



(Translation)

November 1, 2017

BRIEF STATEMENT OF ACCOUNTS
FOR THE SECOND QUARTER OF THE YEAR ENDING MARCH 31, 2018
(Based on the accounting principles generally accepted in the United States)
(Consolidated)

Name of listed company: NH Foods Ltd. (the “Company”)

Listing exchange: Tokyo Stock Exchange

Code number: 2282

URL: <http://www.nipponham.co.jp/en/>

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Scheduled date of filing of quarterly report: November 7, 2017

Scheduled date of payment of dividends: -

Preparation of supplementary information on quarterly statement of accounts: Yes

Holding of quarterly 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 second quarter of the year ending March 31, 2018 (April 1, 2017 through September 30, 2017):

(1) Consolidated operating results (accumulated):

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

	Net sales		Operating income		Income from continuing operations before income taxes and equity in earnings of associated companies		Net income attributable to NH Foods Ltd.	
	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%
Second quarter of the year ending March 31, 2018	627,880	5.9	25,559	9.1	22,326	2.1	17,377	17.8
Second quarter of the year ended March 31, 2017	593,092	(3.4)	23,432	1.6	21,870	(1.2)	14,749	(4.0)

(Note) Quarterly comprehensive income attributable to NH Foods Ltd.:

Second quarter of the year ending March 31, 2018:	¥21,985 million	130%
Second quarter of the year ended March 31, 2017:	¥9,557 million	(28.6%)

	Earning per share attributable to NH Foods Ltd. shareholders (basic)	Earning per share attributable to NH Foods Ltd. shareholders (diluted)
Second quarter of the year ending March 31, 2018	81.93	80.05
Second quarter of the year ended March 31, 2017	72.40	67.97

(Notes) 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	NH Foods Ltd. shareholders' equity ratio	Total NH Foods Ltd. shareholders' equity per share
	(millions of yen)	(millions of yen)	(millions of yen)	(%)	(yen)
Second quarter of the year ending March 31, 2018	756,031	426,260	421,180	55.7	1,970.88
Year ended March 31, 2017	720,276	408,356	404,126	56.1	1,916.47

2. State of dividends:

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Year ended March 31, 2017	—	—	—	52.00	52.00
Year ending March 31, 2018	—	—	—	—	—
Year ending March 31, 2018 (forecast)	—	—	—	53.00	53.00

(Note) Adjustment to the most recently publicized forecast of dividends: None

3. Forecast of consolidated business results for the year ending March 31, 2018 (April 1, 2017 through March 31, 2018):

(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) period of the previous fiscal year in respect of the second quarter (cumulative) period, respectively.)

	Net sales		Operating income		Income from continuing operations before income taxes and equity in earnings of associated companies		Net income attributable to NH Foods Ltd.		Earnings per share attributable to NH Foods Ltd. shareholders (basic)
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Whole-year period	1,260,000	4.8	56,000	4.1	51,000	3.8	37,000	5.7	173.14

(Notes) Adjustment to the most recently publicized forecast of business results: Yes

*** Notes:**

- (1) Changes in significant subsidiaries (changes in specific subsidiaries involving a change in the scope of consolidation) during the period under review: Yes

New subsidiaries: 1 (Name: Breeders& Packers Uruguay S.A.)
 Excluded subsidiaries: - (Name:)

For more information, please refer to “2. Consolidated Quarterly Financial Statements and Primary Notes, (9) Note on Business Combination” on page 22 hereof.

- (2) Application of simplified accounting treatments and special accounting treatments: None

- (3) Changes in accounting policies:

1) Changes associated with changes in accounting standards: Yes

2) Other changes: None

For more information, please refer to “2. Consolidated Quarterly Financial Statements and Primary Notes, (7) Changes in Accounting Policies” on page 20 hereof.

