BRIEF STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2016**

(Based on the accounting principles generally accepted in the United States)
(Consolidated)

Name of listed company:	NH Foods Ltd.
Listing exchange:	Tokyo Stock Exchange
Code number:	2282
URL:	http://www.nipponham.co.jp/en/
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Scheduled date of the Ordinary General Meeting of Shareholders:	June 28, 2016
Scheduled date of payment of dividends:	June 3, 2016
Scheduled date of filing of securities report:	June 29, 2016
Preparation of supplementary information on statement of accounts:	Yes
Holding of results briefing:	Yes (results briefing for institutional investors and analysts)

(Figures are indicated by counting fractions of 1/2 or more of a million yen as one and discarding the rest)

1. Consolidated business results for the year ended March 31, 2016 (April 1, 2015 through March 31, 2016):

(1) Consolidated operating results:

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

	Net sales		Operating income		Income before income taxes and equity in earnings (losses) of associated companies		Net income attributable to NH Foods Ltd.	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Year ended March 31, 2016	1,240,728	2.3	46,340	(4.3)	32,139	(27.8)	21,779	(29.9)
Year ended March 31, 2015	1,212,802	8.1	48,444	35.7	44,544	26.2	31,048	26.6

(Note) Comprehensive income attributable to NH Foods Ltd.:

Year ended March 31, 2016:	¥12,138 million	(69.8 %)
Year ended March 31, 2015:	¥40,238 million	24.8 %

	Earning per share attributable to NH Foods Ltd. shareholders (basic)	Earning per share attributable to NH Foods Ltd. shareholders (diluted)	Ratio of net income attributable to total NH Foods Ltd. to shareholders' equity	Ratio of income from continuing operations before income taxes and equity in earnings of associated companies to total assets	Ratio of operating income to net sales
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2016	106.92	100.44	6.1	4.8	3.7
Year ended March 31, 2015	152.43	143.11	9.2	6.9	4.0

(For reference) Equity in earnings (losses) of associated companies:

Year ended March 31, 2016:	(¥207 million)
Year ended March 31, 2015:	¥133 million

(Note) Operating income is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales in accordance with the Japanese accounting practices.

(2) Consolidated financial position:

	Total assets	Total equity	Total NH Foods Ltd. shareholders' equity	Total NH Foods Ltd. shareholders' equity ratio	Total NH Foods Ltd. shareholders' equity per share
	(millions of yen)	(millions of yen)	(millions of yen)	(%)	(yen)
Year ended March 31, 2016	682,855	361,360	356,353	52.2	1,749.36
Year ended March 31, 2015	661,567	356,424	353,664	53.5	1,736.18

(Note) The “shareholders’ equity” represents the amount of “Total NH Foods Ltd. shareholders’ equity.”

(3) Consolidated cash flows:

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Year ended March 31, 2016	52,535	(49,139)	8,182	67,321
Year ended March 31, 2015	29,681	(31,517)	(17,187)	57,404

2. State of dividends:

	Annual dividend per share (yen)					Total Dividends (Annual)	Dividend payout ratio (consolidated)	Ratio of dividends to shareholders' equity (consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Year-end	Total			
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)	(%)	(%)
Year ended March 31, 2015	—	—	—	46.00	46.00	9,370	30.2	2.8
Year ended March 31, 2016	—	—	—	33.00	33.00	6,722	30.9	1.9
Year ending March 31, 2017 (forecast)	—	—	—	46.00	46.00		30.2	

(Note) The ratio of dividends to shareholders’ equity (consolidated) is calculated on the basis of the amount of NH Foods Ltd. shareholders’ equity.

3. Forecast of consolidated business results for the year ending March 31, 2017 (April 1, 2016 through March 31, 2017):

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

	Net sales		Operating income		Income before income taxes and equity in earnings of associated companies		Net income attributable to NH Foods Ltd.		Earning per share attributable to NH Foods Ltd. shareholders (basic)
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Second quarter (cumulative)	630,000	1.6	21,000	(3.6)	19,000	(8.4)	13,500	(12.1)	66.27
Whole-year period	1,270,000	2.4	49,000	5.7	44,000	36.9	31,000	42.3	152.18

* Notes:

(1) Changes in significant subsidiaries (changes in specific subsidiaries involving a change in the scope of consolidation) during the year: None

(2) Changes in accounting policies:

1) Changes associated with changes in accounting standards: None

2) Other changes: None

(For more information, please refer to “7. Important Matters Forming the Basis for Preparing Consolidated Financial Statements” on pages 34 to 35.)

(3) Number of shares issued (shares of common stock):

1) Number of shares issued (including shares of treasury stock) as of the end of the fiscal year:

Year ended March 31, 2016: 204,000,000 shares

Year ended March 31, 2015: 204,000,000 shares

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

Year ended March 31, 2016: 295,049 shares

Year ended March 31, 2015: 298,412 shares

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

Year ended March 31, 2016: 203,701,292 shares

Year ended March 31, 2015: 203,686,024 shares

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

1. Non-consolidated business results for the year ended March 31, 2016 (April 1, 2015 through March 31, 2016):

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Year ended March 31, 2016	791,426	0.9	5,390	(19.4)	15,784	1.8	5,322	(52.1)
Year ended March 31, 2015	784,405	7.3	6,685	209.2	15,498	(3.3)	11,121	(16.0)

	Basic earnings per share	Diluted earnings per share
	(yen)	(yen)
Year ended March 31, 2016	26.13	24.38
Year ended March 31, 2015	54.60	51.07

(2) Non-consolidated financial position

	Total assets	Total net assets	Equity ratio	Total net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
Year ended March 31, 2016	470,664	186,275	39.6	913.86
Year ended March 31, 2015	452,661	191,370	42.2	938.86

(For reference)

Net worth: Year ended March 31, 2016: ¥186,158 million
Year ended March 31, 2015: ¥191,246 million

2. Forecast of non-consolidated business results for the year ending March 31, 2017 (April 1, 2016 through March 31, 2017):

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

	Net sales		Ordinary income		Net income		Basic earnings per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Second quarter (cumulative)	410,000	3.2	12,600	(0.9)	12,100	7.1	59.40
Whole-year period	815,000	3.0	15,900	0.7	14,000	163.1	68.73

* Statement on the state of performance of audit procedures:

This brief statement of accounts is not subject to audit procedures under the Financial Instruments and Exchange Act of Japan. The audit procedures of financial statements in accordance with the Financial Instruments and Exchange Act has not been completed at the time of disclosure hereof.

* Explanation for the appropriate use of the forecast of business results and other special instructions

The descriptions herein about the future, including the forecast of business results, are based on the information currently available to NH Foods Ltd. and certain assumptions considered reasonable by NH Foods Ltd. and are not contemplated to ensure the fulfillment thereof. The actual results may materially differ from such forecast and plans depending on various factors. NH Foods Ltd., therefore, wishes to caution that readers should not place undue reliance on these descriptions to make investment decisions. Further, unless obligated by laws or ordinances or the rules of financial instruments exchanges, NH Foods Ltd. will not necessarily, or is not obligated to, revise such descriptions about the future, including the forecast of business results notwithstanding any information or event in the future or any result arising therefrom, or publicize such revised information. For information on the conditions precedent to the forecast of business results and cautionary notes for the use of the forecast of business results, please refer to “1. Analysis of Operating Results: (2) Prospect for the year ending March 31, 2017” on pages 13 to 15

The effect of the grant of additional special payments stated in the “Notice of Transfer Solicitation by NH Foods Ltd. and its Consolidated Subsidiaries,” announced on March 28, 2016, has not been incorporated into the forecast of consolidated and non-consolidated business results for the year ending March 31, 2017 since the number of employees who will transfer has not been finalized at present. Notice will be made promptly when the amount of such effect has been determined in the future.

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- * NH Foods Ltd. is planning to hold a briefing for investors as follows. All materials to be distributed at the briefing will be disclosed on TDnet today and posted on its website today.
 - May 11, 2016 (Wednesday): Results briefing for institutional investors and analysts
- * In addition to the above-mentioned briefing, NH Foods Ltd. will hold briefings of its operations and business results for individual investors from time to time. For information on the schedules of such briefings, etc., please make sure on its website.

I. OPERATING RESULTS

1. Analysis of Operating Results

(1) For the year ended March 31, 2016

Overview of Operating Results in General

The Japanese economy was on a moderate recovery path backed by continued improvement for the corporate earnings and employment environment due in part to the effects of the government's economic measures. However, uncertainty remained amid deceleration of the Chinese economy and concern about a downturn in the global economy including emerging countries. Personal consumption remains sluggish, for while demand from foreign tourists increased, consumer sentiment is deteriorating due to falling stock prices since the start of the new year and uncertainty about the direction of the global economy.