- (4) Number of shares issued (shares of common stock):

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

Second quarter of the year ending March 31, 2018: 213,708,115 shares
Year ended March 31, 2017: 210,895,298 shares

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

Second quarter of the year ending March 31, 2018: 7,099 shares
Year ended March 31, 2017: 25,901 shares

3) Average number of shares outstanding during the period:

Second quarter of the year ending March 31, 2018: 212,096,825 shares
Second quarter of the year ended March 31, 2017: 203,706,179 shares

* A brief statement of accounts for a quarter is not subject to quarterly review.

* 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 the Company and certain assumptions considered reasonable by the Company and are not contemplated to ensure the fulfillment thereof. The actual results may materially differ from such forecast and plans depending on various factors. The Company, 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, the Company 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. Qualitative Information on the Consolidated Business Results and Others for the Third Quarter of the Fiscal Year under Review: (3) Explanation on Forward-looking Information such as the Forecast of Consolidated Business Results" on page 10.

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* The Company is planning to hold a briefing for investors as follows. All materials to be distributed at the briefing will be disclosed on TDnet and posted on its website today.	
▪ November 8, 2017 (Wednesday): Results briefing for institutional investors and analysts	
* In addition to the above-mentioned briefing, the Company 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 refer to the Company's website.	

1. Qualitative Information on the Statement of Accounts for the First Quarter of the Fiscal Year under Review

(1) Explanation on the Operating Results:

Overview of Operating Results in General

The Japanese economy during the second quarter of the fiscal year under review continued on slow recovery as business results of companies generally showed improvements in broad sectors due to the positive effects of the government's various economic policies, etc. On the other hand, because of the growth of uncertainty of the world economy, the future of the economic conditions such as currency exchange and stock market movement remains unpredictable.

In the food and fresh meats industry, the business conditions remain severe with the prices of certain raw materials have increased due to supply shortage, increases of costs for distribution and labors due to aggravated labor shortage, and intensifying sales competition.

Under these circumstances, NH Foods Ltd. and its subsidiaries (the "Group"), in this fiscal year, which is the final year of its "New Medium-Term Management Plan Part 5" which commenced in April 2015, has conducted business activities based on its two management policies "Establish competitive advantages of domestic businesses" and "Accelerate to a global company" to complete efforts to achieve "Creating a stable business model through reform". To be specific, the Group has implemented various measures, including reinforcement of its domestic farm business, development and sales promotion of new products, improvement of the product brand awareness, enhancement of the cost competitiveness and profitability including improvement of productivity as well as development of human resources. Further, as to the overseas business, the Group has made efforts to reinforce its overseas beef business through the acquisition of Breeders & Packers Uruguay S.A., which is a major meat processing company in the Oriental Republic of Uruguay. As to the reinforcement of its management system, the Group has continued to make efforts of enhancement in line with the "Nipponham Group Fundamental Policy on Corporate Governance".

As a result of these activities, for the second quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales amounted to ¥627,880 million, increasing 5.9% from the corresponding period of the previous fiscal year. Operating income increased 9.1% from the corresponding period of the previous fiscal year to ¥25,559 million. Income from continuing operations before income taxes and equity in earnings of associated companies increased 2.1% from the corresponding period of the previous fiscal year to ¥22,326 million. Net income attributable to NH Foods Ltd. increased 17.8% from the corresponding period of the previous fiscal year to ¥17,377 million.

Overview of Operating Segments

(Processed Foods Business Division)

With regards to sales of the hams and sausages business, although for the consumer products, in particular, the sales of "SCHAU ESSEN" for which an active promotion was

implemented showed steady performance and adding up of the sales of “*Hojoyun Arabiki Wiener*” etc. for which the number of items has been increased were attempted, the net sales were marginally increased from the corresponding period of the previous fiscal year due to the sluggish sales of “*Irodori Kitchen*” as well as the decrease of the sales quantity of private brand products, etc. In the midyear gift campaign, while sales of the flagship brand “*Utsukushinokuni*” continued favorably, the sales of gift products slightly decreased due to the slump of the gift market as a whole. The sales of the business purpose products lower than the previous year the both in the convenience stores channel and restaurants channel despite the effort to expand the sales with the proposition of new menus and new health-oriented product. As a result, the overall sales of the hams and sausages business decreased slightly.