Although raw materials prices have begun to stabilize in the food industry, market prices of domestically produced pork and chicken weakened. Logistics costs rose against a background of labor and vehicle shortages, and sales competition intensified. As a result of these factors, the business climate continued to be extremely harsh.

Against this backdrop, under the “New Medium-Term Management Plan Part 5,” which was launched in April 2015, NH Foods Ltd. and its subsidiaries (the “Group”) undertook business activities based on two management policies: “Establish competitive advantages of domestic businesses” and “Accelerate to a global company” to carry out its themes of “Creating a stable business model through reform.” Specific initiatives included reinforcing farm businesses in Japan, relocation and construction of new specialized cheese factories, forming of a capital and business alliance with Lay Hong Berhade—a major integrated chicken business company in Malaysia, development and promotion of new products, and cultivation of human resources. In July 2015, the Group held the Nipponham Group Fair at supermarkets and stores for the third year since the event was started and aired TV commercials in an effort to increase recognition of the Group and expand sales. The Group also strengthened its cost competitiveness and enhanced profitability mainly by improving productivity, and promoted strict risk management, while working to strengthen its management structure by establishing the “Nipponham Group Fundamental Policy on Corporate Governance” in November 2015.

As a result of these actions, for the year ended March 31, 2016, consolidated net sales amounted to ¥1,240,728 million, increasing 2.3% from the previous fiscal year. Operating income decreased 4.3%, to ¥46,340 million. Income before income taxes and equity in earnings (losses) of associated companies and net income attributable to NH Foods Ltd. decreased by respectively 27.8% to ¥32,139 million and 29.9% to ¥21,779 million, due to recording of foreign exchange losses and impairment losses of goodwill and other intangible assets.

Breakdown of consolidated net sales

Category	Year ended March 31, 2015 (April 1, 2014-March 31, 2015)		Year ended March 31, 2016 (April 1, 2015-March 31, 2016)		Rate of increase (decrease) from the previous year (%)
	Amount (millions of yen)	Component ratio (%)	Amount (millions of yen)	Component ratio (%)	
Hams and sausages	150,103	12.4	141,459	11.4	(5.8)
Processed foods	212,413	17.5	221,308	17.9	4.2
Fresh meats	691,072	57.0	716,899	57.8	3.7
Marine products	94,396	7.8	94,704	7.6	0.3
Dairy products	28,564	2.3	31,396	2.5	9.9
Others	36,254	3.0	34,962	2.8	(3.6)
Total	1,212,802	100.0	1,240,728	100.0	2.3

Overview of Operating Segments

(Processed Foods Business Division)

In the hams and sausages division, the division actively promoted sales by running TV commercials of mainstay products including *SCHAU ESSEN* and brushed up major brand products, thereby working toward the recovery of consumer products sales. While the entire ham gift market struggled during the year-end gift-giving season, the number of units sold grew for our flagship brand *Utsukushi-no-kuni* but units sold for gifts overall fell short of last year.

In the processed foods division, the division's sales were strong for both *Ishigama Kobo* and *Kiwami-yaki Hamburg*, a new product launched this spring, and our core product *Chuka Meisai* also recovered. Price competition for commercial-use products intensified, particularly in major CVS chains and the restaurant chain, while the hams and sausages division, as well as the processed foods division struggled due to a slow recovery in sales. As a result, overall sales for the processed foods business fell short of the previous fiscal year.

The division's earnings increased from the previous fiscal year, reflecting cost improvements by review of the product mix and production line aggregation which it has continued to work on, initiatives of enhancing logistics efficiency, and upturn of the raw materials and fuel costs situation.

As a result of these factors, segment sales decreased 1.4%, to ¥356,581 million, and operating income increased 88.5%, to ¥4,054 million.

(Fresh Meats Business Division)

In Japan, although the price of domestically produced pork and chicken weakened, the sales volume of Nippon Food companies mainly in chicken increased, leading to growth of overall sales. TV commercials for our branded chicken *Sakurahime* were aired in the Kanto and other regions in the summer and autumn, and conducted combined communication including appeals for other branded fresh meats, such as promotions using the Internet and tie-up plans with clients.

Although the division struggled in overseas markets as sales prices of pork declined in the Americas business, sales of the fresh meats business as a whole increased from the previous fiscal year.

The earnings of the domestic production businesses overall increased from the previous fiscal year, due to an increase in sales volume and improvement of productivity in the farm business in Japan, despite negative factors such as dropping fresh meats prices. In overseas businesses, earnings decreased due to struggles caused by an increase of the purchase price of cattle in the Australian businesses, as well as declining pork prices in the Americas hog farming business.

As a result, the division's sales increased 3.3%, to ¥877,334 million, and operating

income decreased 12.1%, to ¥39,660 million.

(Affiliated Business Division)

In its marine products division, sales were on the same level as the previous fiscal year, owing to growth in the sales of our mainstay products such as shrimp and squid as well as in-house manufactured products in the volume retailers channel, despite a decrease in exports of Alaska pollock and salmon to China.

In dairy products division, sales of yogurt and lactic acid probiotic beverages increased from the previous fiscal year, especially in volume retailers and CVS channels, owing to the strengthening of sales of the core offering *Vanilla Yogurt*. Sales of cheese exceeded the previous fiscal year because of growth in the core commercial bakery channel and restaurant channel, as well as the consumer channel for which efforts had been stepped up, so the dairy products division as a whole increased sales.

Earnings from marine products increased from the previous fiscal year, due to an increase in in-house manufactured products, and improvement of profit margins through price revisions. Earnings from dairy products increased from the previous fiscal year because of higher earnings from yogurt and lactic acid probiotic beverages and stable raw materials prices. Earnings from cheese also increased from the previous fiscal year thanks to improvement of plant operating rates due to growth of sales and favorable turn of raw materials cost situation, despite an increase in fixed costs due to the operation of a new plant.

As a result, the division's sales increased 2.7%, to ¥159,371 million, and operating income increased 694.8%, to ¥2,281 million.

(2) Prospect for the year ending March 31, 2017

With regard to future economic prospect for the year ending March 31, 2017, although continuing to allow for the effects of government's economic measures, the opaque situation is expected to continue, such as the impact of confusion in global financial markets and consumption tax hike planned for April 2017.

In this environment, the Group will push ahead with the "New Medium Term Management Plan Part 5," launched during the year ended March 31, 2016, with the theme of "Creating a stable business model through reform," and management policies: "Establish competitive advantages of domestic businesses" and "Accelerate to a global company." (For more information, please refer to "III. BUSINESS POLICY: 3. NH Foods Ltd.'s Medium- and Long-Range Business Strategies and Issues to be Addressed by NH Foods Ltd." on pages 23 to 26.)

In the Processed Foods Business Division, although the costs of raw and other materials stabilize, and consumption is also gradually showing some signs of recovery, the business climate will likely remain harsh as consumption polarizes and price competition intensifies. As such, our production and marketing operations will collaborate in pursuing growth strategies and efficiency-enhancing strategies. Our growth strategies will be to pursue the category leader strategy by enhancing the power of the brand and to strengthen individual strategies for consumer, commercial areas and frozen foods by enhancing sales at local areas and marketing capabilities, as well as to strengthen group cooperation, with a view to increasing market share and high profitability. We will also propose new value to create new markets based on quality deserving customers' support and through product development from customer perspectives. Strategies to enhance efficiency will center on enhancing cost competitiveness through the installation of high-productivity lines and other strategic capital expenditures for the future and centralization of production.

The Fresh Meats Business Division expects the business climate to remain harsh due to fluctuations in fresh meat and grain prices and rapid changes in supply and demand trends on a global scale. In this business climate, the division will further strengthen its unique integrated production system, which covers its farms through to its sales companies, while further expanding its share of domestic sales by enhancing branded fresh meats. The division will also strengthen production and procurement capabilities and boost an efficient and nationwide sales and delivery system with an eye to future changes such as TPP and FTA.

The Affiliated Business Division will reinforce production and marketing capabilities with the marine products and dairy products businesses as its pillars to expand the domestic business scale. In manufacturing, the division will aggressively make capital expenditures for its system to increase production and improve efficiency. As changes in supply and demand trends for raw materials remain drastic, the division will strengthen raw material procurement in an effort to increase and stabilize profitability. On the marketing front, the division will enhance added value of products by reinforcing customer-oriented marketing and development capabilities with focus on in-house products. Also, by

strengthening group cooperation, the division will further promote recognition of the brand.

The Overseas Business Division was newly established in April 2016 with the purpose of working together as a group and promoting the management policy of “Accelerate to a global company” raised in the “New Medium-Term Management Plan Part 5.” The Group will accelerate the conversion of its business model centering on sales in local markets by integrating its overseas business currently conducted by each Business Division. Having newly added the joint venture with Lay Hong Berhad in Malaysia that was announced in March 2016, the Group will strongly promote the provision of a wide range of products and services, including fresh meats, hams and sausages, processed foods, marine foods, and dairy products, by taking advantage of the comprehensive strength of the Group to increase overseas net sales.

As described above, the environment surrounding the Group is very harsh with many accumulated issues. However, the Group will make a unified effort to implement the management policies and management strategies under the theme of “Creating a stable business model through reform” set out in the “New Medium-Term Management Plan Part 5.” We sincerely hope that the shareholders will give us further support and encouragement.

With regard to operating results for the year ending March 31, 2017, net sales are estimated to amount to ¥1,270.0 billion, up 2.4% from the year ended March 31, 2016.

Forecast of consolidated net sales

Category	Year ending March 31, 2017 (April 1, 2016-March 31, 2017)	Rate of increase (decrease) from the previous year
	(billion yen)	(%)
Hams and sausages	146.7	3.7
Processed foods	235.3	6.3
Fresh meats	728.3	1.6
Marine products	97.9	3.4
Dairy products	32.0	1.9
Others	29.8	(14.8)
Total	1,270.0	2.4

In regard to profits, operating income, income before income taxes and equity in earnings of associated companies and net income attributable to NH Foods Ltd. are estimated to amount to ¥49.0 billion (up 5.7% from the previous fiscal year), ¥44.0 billion (up 36.9% from the previous fiscal year) and ¥31.0 billion (up 42.3% from the previous fiscal year), respectively.

The effect of the grant of additional special payments stated in the “Notice of Transfer Solicitation by NH Foods Ltd. and its Consolidated Subsidiaries,” announced on March 28, 2016, has not been incorporated into the forecast of business results for the year ending March 31, 2017 since the number of employees who will transfer has not been finalized at present. Notice will be made promptly when the amount of such effect has been determined in the future.

Cautionary notice on information about the future:

The plans, forecast of operating results and other prospects for the future described in this brief statements of accounts are based on the information currently available to NH Foods Ltd. and certain assumptions considered reasonable by NH Foods Ltd. and are not contemplated to ensure the fulfillment thereof. The actual results in the future may materially differ from such plans and forecast, depending on various factors including risk factors in business. NH Foods Ltd., therefore, wishes to caution that readers should not place undue reliance on these descriptions to make investment decisions. Further, unless obligated by laws or ordinances or the rules of financial instruments exchanges, NH Foods Ltd. will not necessarily, or is not obligated to, revise such descriptions about the future, including the forecast of business results notwithstanding any information or event in the future or any result arising therefrom, or publicize such revised information.

2. Analysis of the Financial Position

(Assets, liabilities and shareholders' equity)

Total assets at the end of the year increased by 3.2% from the end of the previous fiscal year, accounting for ¥682,855 million. With regard to assets, cash and cash equivalents increased by 17.3% from the end of the previous fiscal year, accounting for ¥67,321 million, while inventories decreased by 4.0% from the end of the previous fiscal year, accounting for ¥137,395 million. As a result, current assets increased by 1.0% from the end of the previous fiscal year, accounting for ¥360,015 million. Property, plant and equipment - at cost, less accumulated depreciation increased by 6.2% from the end of the previous fiscal year, accounting for ¥268,172 million due to the increase in capital expenditures.

Liabilities increased by 5.4% from the end of the previous fiscal year, accounting for ¥321,495 million, as other current liabilities decreased by 10.1% from the end of the previous fiscal year, accounting for ¥23,089 million, while long-term debt, less current maturities increased by 20.9% from the end of the previous fiscal year, accounting for ¥101,771 million, and liability under retirement and severance programs increased by 19.5% from the end of the previous fiscal year, accounting for ¥14,426 million.

NH Foods Ltd. shareholders' equity increased by 0.8% from the end of the previous fiscal year, accounting for ¥356,353 million as accumulated other comprehensive income decreased by ¥9,641 million from the end of the previous fiscal year due to such factors as the strong Japanese yen and the sluggish stock markets, despite an increase due to net income attributable to NH Foods Ltd. accounting for ¥21,779 million. Interest-bearing debt* increased by ¥17,800 million from the end of the previous fiscal year, accounting for ¥154,606 million.

As a result, NH Foods Ltd. shareholders' equity ratio decreased by 1.3 points from the end of previous fiscal year to 52.2%.

* Interest-bearing debt: "short-term bank loans," "current maturities of long-term debt" and "long-term debt, less current maturities" (including zero coupon convertible bonds) in the consolidated balance sheets.

(Cash flows)

The states and causes of cash flows are as follows:

	Year ended March 31, 2015	Year ended March 31, 2016	Increase or decrease
	(millions of yen)	(millions of yen)	(millions of yen)
Cash flows from operating activities	29,681	52,535	22,854
Cash flows from investing activities	(31,517)	(49,139)	(17,622)
Cash flows from financing activities	(17,187)	8,182	25,369
Effect of exchange rate changes on cash and cash equivalents	1,499	(1,661)	(3,160)
Net increase (decrease) in cash and cash equivalents	(17,524)	9,917	27,441
Cash and cash equivalents at end of the year	57,404	67,321	9,917

With regard to operating activities, despite the effects of foreign exchange transaction adjustment and a decrease of accrued income taxes, among others, net income, depreciation and amortization, impairment losses and a decrease of inventories caused the cash increase. As a result, net cash provided by operating activities amounted to ¥52,535 million (¥29,681 million for the previous fiscal year).

With regard to investing activities, net cash used in investing activities amounted to ¥49,139 million (¥31,517 million for the previous fiscal year) due to capital expenditures and net decrease in cash and cash equivalents resulting from purchase of business, among others.

With regard to financing activities, net cash provided by financing activities amounted to ¥8,182 million (¥17,187 million used for the previous fiscal year), due to an increase in short-term bank loans and proceeds from debt, despite cash dividends and repayments of debt.

As a result, cash and cash equivalents at end of the year increased by ¥9,917 million in comparison with the end of the previous fiscal year, to amount to ¥67,321 million.

The trends in cash flow indices are as shown below:

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Total NH Foods Ltd. shareholders' equity ratio (%)	49.2	48.1	51.2	53.5	52.2
Ratio of shareholders' equity on a fair value basis (%)	38.0	50.6	49.9	85.2	74.0
Years for debt redemption (year)	5.3	4.0	4.4	4.6	2.9
Interest coverage ratio (time)	14.5	22.8	21.3	24.2	35.1

* Total NH Foods Ltd. shareholders' equity ratio:

Total NH Foods Ltd. shareholders' equity / Total assets

Ratio of shareholders' equity on a fair value basis:

Aggregate fair value of listed stock / Total assets

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

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

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

3. NH Foods Ltd.'s Fundamental Policy of Profit Allocation and Dividends for the Year Ended March 31, 2016 and the Year Ending March 31, 2017

NH Foods Ltd. considers shareholder return to be a management priority, and its basic policy is to return to shareholders a profit commensurate with its consolidated business results. NH Foods Ltd. intends to effectively use retained earnings to fund investments to enhance its corporate value for the years to come, and to maintain and strengthen its financial position.

Under this basic policy, with regard to dividends, NH Foods Ltd.'s consolidated dividend payout ratio target is 30%; however, for the time being, NH Foods Ltd. will fix the minimum dividend per share at ¥16. With regard to the acquisition of its own shares, NH Foods Ltd. intends to act expediently to enhance its shareholder value per share and ROE by taking into account investment for growth and its financial position.

With regard to the dividends for the year ended March 31, 2016, management intends to pay an ordinary dividend of ¥33 per share (consolidated dividend payout ratio: 30.9%) as publicized in the "Notice of Adjustment to the Forecasts of Business Results and Dividends" on May 2, 2016. For the year ending March 31, 2017, management plans to

pay an ordinary dividend of ¥46 per share, based on the consolidated dividend payout ratio of 30% with net income attributable to NH Foods Ltd. forecasted to be ¥31.0 billion.