With regards to sales of the processed foods business, for the consumer products, while the sales of “*CHIKICHIKI Bone*” which commemorated 30th anniversary of sales, and “*Tenshinkaku*” for which the expansion of its product lineup were made continued favorably, the net sales were less than that of the corresponding period of the previous fiscal year, due to the struggle of our primary brand “*Ishigama Kohbo*”. Further, the sales of the business purpose products increased favorably, with the products for the convenience stores channel and restaurants channel being continued favorably due to the expansion of menus and introduction of new products, and the overall sales of the processed foods business were higher than that of the corresponding period of the previous fiscal year. As a result, the overall sales of the Processed Foods Business Division increased.

With regard to profits, while cost improvement etc. by way of a structural reform in the sales division contributed, the decrease of gross profits due to increase of labor costs caused by labor shortage in the manufacturing division as well as the increase of the prices of raw materials, resulted in the decrease of profits.

As a result, for the second quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Processed Foods Business Division amounted to ¥172,513 million, increasing 2.0% from the corresponding period of the previous fiscal year, and operating income decreased 31.9% compared to the corresponding period of the previous fiscal year to ¥2,204 million.

(Fresh Meats Business Division)

In the fresh meats business, the Company made an effort to expand the sales of the Company’s branded fresh meat including “*Sakurahime*” and “*Mugikomachi*”. The Company, for the major retailers channel, televised the television commercials for “*Sakurahime*” and “*Mugikomachi*” in the areas of Hokkaido, Tohoku and Fukuoka, and reinforced in-store promotion etc. In addition to the sales of brand meat being also reinforced for the convenience stores channel and restaurants channel, business proposals were promoted having regard to the needs and operations in stores or restaurants. Amid the safeguard being triggered for imported beef such as US produced beef, the sales increased as a result of efforts to make stable purchases and sales foreseeing the future market trend, even for import pork for which many inquiries were received due to high market price of domestic pork as well as imported poultry etc. which market prices were high due to low quantities of supplies.

With regard to profits, in the sales division, the expanded sales of domestic and imported fresh meat for main sales channels such as major retailers channel, restaurants

channels and the convenience stores channel; and in the production division, steady market prices for pork and poultry in addition to the costs down plans, led to increase in profits.

As a result, for the second quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Fresh Meats Business Division amounted to ¥389,592 million, increasing 5.1% from the corresponding period of the previous fiscal year and operating income amounted to ¥24,497 million, increasing 26.1% from the corresponding period of the previous fiscal year.

(Affiliated Business Division)

In the marine products business, the sales of our key products such as tuna, prawns, and eel continued favorably mainly for major retailers. Further, in addition to restaurants channel and the convenience stores channels for which our efforts were reinforced, exports were increased. As a result, the sales were higher than that of the corresponding period of the previous financial year.

Among the dairy products business, with regard to yogurt and lactic acid probiotic beverages, net sales were higher than that of the corresponding period of the previous fiscal year, due to favorable sales of a series of smoothie products for channels such as major retailers and drugstores. Further, with regard to cheese, since the sales of consumer products also grew greatly in addition to sales being strong for business purpose products for restaurants and food manufacturers channels, net sales of the overall dairy products business were higher than that of the corresponding period of the previous fiscal year.

With regard to profits, in the marine products business, profits were lower than that of the corresponding period of the previous fiscal year, because of the reasons such as the increase of sales costs due to sales increase as well as the decrease of gross profits due to lower factory operating rate owing to shortage of raw materials. In the dairy products business, profits were lower than that of the corresponding period of the previous fiscal year, due to increased prices for raw materials etc., despite sales expansions for yogurt and lactic acid probiotic beverages as well as cheese.