4. Risk Factors in Business

No new risks requiring immediate disclosure, beyond those indicated in the most recent Annual Report (submitted June 26, 2015), have become evident, so this section has been omitted.

The Annual Report is available at the following URL.

(NH Foods Ltd.'s website)

<http://www.nipponham.co.jp/ir/library/> (Japanese)

<http://www.nipponham.co.jp/eng/ir/library/> (English)

II. STATE OF CORPORATE GROUP

The Group is composed of NH Foods Ltd., its 86 subsidiaries and six associated companies. The business divisions supervising their businesses and positioning thereof are as follows:

Processed Foods Business Division

Hams and sausages, and processed foods are produced at NH Foods Ltd. and its production subsidiaries, Nipponham Factory Ltd., Nipponham Southwest Ltd., Nipponham Processed Foods Ltd. and Nipponham Delicatessen Ltd., and marketed through NH Foods Ltd.'s nationwide business offices and its marketing subsidiaries, Nipponham Hokkaido Sales Ltd., Nipponham East Sales Ltd., Nipponham West Sales Ltd. and others.

Fresh Meats Business Division

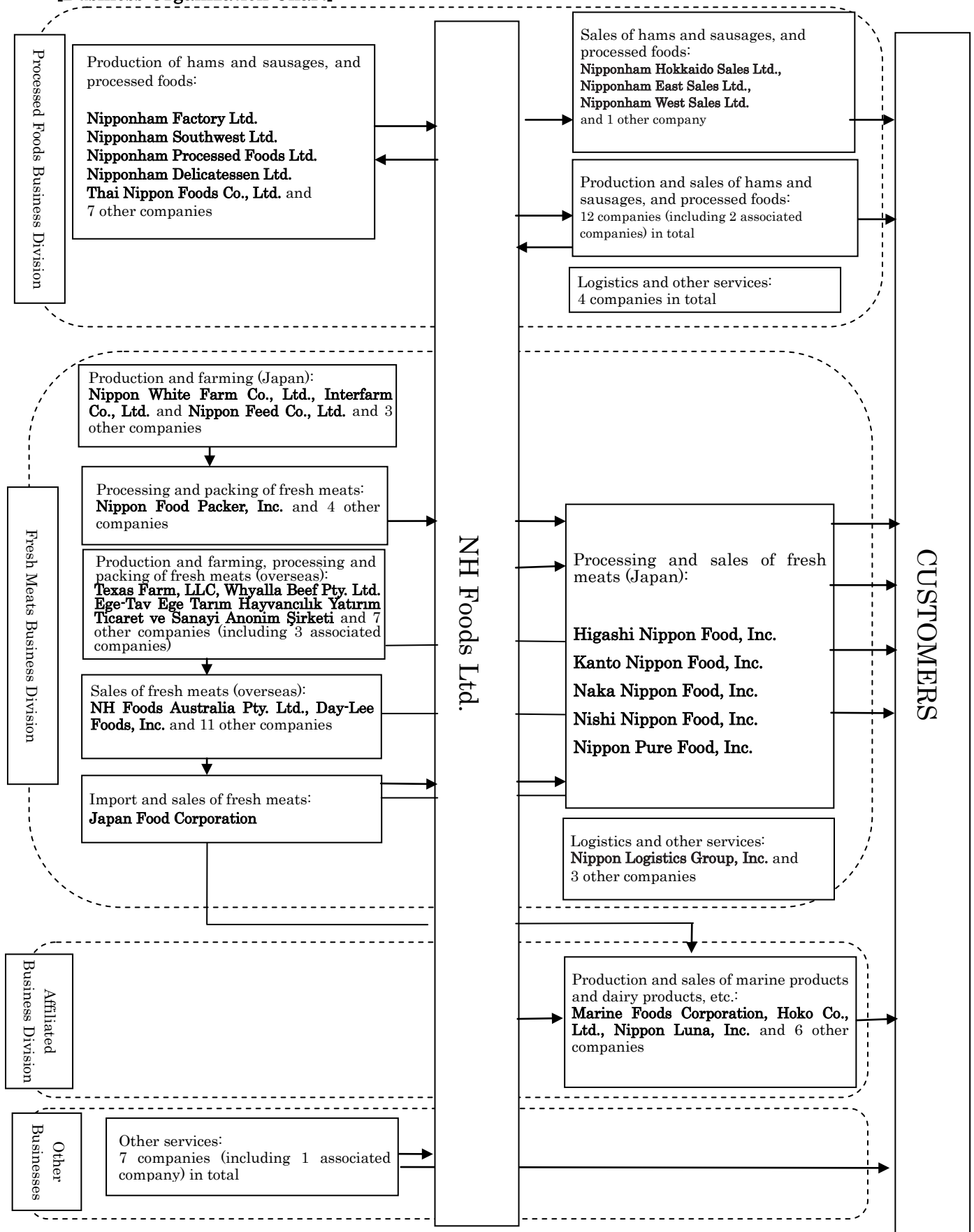
With regard to fresh meats, NH Foods Ltd.'s subsidiaries such as Nippon White Farm Co., Ltd. Interfarm Co., Ltd., Texas Farm, LLC and Whyalla Beef Pty. Ltd. carry out production and farming of swine, cattle and poultry. Fresh meats which are processed and produced by NH Foods Ltd.'s subsidiaries such as Nippon Food Packer, Inc. are marketed, together with fresh meats purchased from outside suppliers, by NH Foods Ltd. and through its nationwide marketing subsidiaries such as Higashi Nippon Food, Inc., Kanto Nippon Food, Inc., Naka Nippon Food, Inc. and Nishi Nippon Food, Inc. and others.

Affiliated Business Division

Marine products and dairy products are produced and marketed by NH Foods Ltd.'s subsidiaries, such as Marine Foods Corporation, Hoko Co., Ltd. and Nippon Luna, Inc. and others.

The above-mentioned matters are shown in the following business organization chart.

[Business Organization Chart]



As of April 1, 2016 the Group established the “Overseas Business Division,” and formed a four business division structure comprising the Processed Foods Business Division, Fresh Meats Business Division, Affiliated Business Division, and Overseas Business Division. Following this reorganization, all overseas subsidiaries and overseas associated companies are now under the jurisdiction of the Overseas Business Division.

III. BUSINESS POLICY

1. NH Foods Ltd.'s Fundamental Business Policy

The Group advocates, as two key factors of its corporate philosophy: Under the basic theme of “Joy of Eating,” our company creates a culture that marks an epoch and contributes to society; our company is a place where employees can feel truly happy and fulfilled. The Group engages in a wide range of businesses with a mission of management to contribute to people’s happy and healthy life through supply of safe, secure and high-quality foods. The “joy of eating” represents the excitement of good eating and preciousness of health and we will actively focus our efforts on proposals of various occasions for eating and the creation of a food culture, as well as support of health promotion through sports, among others. We also believe that the Group’s business is a socially important business as it will secure a stable supply of foods into the future by nurturing living nature and producing foods while feeling grateful for blessings of nature. We believe that by engaging in such business, our employees will feel happy and do their work with a sense of satisfaction, which will consequently lead us to provide products and services acceptable to consumers.

Led by our Group Brand Statement of “The Brilliance of People for the Future of Food,” all Group employees share the “Group Brand Pledges” as our vision and values, and convey them to all the stakeholders we deal with through our brands. Our goal is to become the world leader in delivering the “Joy of Eating” by carrying out business in line with our four management objectives: “Value the bounty of nature,” “Uncompromising commitment to quality,” “Explore the new potential of food,” and “Contribute to people’s happy and healthy life.”

2. Target Management Indices

For the final fiscal year (consolidated) of the “New Medium-Term Business Plan Part 5” (from April 1, 2015 through March 31, 2018), which started in April 2015, the Group aims to book net sales of ¥1,300.0 billion and operating income of ¥52.0 billion, and attain 4.0% operating income ratio and 8.0% or higher ROE.

* The “New Medium-Term Management Plan Part 5” and its revised or amended plans (collectively, the “Medium-Term Management Plan”), which consist of the plans and targets prepared based on the information currently available to the Group and certain assumptions considered reasonable by the Group, contain potential risks and uncertainties. Hence, the Medium-Term Management Plan does not ensure the fulfillment thereof or the operating results in the future. The actual results may materially differ from the Medium-Term Management Plan. NH Foods Ltd., therefore, wishes to caution that readers should not place undue reliance on the Medium-Term Management Plan to make investment decisions. Notwithstanding any information or event in the future or any result arising therefrom, the Group will not necessarily revise the Medium-Term Management Plan nor will it be obliged to do so.

3. NH Foods Ltd.'s Medium- and Long-Range Business Strategies and Issues to be Addressed by NH Foods Ltd.

NH Foods Ltd. formulated in April 2015 the “New Medium-Term Management Plan

Part 5,” the theme of which is “Creating a stable business model through reform.”

Looking forward to the future business environment, environmental changes are predicted to have a major impact on the Group. These include the progress in TPP negotiations; their impact on domestic primary industries; rising prices of raw materials due to global level demand pressure; changes in consumption trends due to aging, and structural changes in distribution channels.

In this environment, the New Medium-Term Management Plan Part 5 began in April 2015, and we have positioned this period for us to establish foothold in order to advance onto the new stage, marking a milestone in the achieving of long-range Group ideals for ten years from now. In order to achieve this, the Group will build a stable business model by enhancing its corporate functions, such as marketing, branding and human resource development, to promote business model innovation and corporate culture reformation. The linchpins of these efforts will be the establishment of competitive advantage of domestic businesses, based on the Group’s integration system, one of its strengths, and expansion of overseas businesses in order to increase global market sales.

Management Policies:

(1) Establish competitive advantages of domestic businesses:

The Group will strive to further improve its competitive advantages and expand its range of business fields even though the chance of the domestic market showing growth seems to be slim. The Group will supply its core values, such as delicious flavor, service, quality, safety and security, to customers, exceeding their expectations, in order to cultivate a brand that is most trusted by customers.

In order to produce ongoing improvements to profitability, the Group will also engage in active capital expenditures to achieve high efficiency, build an optimized production system, merge and discontinue products, enhance brand products with high levels of added value, and improve the efficiency of investment capital.

Coordination will be enhanced between business units in every value chain, including procurement, development, production, logistics and sales, creating Group synergy and maximally leveraging the Group’s comprehensive strengths.

(2) Accelerate to a global company:

Overseas businesses will be positioned as a growth driver, and the current overseas business model, focused on exports to Japan, will be transformed into a local domestic sales focused business model. The Group will strive to increase overseas sales and accelerate to evolve into a global enterprise. With regard to the Group’s integration system, one of its strengths, in addition to reinforcing Australian businesses, the integration system will be laterally deployed in other regions as well, expanding sales regions and mobility between regions based on production and logistics centers in order to establish a global business revenue foundation.

In particular, the Group will use M&A and business partnerships in order to expand its

areas of businesses in major markets and emerging countries.

A wide range of products and services will be provided, using the Group's comprehensive strengths, in order to meet the needs of the countries and regions into which the Group is advancing.

* Top-notch management for No. 1 quality that promotes the growth strategy
“Management for No. 1 Quality (Note 1),” initiated in the New Medium-Term Management Plan Part 2, has been positioned as “High-Level Management for No. 1 Quality Used to Promote Growth Strategies,” and will continue to be implemented as a core foundation of the Group's business policies.

Note 1: “Management for No. 1 Quality” = This represents the Group's attitude of going beyond merely focusing on product quality, instead using the Group's unflagging efforts to achieve advances in areas such as management and human resources as well, implementing and enhancing CSR (corporate social responsibility), including compliance, governance and social contributions, as a Group which provides delicious and safe foods.

Management Strategies:

(1) Continuous strengthening of profitability in domestic businesses:

The Group will establish competitive advantage and a stable revenue base in Japan through ongoing product improvements and cost reductions. We will also expand the scale of our businesses through active efforts aimed at creating Group synergy and taking on new business sectors.

- i) Further reinforcement of our domestic integration system
- ii) Reinforcement and expansion of existing businesses through active capital investment and greater selectivity and focus
- iii) Establishment of a product development system which maximally leverages our customer connections and needs
- iv) Expansion of new business areas through the development and utilization of new technologies

(2) Expansion of overseas net sales at an early stage:

We will work to promptly increase overseas net sales by expanding our procurement, production and sales capabilities, which are already overwhelming strengths within Japan, on a global scale.

- i) Expansion of the Group's business areas and integration system
- ii) Expansion of global market sales through reinforcement of our overseas production and sales system

- iii) Reinforcement of our Group perspective-focused overseas businesses promotion system

(3) Promotion of strategic branding:

We will use strategic branding activities with the aim of increasing recognition of and support for the ties between our new Group brand, company brands and product brands by our customers and all types of other stakeholders. Through these activities we will establish a top brand position and increase the Group corporate value.

- i) Enhancement of Group-wide marketing and branding functions
- ii) Advancement of our distribution channel strategies
- iii) Cultivation of brand consciousness
- iv) Promotion of social branding (Note 2)

Note 2: “Social branding” = Activities for solving societal issues, which increase the Group brand value by leveraging the Group’s strengths to contribute to society

(4) Reinforcement of cross-Group corporate functions:

In order to achieve our business objectives, head office divisions will coordinate and enhance corporate functions in order to create a system which provides lateral support across business divisions.

- i) Acquisition and cultivation of global human resource and management resource
- ii) Promotion of Group coordination and organizational culture reform
- iii) Creation of a global business management structure
- iv) Enhancement of corporate finance functions

IV. FUNDAMENTAL APPROACH TO SELECTING ACCOUNTING STANDARDS

In order to enhance international comparability of financial information in the capital markets, the Group will voluntarily apply International Financial Reporting Standards (“IFRS”) in place of the generally accepted accounting principles in the United States (“US GAAP”) currently applied, for the fiscal year ending March 31, 2019 and thereafter and disclose its consolidated financial statements in accordance with IFRS from the first quarter of the year ending March 31, 2019.

V. CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Balance Sheets

(millions of yen)

	Year ended March 31, 2015 (as of March 31, 2015)	Year ended March 31, 2016 (as of March 31, 2016)	Increase (decrease)
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	57,404	67,321	9,917
Time deposits	11,514	10,354	(1,160)
Marketable securities	190	—	(190)
Trade notes and accounts receivable	127,273	128,352	1,079
Allowance for doubtful accounts	(289)	(382)	(93)
Inventories	143,107	137,395	(5,712)
Deferred income taxes	6,295	6,041	(254)
Other current assets	10,960	10,934	(26)
Total current assets	356,454	360,015	3,561
Property, plant and equipment - at cost, less accumulated depreciation	252,537	268,172	15,635
Intangible assets, less accumulated amortization	4,339	4,832	493
Investments and other assets:			
Investments in associated companies	3,213	4,737	1,524
Other investment securities	23,355	24,978	1,623
Other assets	14,602	10,800	(3,802)
Total investments and other assets	41,170	40,515	(655)
Deferred income taxes - non-current	7,067	9,321	2,254
Total Assets	661,567	682,855	21,288

	(millions of yen)		
	Year ended March 31, 2015 (as of March 31, 2015)	Year ended March 31, 2016 (as of March 31, 2016)	Increase (decrease)
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	43,579	41,374	(2,205)
Current maturities of long-term debt	9,058	11,461	2,403
Trade notes and accounts payable	94,212	94,420	208
Accrued income taxes	7,729	7,122	(607)
Deferred income taxes	1,187	1,584	397
Accrued expenses	22,193	21,858	(335)
Other current liabilities	25,669	23,089	(2,580)
Total current liabilities	203,627	200,908	(2,719)
Liability under retirement and severance programs	12,075	14,426	2,351
Long-term debt, less current maturities	84,169	101,771	17,602
Deferred income taxes - non-current	2,467	2,632	165
Other long-term liabilities	2,805	1,758	(1,047)
Total liabilities	305,143	321,495	16,352
NH Foods Ltd. shareholders' equity:			
Common stock	24,166	24,166	—
Capital surplus	51,038	50,958	(80)
Retained earnings:			
Appropriated for legal reserve	7,905	8,150	245
Unappropriated	262,887	275,051	12,164
Accumulated other comprehensive income (loss)	8,126	(1,515)	(9,641)
Treasury stock, at cost	(458)	(457)	1
Total NH Foods Ltd. shareholders' equity	353,664	356,353	2,689
Noncontrolling interests	2,760	5,007	2,247
Total equity	356,424	361,360	4,936
Total Liabilities and Equity	661,567	682,855	21,288

(Note) Accumulated other comprehensive income (loss) – breakdown

	Year ended <u>March 31, 2015</u>	Year ended <u>March 31, 2016</u>	Increase (decrease)
Net unrealized gains on securities available-for-sale	6,264	5,588	(676)
Pension liability adjustments	(1,302)	(5,377)	(4,075)
Foreign currency translation adjustments	3,164	(1,726)	(4,890)