As a result, for the second quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Affiliated Business Division amounted to ¥79,928 million, increasing 2.9% from the corresponding period of the previous fiscal year and operating income amounted to ¥919 million decreasing 42.6% from the corresponding period of the previous fiscal year.

(Overseas Business Division)

In Asia and Europe operations, the net sales were higher than that of the corresponding period of the previous fiscal year, due to successful businesses for export sales in Thailand, domestic sales in Vietnam and Turkey. In North America operations, the net sales were higher than that of the corresponding period of the previous fiscal year due to expansion of domestic sales as a result of expansion of sales bases etc. In Australia operations, the net sales were higher than that of the corresponding period of the previous fiscal year, because of inclusion of a South American meat processing company as a consolidated subsidiary in this fiscal year, in addition to increase of sales quantities.

With regards to profits, for the Asia and Europe operations, although poultry business

in Turkey continued favorably, the profits were lower than that of the corresponding period of the previous fiscal year due to rising fresh meat purchase price in UK and rising poultry purchase price for the processed foods manufacturing in Thailand. The Americas operations saw the decrease of gross profits due to rising fresh meat purchase price, which led to lower profit than that of the corresponding period of the previous fiscal year. For the Australia operations, while purchase price decreased as a result of improvements of collection environment of cattle as a whole, profits were lower than that of the corresponding period of the previous fiscal year, due to large impact of beef market downturn.

As a result, for the second quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Overseas Business Division amounted to ¥125,385 million, increasing 14.8% from the corresponding period of the previous fiscal year and operating loss amounted to ¥2,528 million (an operating loss of ¥599 million for the corresponding period of the previous fiscal year).

(2) Explanation on the Financial Position:

<Financial position>

At the end of the second quarter period of the fiscal year under review, total assets increased by 5.0% from the end of the previous fiscal year to account for ¥756,031 million, due to the increases of the trade notes and account receivable by ¥30,676 million, the inventories by ¥16,473 million and the property, plant and equipment (at cost, less accumulated depreciation) by ¥11,462 million respectively from the end of the previous fiscal year, etc., though the cash and cash equivalents decreased by ¥26,584 million and the time deposit also decreased by ¥4,988 million, from the end of the previous fiscal year. Liabilities increased by 5.7% from the end of the previous fiscal year to account for ¥329,771 million as notes payable and accounts payable increased by ¥21,501 million and short-term bank loans increased by ¥5,192 million from the end of the previous fiscal year. In addition, interest-bearing debt decreased by ¥1,108 million from the end of the previous fiscal year to account for ¥137,176 million.

Total NH Foods Ltd. shareholders' equity increased by 4.2% from the end of the previous fiscal year to account for ¥421,180 million. However, due to an increase in total assets, the NH Foods Ltd. shareholders' equity ratio decreased by 0.4 percentage points from the end of the previous fiscal year to 55.7%.

<Cash flows>

With regard to operating activities, the increase of the notes payable and accounts payable amounted to ¥18,986 million and net income amounted to ¥17,625 million and depreciation and amortization amounted to ¥10,511 million, though the trade notes and account receivable increased by ¥29,380 million and inventories increased by ¥13,713 million. As a result, net cash provided by operating activities amounted to ¥5,044 million.

With regard to investing activities, acquisition of non-current assets amounted to ¥16,357 million and net decrease of cash and cash equivalents from acquisition of business amounted to ¥13,610 million, and as a result, net cash used in investing activities amounted to ¥24,484 million.

With regard to financing activities, cash dividends amounted to ¥10,980 million, while short-term bank loans increased by ¥5,461 million. As a result, net cash used in financing activities amounted to ¥7,035 million.

As a result, cash and cash equivalents at end of the second quarter period of the fiscal year under review decreased by ¥26,584 million in comparison with the end of the previous fiscal year to amount to ¥56,055 million.