2. Consolidated Statements of Income

(millions of yen)

	Year ended March 31, 2015 (April 1, 2014 through March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 through March 31, 2016)	Increase (decrease)
Net sales	1,212,802	1,240,728	27,926
Cost of goods sold	993,023	1,019,504	26,481
Selling, general and administrative expenses	171,335	174,884	3,549
Other operating costs and expenses (income) - net	4,231	12,151	7,920
Interest expense	1,347	1,386	39
Other income (expenses) - net	1,678	(664)	(2,342)
Income before income taxes and equity in earnings (losses) of associated companies	44,544	32,139	(12,405)
Income taxes:			
Current	12,959	12,905	(54)
Deferred	554	272	(282)
Total income taxes	13,513	13,177	(336)
Income before equity in earnings (losses) of associated companies	31,031	18,962	(12,069)
Equity in earnings (losses) of associated companies - net of applicable income taxes	133	(207)	(340)
Net income	31,164	18,755	(12,409)
Net (income) loss attributable to noncontrolling interests	(116)	3,024	3,140
Net income attributable to NH Foods Ltd.	31,048	21,779	(9,269)
Operating income (based on Japanese accounting practices)	48,444	46,340	(2,104)

3. Consolidated Statements of Comprehensive Income

	(millions of yen)	
	Year ended March 31, 2015 <small>(April 1, 2014 through March 31, 2015)</small>	Year ended March 31, 2016 <small>(April 1, 2015 through March 31, 2016)</small>
Net income	31,164	18,755
Other comprehensive income (loss) - net of applicable income taxes		
Net unrealized gains (losses) on securities available-for-sale	2,162	(677)
Pension liability adjustments	2,318	(4,082)
Foreign currency translation adjustments	4,778	(5,535)
Total other comprehensive income (loss)	9,258	(10,294)
Comprehensive income	40,422	8,461
Comprehensive (income) loss attributable to noncontrolling interests	(184)	3,677
Comprehensive income attributable to NH Foods Ltd.	40,238	12,138

4. Consolidated Statements of Changes in Equity

For the year ended March 31, 2015 (April 1, 2014 through March 31, 2015)

(millions of yen)

	NH Foods Ltd. Shareholders' equity							Noncontrolling interests	Total equity
	Common stock	Capital surplus	Retained earnings appropriated for legal reserve	Unappropriated retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total		
Balance, April 1, 2014	24,166	55,655	7,748	271,902	(1,064)	(37,423)	320,984	2,991	323,975
Net income				31,048			31,048	116	31,164
Other comprehensive income					9,190		9,190	68	9,258
Cash dividends				(7,536)			(7,536)	(83)	(7,619)
Transfer to retained earnings appropriated for legal reserve			157	(157)			—	—	—
Acquisition of treasury stock						(21)	(21)	—	(21)
Disposition of treasury stock		(57)				56	(1)	—	(1)
Cancellation of treasury stock		(4,560)		(32,370)		36,930	—	—	—
Sales of subsidiary shares							—	(332)	(332)
Balance, March 31, 2015	24,166	51,038	7,905	262,887	8,126	(458)	353,664	2,760	356,424

For the year ended March 31, 2016 (April 1, 2015 through March 31, 2016)

(millions of yen)

	NH Foods Ltd. shareholders' equity						Total	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Retained earnings appropriated for legal reserve	Unappropriated retained earnings	Accumulated other comprehensive income (loss)	Treasury stock			
Balance, April 1, 2015	24,166	51,038	7,905	262,887	8,126	(458)	353,664	2,760	356,424
Net income				21,779			21,779	(3,024)	18,755
Other comprehensive loss					(9,641)		(9,641)	(653)	(10,294)
Cash dividends				(9,370)			(9,370)	(41)	(9,411)
Transfer to retained earnings appropriated for legal reserve			245	(245)			—	—	—
Acquisition of treasury stock						(10)	(10)	—	(10)
Disposition of treasury stock		(10)				11	1	—	1
Acquisition and capital increase of subsidiaries							—	6,094	6,094
Others		(70)					(70)	(129)	(199)
Balance, March 31, 2016	24,166	50,958	8,150	275,051	(1,515)	(457)	356,353	5,007	361,360

5. Consolidated Statements of Cash Flows

(millions of yen)

	Year ended March 31, 2015 (April 1, 2014 through March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 through March 31, 2016)
Operating Activities:		
Net income	31,164	18,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,405	19,926
Impairment losses	3,047	11,081
Income taxes deferred	554	272
Foreign exchange transaction adjustment	(963)	(3,193)
Increase in trade notes and accounts receivable	(8,929)	(113)
Decrease (increase) in inventories	(20,259)	5,894
Increase in other current assets	(2,260)	(34)
Decrease in trade notes and accounts payable	(3,617)	(304)
Increase (decrease) in accrued income taxes	3,294	(598)
Increase in accrued expenses and other current liabilities	8,727	232
Others – net	(482)	617
Net cash provided by operating activities	29,681	52,535
Investing Activities:		
Capital expenditures	(34,519)	(37,604)
Proceeds from sales of capital assets	2,212	1,839
Increase in time deposits	(1,027)	(202)
Purchases of marketable securities and other investment securities	(308)	(2,798)
Proceeds from sales and maturities of marketable securities and other investment securities	2,185	475
Investments in associated companies	—	(1,891)
Net decrease in cash and cash equivalents resulting from purchase of business	—	(8,563)
Net increase in cash and cash equivalents resulting from sales of business	358	—
Others – net	(418)	(395)
Net cash used in investing activities	(31,517)	(49,139)
Financing Activities:		
Cash dividends	(7,619)	(9,411)
Increase (decrease) in short-term bank loans	(18,532)	18,506
Proceeds from debt	19,631	30,408
Repayments of debt	(10,646)	(32,614)
Contributions from noncontrolling interests	—	1,502
Acquisition of treasury stock	(21)	(10)
Others – net	0	(199)
Net cash provided by (used in) financing activities	(17,187)	8,182
Effect of exchange rate changes on cash and cash equivalents	1,499	(1,661)
Net increase (decrease) in cash and cash equivalents	(17,524)	9,917
Cash and cash equivalents at beginning of the year	74,928	57,404
Cash and cash equivalents at end of the year	57,404	67,321
Additional cash flow information		
Cash payment for the year		
Interest paid	1,229	1,496
Income taxes paid	10,493	13,165
Capital lease obligations incurred	2,773	4,686

6. Notes on the Premises of a Going Concern

Not applicable

7. Important Matters Forming the Basis for Preparing Consolidated Financial Statements

(1) Matters concerning the scope of consolidation and application of equity method

- i) Number of consolidated subsidiaries: 86 companies
- ii) Number of equity-method companies: 6 companies

(2) Summary of principal accounting policies

i) Basis of preparation of consolidated financial statements:

The consolidated financial statements of NH Foods Ltd. are prepared in accordance with the accounting principles generally accepted in the United States.

NH Foods Ltd. has re-classified some figures in the presentation for the previous fiscal year to comply with the presentation for the year ended March 31, 2016.

ii) Method and basis of evaluation of inventories:

Inventories are stated at the lower of cost or market. Cost is determined by the average cost method. Fair value is determined by net realizable value.

iii) Method and basis of valuation of marketable securities:

NH Foods Ltd. accounts for its debt and equity securities in accordance with the Codification of Accounting Standards ("ASC") of the U.S. Financial Accounting Standards Board ("FASB") Topic ("ASC Topic") 320 "Debt and Equity Securities."

Investments classified as Held-to-Maturity:

Stated at amortized cost.

Investments classified as Available-for-Sale:

Stated at fair value using quoted prices at the balance sheet date. (Relevant unrealized gains (losses) are reported in shareholders' equity after taking into account the related tax effect, and cost of sale is calculated based on the average method.)

iv) Method of depreciation and amortization of fixed assets:

Property, plant and equipment:

By the straight line method.

Intangible fixed assets: By the straight line method (however, in accordance with ASC Topic 350 "Goodwill and Other," intangible fixed assets with indefinite useful lives are not amortized but are tested for impairment at least once a year).

v) Basis of accounting for liability under retirement and severance program:

In accordance with ASC Topic 715 "Compensation - Retirement Benefits," to prepare for the payment of retirement and severance benefits to employees, NH Foods Ltd. accounts for liability under retirement and severance program based on the projected benefit obligations and the fair value of plan assets at the business year-end.