(3) Explanation on the Forward-looking Information such as Forecast of Consolidated Business Results:

For the cumulative second quarter period of the fiscal year ending March 31, 2018, due to weak beef market and the decrease of the profitability of the Australian business, the profit was lower than expected in the previous business forecast. Following the fresh review of the future forecast of the business results considering these circumstances, the forecasts of consolidated business results for the whole-year period of the fiscal year ending March 31, 2018 which were publicized on July 31, 2018 as “Brief Statement of Accounts for the First Quarter of the Year Ending March 31, 2018” are adjusted as described below:

Adjustment to the forecast of consolidated business results for the whole-year period of the fiscal year ending March 31, 2018 (April 1, 2017 through March 31, 2018):

(millions of yen, unless otherwise indicated)

	Net sales	Operating income	Net income from continuing operations before income taxes and equity in earnings of associated companies	Net income attributable to NH Foods Ltd.	Earnings per share attributable to NH Foods Ltd. shareholders (yen)
Previous forecast (A)	1,260,000	58,000	53,000	38,500	182.31
Adjusted forecast (B)	1,260,000	56,000	51,000	37,000	173.14
Amount of increase or decrease (B)-(A)	—	(2,000)	(2,000)	(1,500)	
Rate of increase or decrease (%)	—	(3.4)	(3.8)	(3.9)	
(For reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2017)	1,202,293	53,802	49,112	35,004	171.74

Cautionary notice on information about the future:

The plans, forecast of operating results and other prospects for the future described in this brief statement of accounts are based on the information currently available to the Company and certain assumptions considered reasonable by the Company 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. The Company, 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, the Company 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. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Quarterly Balance Sheets:

(millions of yen)

	Year ended March 31, 2017 (as of March 31, 2017)	Second quarter period of the year ending March 31, 2018 (as of September 30, 2017)
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	82,639	56,055
Time deposits	18,616	13,628
Trade notes and accounts receivable	128,579	159,255
Allowance for doubtful receivables	(373)	(370)
Inventories	132,697	149,170
Deferred income taxes	6,650	-
Other current assets	10,590	11,322
Total current assets	379,398	389,060
Property, plant and equipment - at cost, less accumulated depreciation	283,364	294,826
Intangible assets, less accumulated amortization	4,715	9,868
Investments and other assets:		
Investments in associated companies	5,100	5,217
Other investment securities	28,828	31,463
Other assets	11,244	11,674
Total investments and other assets	45,172	48,354
Deferred income taxes - non-current	7,627	13,923
Total Assets	720,276	756,031

(millions of yen)

	Year ended March 31, 2017 (as of March 31, 2017)	Second quarter period of the year ending March 31, 2018 (as of September 30, 2017)
<u>Liabilities and Equity</u>		
Current liabilities:		
Short-term bank loans	48,804	53,996
Current maturities of long-term debt	12,822	20,886
Trade notes and accounts payable	101,857	123,358
Accrued income taxes	8,920	6,000
Deferred income taxes	1,402	-
Accrued expenses	22,357	23,717
Other current liabilities	21,591	22,837
Total current liabilities	217,753	250,794
Liability under retirement and severance programs	13,268	13,617
Long-term debt, less current maturities	76,658	62,294
Deferred income taxes - non-current	2,561	1,246
Other long-term liabilities	1,680	1,820
Total liabilities	311,920	329,771
NH Foods Ltd. shareholders' equity:		
Common stock	31,806	34,887
Capital surplus	58,873	61,800
Retained earnings:		
Appropriated for legal reserve	8,275	8,390
Unappropriated	303,208	309,505
Accumulated other comprehensive income	2,005	6,613
Treasury stock, at cost	(41)	(15)
Total NH Foods Ltd. shareholders' equity	404,126	421,180
Noncontrolling interests	4,230	5,080
Total equity	408,356	426,260
Total Liabilities and Equity	720,276	756,031

(Note) Breakdown of other accumulated comprehensive income

	Year ended March 31, 2017	Second quarter period of the year ending March 31, 2018
Net unrealized gains on securities available-for-sales	8,650	10,443
Pension liability adjustments	(3,656)	(3,549)
Foreign currency translation adjustments	(2,989)	(281)

(2) Consolidated Quarterly Statements of Income:

(for the consolidated cumulative second quarter period of the year)

(millions of yen)

	Cumulative second quarter period of the year ended March 31, 2017 (April 1, 2016 through September 30, 2016)	Cumulative second quarter period of the year ending March 31, 2018 (April 1, 2017 through September 30, 2017)
Net sales	593,092	627,880
Cost of goods sold	481,159	510,758
Selling, general and administrative expenses	88,501	91,563
Other operating costs and expenses (income) - net	791	695
Interest expense	600	635
Other income (expenses) - net	(171)	(1,903)
Income from continuing operations before income taxes and equity in earnings of associated companies	21,870	22,326
Income taxes	7,231	5,245
Income from continuing operations before equity in earnings of associated companies	14,639	17,081
Equity in earnings of associated companies - net of applicable income taxes	260	544
Net income from continuing operations	14,899	17,625
Loss from discontinued operations - net of applicable income taxes	(12)	-
Net income	14,887	17,625
Net income attributable to noncontrolling interests	(138)	(248)
Net income attributable to NH Foods Ltd.	14,749	17,377

(for the consolidated second quarter period of the year)

(millions of yen)

	Second quarter period of the year ended March 31, 2017 (July 1, 2016 through September 30, 2016)	Second quarter period of the year ending March 31, 2018 (July 1, 2017 through September 30, 2017)
Net sales	300,705	324,583
Cost of goods sold	242,389	266,860

Selling, general and administrative expenses	44,563	46,080
Other operating costs and expenses (income) - net	1	480
Interest expense	266	331
Other income (expenses) - net	(277)	(1,747)
Income from continuing operations before income taxes and equity in earnings of associated companies	13,209	9,085
Income taxes	4,710	1,255
Income from continuing operations before equity in earnings of associated companies	8,499	7,830
Equity in earnings of associated companies - net of applicable income taxes	230	404
Net income from continuing operations	8,729	8,234
Net income from discontinued operations - net of applicable income taxes	238	-
Net income	8,967	8,234
Net income attributable to noncontrolling interests	(137)	(225)
Net income attributable to NH Foods Ltd.	8,830	8,009

(3) Consolidated Quarterly Statements of Comprehensive Income:

(for the consolidated cumulative second quarter period of the year)

	(millions of yen)	
	Second quarter period of the year ended March 31, 2017 (April 1, 2016 through September 30, 2016)	Second quarter period of the year ending March 31, 2018 (April 1, 2017 through September 30, 2017)
Net income	14,887	17,625
Other comprehensive income (loss) - net of applicable income taxes		
Net unrealized gains on securities available-for-sale	478	1,793
Pension liability adjustments	172	107
Foreign currency translation adjustments	(6,373)	(2,631)
Total other comprehensive income (loss)	(5,723)	4,531
Comprehensive income	9,164	22,156
Net comprehensive(income) loss attributable to noncontrolling interests	393	(171)
Net comprehensive income attributable to NH Foods Ltd.	9,557	21,985

(for the consolidated second quarter period of the year)

	(millions of yen)	
	Second quarter period of the year ended March 31, 2017 (July 1, 2016 through September 30, 2016)	Second quarter period of the year ending March 31, 2018 (July 1, 2017 through September 30, 2017)
Net income	8,967	8,234
Other comprehensive income (loss) - net of applicable income taxes		
Net unrealized gains on securities available-for-sale	1,192	607
Pension liability adjustments	85	53
Foreign currency translation adjustments	(1,775)	2,987
Total other comprehensive income (loss)	(498)	3,647
Comprehensive income	8,469	11,881