Unrecognized prior service cost is amortized in equal amounts over the average remaining period of services for the affected employees.

With regard to unrecognized actuarial differences, a portion in excess of a corridor charge (= 10% of the greater of the projected benefit obligations or the fair value of plan assets) is amortized in equal amounts over the average remaining period of services of the affected employees when such differences are generated.

vi) Accounting treatment of consumption tax:

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

(3) Changes in accounting policies

Not applicable.

8. Notes on Consolidated Financial Statements

(1) Segment information

Operating segment information:

The operating segments of the Group are comprised of the following three business groups. The businesses thereof are as follows:

- Processed foods business division – Production and sales of mainly hams and sausages, and processed foods
- Fresh meats business division – Production and sales of mainly fresh meats
- Affiliated business division – Production and sales of mainly marine products and dairy products

For the year ended March 31, 2015 (April 1, 2014 through March 31, 2015): (millions of yen)

	Processed foods business division	Fresh meats business division	Affiliated business division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
(1) External customers	333,942	744,848	152,198	1,230,988	(18,186)	1,212,802
(2) Intersegment	27,539	104,472	2,966	134,977	(134,977)	-
Total	361,481	849,320	155,164	1,365,965	(153,163)	1,212,802
Operating expenses	359,330	804,199	154,877	1,318,406	(154,048)	1,164,358
Segment profit	2,151	45,121	287	47,559	885	48,444
Assets, depreciation and amortization and capital expenditures						
Assets	180,897	389,083	62,521	632,501	29,066	661,567
Depreciation and amortization	6,953	8,610	1,462	17,025	1,926	18,951
Capital expenditures	15,405	11,985	6,803	34,193	1,501	35,694

For the year ended March 31, 2016 (April 1, 2015 through March 31, 2016): (millions of yen)

	Processed foods business division	Fresh meats business division	Affiliated business division	Total	Eliminations, adjustments and others	Consolidated
Net sales						
(1) External customers	328,432	776,008	156,082	1,260,522	(19,794)	1,240,728
(2) Intersegment	28,149	101,326	3,289	132,764	(132,764)	-
Total	356,581	877,334	159,371	1,393,286	(152,558)	1,240,728
Operating expenses	352,527	837,674	157,090	1,347,291	(152,903)	1,194,388
Segment profit	4,054	39,660	2,281	45,995	345	46,340
Assets, depreciation and amortization and capital expenditures						
Assets	182,186	393,346	68,877	644,409	38,446	682,855
Depreciation and amortization	6,530	9,036	1,648	17,214	2,231	19,445
Capital expenditures	10,040	15,297	7,121	32,458	4,341	36,799

- (Notes)
1. "Eliminations, adjustments and others" includes unallocated items and intersegment eliminations.
 2. Except for a few unallocated items, corporate overhead expenses and profit and loss of certain subsidiaries are allocated to each reportable operating segment. These subsidiaries provide indirect services and operational support for the companies included in each reportable operating segment.
 3. Operating income is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales.
 4. As of April 1, 2015, some changes were made in the business divisions to supervise the subsidiaries. Consequently, the relevant reportable operating segments are reclassified for the previous fiscal year.

(2) Calculation of earnings per share attributable to NH Foods Ltd. shareholders

	Year ended March 31, 2015 (April 1, 2014 through March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 through March 31, 2016)
Net income (Numerator):	(millions of yen)	
Net income attributable to NH Foods Ltd.	31,048	21,779
Dilutive effect of the issuance of convertible-bonds-type bonds with stock acquisition rights	56	59
Net income attributable to NH Foods Ltd. shareholders (diluted)	31,104	21,838
Shares (Denominator):	(thousand shares)	
Weighted average number of shares to calculate net income attributable to NH Foods Ltd. per share (basic)	203,686	203,701
Dilutive effect of stock options granted	194	173
Dilutive effect of the issuance of convertible-bonds-type bonds with stock acquisition rights	13,466	13,538
Average number of shares to calculate net income attributable to NH Foods Ltd. per share (diluted)	217,346	217,412

(3) Business combinations

On April 1, 2015, the Group acquired 60% of the outstanding shares of Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi ("Ege-Tav") and it became a subsidiary of the Group. For acquiring the shares of Ege-Tav, the Group will respond to increasing demand for chicken meats in the Republic of Turkey and also generate a synergistic effect with its own chicken business in the purpose of developing the Group's presence in Middle Eastern countries, rapidly growing emerging markets as well as European countries.

The fair value of noncontrolling interests was measured based on the acquired cost deducting the control premium. The fair value of the consideration paid for the controlling interests of Ege-Tav and the noncontrolling interests as of the acquisition date is as follows:

	(millions of yen)
Fair value of consideration paid (cash)	8,638
Fair value of noncontrolling interests	4,592
Total	13,230

The Group measures Ege-Tav's assets acquired and liabilities assumed based on their fair values in accordance with the ASC 805, "Business Combinations." The fair value amounts (the adjusted provisional amounts) allocated to assets acquired and liabilities assumed of Ege-Tav are as follows:

	(millions of yen)
Cash and cash equivalents	75
Trade notes and accounts receivable	1,527
Inventories	2,065
Property, plant and equipment	2,154
Intangible assets	2,736
Other assets	228
Current liabilities	(2,166)
Long-term liabilities	(1,945)
Total net assets acquired	4,674
Goodwill	8,556
Total	13,230

Intangible assets of ¥2,231 million are subject to amortization, which include trade names with a 15 year useful life of ¥873 million and customer-related intangible assets with a 13 year useful life of ¥1,349 million. An intangible asset of ¥505 million is not subject to amortization and relates to poultry related licenses.

The goodwill accounted in connection with this acquisition is included in the Fresh Meats Business Division in the Operating segment information and is not deductible for tax purposes.

(4) Intangible assets

The Group recognized impairment losses of ¥7,690 million and ¥1,889 million, respectively, of the goodwill and the other intangible assets recognized in connection with the acquisition of Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi for the year ended March 31, 2016.

This was attributable to the impairment of the book value of goodwill and other intangible assets to their fair value, in response to the results obtained from reviewing future plans and examining recoverable amounts, as business results of Ege-Tav remained below the target of the initial plan due mainly to deterioration in the external environment such as outbreak of the avian influenza within Turkey and increased geopolitical risks.

The impairment losses were reported in other operating costs and expenses (income) - net in the consolidated statements of income. The fair value is determined using the discounted cash flow method.

(5) Events subsequent to March 31, 2016

Not applicable.

(Omission of disclosure)

Disclosure of the notes on the lease transactions, related-party transactions, tax effect accounting, marketable securities, derivative transactions, retirement benefits and stock options, etc. is omitted as the necessity of disclosure thereof in this brief statements of accounts is not considered to be great.

VI. NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Non-Consolidated Balance Sheets

	(millions of yen)
	Year ended March 31, 2015 (as of March 31, 2015)
	Year ended March 31, 2016 (as of March 31, 2016)
<u>Assets</u>	
Current assets:	
Cash on hand and in banks	23,055
Notes receivable–trade	93
Accounts receivable–trade	92,802
Marketable securities	8,190
Finished goods and merchandise	31,938
Work-in-process	122
Raw materials and supplies	12,145
Deferred tax assets	1,130
Short-term loans receivable from subsidiaries and associated companies	102,065
Accounts receivable – other	13,192
Other current assets	1,880
Allowance for doubtful accounts	(10)
Total current assets	286,602
Fixed assets:	
Property, plant and equipment	
Buildings	9,159
Structures	1,397
Machinery and equipment	2,496
Vehicles and transportation equipment	14
Tools, furniture and fixtures	743
Land	18,718
Leased assets	104
Construction in progress	24
Total property, plant and equipment	32,655
Intangible assets	
Software	1,671
Other intangible assets	167
Total intangible assets	1,838