Net comprehensive (income) loss attributable to noncontrolling interests	255	(300)
Net comprehensive income attributable to NH Foods Ltd.	8,724	11,581

(4) Consolidated Quarterly Statements of Cash Flows:

(millions of yen)

	Second quarter period of the year ended March 31, 2017 (April 1, 2016 through September 30, 2016)	Second quarter period of the year ending March 31, 2018 (April 1, 2017 through September 30, 2017)	(For reference) Year ended March 31, 2017 (April 1, 2016 through March 31, 2017)
Operating Activities:			
Net income	14,887	17,625	35,055
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,075	10,511	20,287
Impairment losses	126	485	2,285
Income taxes deferred	(506)	(2,687)	(1,257)
Foreign exchange transaction adjustments	1,645	(309)	715
Increase in trade notes and accounts receivable	(251)	(29,380)	(796)
Decrease (increase) in inventories	461	(13,713)	1,305
Decrease (increase) in other current assets	(31)	(669)	742
Increase in trade notes and accounts payable	7,487	18,986	7,705
Increase (decrease) in accrued income taxes	(652)	(2,919)	1,808
Increase (decrease) in accrued expenses and other current liabilities	1,036	4,777	(1,039)
Others - net	(637)	2,337	(1,556)
Net cash provided by operating activities	33,640	5,044	65,254
Investing Activities:			
Capital expenditures	(13,646)	(16,357)	(40,183)
Proceeds from sales of capital assets	227	332	1,211
Decrease (increase) in time deposits	26	4,886	(7,735)
Purchases of marketable securities and other investment securities	(83)	(41)	(624)
Proceeds from sales and maturities of marketable securities and other investment securities	2,037	20	2,481
Investments to associated companies	-	0	(195)
Net decrease in cash and cash equivalents resulting from purchase of business	-	(13,610)	-
Net increase in cash and cash equivalents resulting from sales of business	5,372	608	5,372
Others - net	(702)	(322)	(1,402)
Net cash used in investing activities	(6,769)	(24,484)	(38,271)
Financing Activities:			
Cash dividends	(6,744)	(10,980)	(6,744)
Increase in short-term bank loans	146	5,461	4,063
Proceeds from debt	1,749	2,109	6,282
Repayments of debt	(4,021)	(4,297)	(15,277)
Contributions from noncontrolling interest	424	765	424
Acquisition of treasury stock	(6)	(7)	(9)
Others - net	(170)	(86)	(178)
Net cash used in financing activities	(8,622)	(7,035)	(11,439)
Effect of exchange rate changes on cash and cash equivalents	(2,324)	(109)	(226)
Net increase (decrease) in cash and cash equivalents	15,925	(26,584)	15,318
Cash and cash equivalents at beginning of the period (year)	67,321	82,639	67,321
Cash and cash equivalents at end of the period (year)	83,246	56,055	82,639
Additional cash flow information:			
Cash payment for the period (year)			
Interest paid	595	613	1,136
Income taxes paid	8,678	10,511	14,305
Capital lease obligations incurred	1,880	1,305	3,864

Conversion of convertible bonds	-	6,122	15,771
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(5) Note on the Premises of a Going Concern:

Not applicable.

(6) Note on Material Change (if Any) in the Amount of Shareholders' Equity:

Not applicable.

(7) Changes in Accounting Policies:

From April 1, 2017, the Company applied the FASB Accounting Standard Update No. 2015-17, "Balance Sheet Classification of Deferred Taxes". This update requires that deferred tax asset or liability be classified to non-current in a consolidated balance sheet. The adjustments have not been made to the past accounting periods retrospectively.

(8) Segment Information:

Operating segment information:

The operating segments of the consolidated companies consist of four business groups as follows:

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

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

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

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

The Group consists of 84 subsidiaries and 8 associated companies.