	(millions of yen)	
	Year ended March 31, 2015 (as of March 31, 2015)	Year ended March 31, 2016 (as of March 31, 2016)
Investments and other assets		
Investment securities	18,152	18,290
Capital stock of subsidiaries and associated companies	28,465	33,837
Long-term loans receivable	79,332	86,954
Long-term prepaid expenses	74	225
Prepaid pension expenses	3,687	4,596
Deferred tax assets	774	843
Other investments	3,180	3,499
Allowance for doubtful accounts	(2,098)	(1,489)
Total investments and other assets	131,566	146,755
Total fixed assets	166,059	180,650
Total Assets	452,661	470,664
<u>Liabilities</u>		
Current liabilities:		
Notes payable-trade	510	439
Accounts payable-trade	94,439	99,325
Short-term bank loans	18,086	15,818
Current maturities of long-term debt	6,125	7,500
Lease liabilities	43	35
Accounts payable-others	4,023	2,635
Accrued expenses	9,534	9,866
Accrued income taxes	4,746	3,741
Deposits received	1,393	1,337
Deposits received from subsidiaries and associated companies	45,494	48,935
Other current liabilities	41	65
Total current liabilities	184,434	189,696
Long-term liabilities:		
Corporate bonds	30,000	30,000
Bonds with stock acquisition rights	30,116	30,083
Long-term debt	16,000	33,500
Lease liabilities	62	51
Long-term accounts payable	63	63
Liability for retirement benefits	287	621
Other long-term liabilities	329	375
Total long-term liabilities	76,857	94,693
Total Liabilities	261,291	284,389

	(millions of yen)	
	Year ended March 31, 2015 (as of March 31, 2015)	Year ended March 31, 2016 (as of March 31, 2016)
<u>Net Assets</u>		
Shareholders' Equity:		
Common stock	24,166	24,166
Capital surplus		
Capital reserve	43,084	43,084
Total capital surplus	43,084	43,084
Retained earnings		
Appropriated for legal reserve	6,041	6,041
Unappropriated		
Reserve for deferral of capital gain on property	715	726
General reserve	95,000	95,000
Net retained earnings forwarded	17,594	13,531
Total retained earnings	119,350	115,298
Treasury stock, at cost	(458)	(457)
Total shareholders' equity	186,142	182,091
Valuation and translation adjustments:		
Unrealized gains on other marketable securities	5,104	4,067
Total valuation and translation adjustments	5,104	4,067
Stock acquisition rights	124	117
Total Net Assets	191,370	186,275
Total Liabilities and Net Assets	452,661	470,664

2. Non-Consolidated Statements of Income

	(millions of yen)	
	Year ended March 31, 2015 (April 1, 2014 through March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 through March 31, 2016)
Net sales	784,405	791,426
Cost of goods sold	709,564	719,119
Gross profit	74,841	72,307
Selling, general and administrative expenses	68,156	66,917
Operating income	6,685	5,390
Non-operating income		
Interest and dividend income	9,453	10,821
Reversal of allowance for doubtful accounts	—	36
Other non-operating income	1,440	1,369
Total non-operating income	10,893	12,226
Non-operating expenses		
Interest expense	1,131	1,023
Provision of allowance for doubtful accounts	71	—
Other non-operating expenses	878	809
Total non-operating expenses	2,080	1,832
Ordinary income	15,498	15,784
Extraordinary income		
Gain from sales of fixed assets	721	1
Other extraordinary income	551	25
Total extraordinary income	1,272	26
Extraordinary losses		
Loss on sales of fixed assets	273	16
Loss from dispositions of fixed assets	204	112
Impairment losses	1,348	579
Valuation loss on investments in subsidiaries and associated companies	250	7,688
Other extraordinary losses	2	1
Total extraordinary losses	2,077	8,396
Income before income taxes	14,693	7,414
Current income taxes	3,886	1,679
Deferred income taxes	(314)	413
Total income taxes	3,572	2,092
Net income	11,121	5,322

3. Non-Consolidated Statements of Changes in Net Assets
(April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings				
		Capital reserve	Other capital surplus	Total capital surplus	Appropriated for legal reserve	Unappropriated			Total retained earnings
						Reserve for deferral of capital gain on property	General reserve	Net retained earnings forwarded	
Balance as of the beginning of the year	24,166	43,084	4,560	47,644	6,041	673	115,000	26,636	148,350
Cumulative effects of changes in accounting policies								(198)	(198)
Balance at the beginning of the year reflecting changes in accounting policies	24,166	43,084	4,560	47,644	6,041	673	115,000	26,438	148,152
Changes during the year									
Increase of reserve due to the change of effective tax rate						42		(42)	–
Reversal of general reserve							(20,000)	20,000	–
Cash dividends								(7,536)	(7,536)
Net income								11,121	11,121
Acquisition of treasury stock									
Disposition of treasury stock								(17)	(17)
Cancellation of treasury stock			(4,560)	(4,560)				(32,370)	(32,370)
Changes in items other than shareholders' equity during the year–net									
Total change during the year	–	–	(4,560)	(4,560)	–	42	(20,000)	(8,844)	(28,802)
Balance as of the end of the year	24,166	43,084	–	43,084	6,041	715	95,000	17,594	119,350

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other marketable securities	Total valuation and translation adjustments		
Balance as of the beginning of the year	(37,423)	182,737	3,123	3,123	164	186,024
Cumulative effects of changes in accounting policies		(198)				(198)
Balance at the beginning of the year reflecting changes in accounting policies	(37,423)	182,539	3,123	3,123	164	185,826
Changes during the year						
Increase of reserve due to the change of effective tax rate		—				—
Reversal of general reserve		—				—
Cash dividends		(7,536)				(7,536)
Net income		11,121				11,121
Acquisition of treasury stock	(21)	(21)				(21)
Disposition of treasury stock	56	39			(40)	(1)
Cancellation of treasury stock	36,930	—				—
Changes in items other than shareholders' equity during the year—net			1,981	1,981	—	1,981
Total change during the year	36,965	3,603	1,981	1,981	(40)	5,544
Balance as of the end of the year	(458)	186,142	5,104	5,104	124	191,370

(April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Appropriated for legal reserve	Retained earnings			Total retained earnings
		Capital reserve	Other capital surplus	Total capital surplus		Unappropriated		Net retained earnings forwarded	
						Reserve for deferral of capital gain on property	General reserve		
Balance as of the beginning of the year	24,166	43,084	—	43,084	6,041	715	95,000	17,594	119,350
Cumulative effects of changes in accounting policies									
Balance at the beginning of the year reflecting changes in accounting policies									
Changes during the year									
Increase of reserve due to the change of effective tax rate						11		(11)	—
Reversal of general reserve									—
Cash dividends								(9,370)	(9,370)
Net income								5,322	5,322
Acquisition of treasury stock									
Disposition of treasury stock								(4)	(4)
Cancellation of treasury stock									
Changes in items other than shareholders' equity during the year-net									
Total change during the year	—	—	—	—	—	11	—	(4,063)	(4,052)
Balance as of the end of the year	24,166	43,084	—	43,084	6,041	726	95,000	13,531	115,298

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other marketable securities	Total valuation and translation adjustments		
Balance as of the beginning of the year	(458)	186,142	5,104	5,104	124	191,370
Cumulative effects of changes in accounting policies						
Balance at the beginning of the year reflecting changes in accounting policies						
Changes during the year						
Increase of reserve due to the change of effective tax rate		—				—
Reversal of general reserve		—				—
Cash dividends		(9,370)				(9,370)
Net income		5,322				5,322
Acquisition of treasury stock	(10)	(10)				(10)
Disposition of treasury stock	11	7			(7)	—
Cancellation of treasury stock						—
Changes in items other than shareholders' equity during the year—net			(1,037)	(1,037)	—	(1,037)
Total change during the year	1	(4,051)	(1,037)	(1,037)	(7)	(5,095)
Balance as of the end of the year	(457)	182,091	4,067	4,067	117	186,275

4. Notes on the Premises of a Going Concern

Not applicable.

VII. CHANGE OF OFFICERS

Appointment and Retirement of Officers (Scheduled for June 28, 2016)

(1) Candidates for new Audit & Supervisory Board Member

Name	New position	Current position
Shunichi Ogata	Audit & Supervisory Board Member	Special Advisor

(2) Candidate for substitute Audit & Supervisory Board Member

Name	New position	Current position
Masayuki Kitaguchi	Substitute Audit & Supervisory Board Member (Outside)	Certified public accountant, lawyer, Chief of Kitaguchi Certified Public Accountant Office, Head of Showa Law Office

* In order to continuously keep a statutory minimum number of Audit & Supervisory Board Members at all times, NH Foods Ltd. appoints a Substitute Audit & Supervisory Board Member in accordance with the provision of Article 329, Paragraph 3 of the Companies Act.

(3) Audit & Supervisory Board Members scheduled to retire

Hiroshi Itagaki, Audit & Supervisory Board Member

With regard to the appointment and retirement of officers other than the candidate for Substitute Audit & Supervisory Board Member, there are no changes from the content in “Notice of Changes of Officers and Organizational Changes: V. Election and Retirement of Audit & Supervisory Board Members (scheduled towards the end of June 2016)” released on February 12, 2016.

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