(Consolidated cumulative second quarter period of the year)

For the consolidated cumulative second quarter period of the year ended March 31, 2017
(April 1, 2016 through September, 2016):

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							

(1) External customers	161,934	317,940	76,059	47,455	603,388	(10,296)	593,092
(2) Intersegment	7,156	52,721	1,641	61,770	123,288	(123,288)	-
Total	169,090	370,661	77,700	109,225	726,676	(133,584)	593,092
Operating expenses	165,854	351,242	76,098	109,824	703,018	(133,358)	569,660
Operating income (loss)	3,236	19,419	1,602	(599)	23,658	(226)	23,432

For the consolidated cumulative second quarter period of the year ending March 31, 2018
(April 1, 2017 through September 30, 2017):

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
(1) External customers	165,715	333,604	78,021	61,373	638,713	(10,833)	627,880
(2) Intersegment	6,798	55,988	1,907	64,012	128,705	(128,705)	-
Total	172,513	389,592	79,928	125,385	767,418	(139,538)	627,880
Operating expenses	170,309	365,095	79,009	127,913	742,326	(140,005)	602,321
Operating income (loss)	2,204	24,497	919	(2,528)	25,092	467	25,559

(Notes)

- "Eliminations, adjustments and others" includes unallocated items and intersegment eliminations.
- 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.
- Operating income (loss) represents net sales less cost of goods sold and selling, general and administrative expenses.

(Consolidated second quarter period of the year)

For the consolidated second quarter period of the year ended March 31, 2017 (July 1, 2016 through September 30, 2016):

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales							
(1) External customers	84,310	159,834	39,121	22,713	305,978	(5,273)	300,705
(2) Intersegment	3,392	26,534	870	31,231	62,027	(62,027)	-
Total	87,702	186,368	39,991	53,944	368,005	(67,300)	300,705
Operating expenses	85,577	175,278	38,975	53,969	353,799	(66,847)	286,952
Operating income (loss)	2,125	11,090	1,016	(25)	14,206	(453)	13,753

For the consolidated second quarter period of the year ending March 31, 2018 (July 1, 2017 through September 30, 2017):

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Overseas Business Division	Total	Eliminations, adjustments and others	Consolidated
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Net sales							
(1) External customers	85,858	167,728	40,648	35,855	330,089	(5,506)	324,583
(2) Intersegment	3,427	28,773	997	33,698	66,895	(66,895)	-
Total	89,285	196,501	41,645	69,553	396,984	(72,401)	324,583
Operating expenses	87,989	184,878	41,215	71,566	385,648	(72,708)	312,940
Operating income (loss)	1,296	11,623	430	(2,013)	11,336	307	11,643

(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 (loss) represents net sales less cost of goods sold and selling, general and administrative expenses.

(9) Note on Business Combination

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

The acquisition of BPU which is a meat processing company in the Oriental republic of Uruguay was for the purpose of expanding the basis of the beef production business which is currently being operated mainly in Australia.

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

(millions of yen)	
The fair value of consideration paid (cash)	¥14,343

In addition, the purchase price was adjusted to 129,183 thousand United States dollars from the initial 131,038 thousand United States dollars pursuant to the price adjustment clause.

Further, the expenses incurred in relation to the share acquisition was ¥490 million and they were included in "Selling, general and administrative expense" of the consolidated statement of income.

As of November 1, 2017, the Company is in the process of calculating the fair value of the acquired assets and assumed liabilities in accordance with ASC 805 "Business Combination", and therefore has yet to complete such calculation. The tentative fair value allocated to the assets and liabilities of BPU is as follows:

(millions of yen)	
Cash and cash equivalents	939

Trade notes and accounts receivable	1,296
Inventories	2,205
Property, plant and equipment	7,398
Other assets	821
Trade notes and accounts payable	(2,402)
Other liabilities	(1,057)
The net assets acquired	9,200
Goodwill	5,143
Total	14,343

The goodwill is included in the Overseas Business Division referred to in the operating segment information and is not deductible for tax purposes.