

(Translation)

February 1, 2018

BRIEF STATEMENT OF ACCOUNTS
FOR THE THIRD 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: February 6, 2018

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 third quarter of the year ending March 31, 2018 (April 1, 2017 through December 31, 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)	%
Third quarter of the year ending March 31, 2018	981,110	5.9	45,181	(2.6)	45,006	5.8	32,923	11.1
Third quarter of the year ended March 31, 2017	926,349	(2.8)	46,365	5.6	42,527	3.2	29,633	9.0

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

Third quarter of the year ending March 31, 2018:	¥38,550 million	21.8%
Third quarter of the year ended March 31, 2017:	¥31,663 million	24.0%

	Earnings per share attributable to NH Foods Ltd. shareholders (basic)	Earnings per share attributable to NH Foods Ltd. shareholders (diluted)
Third quarter of the year ending March 31, 2018	154.79	151.58
Third quarter of the year ended March 31, 2017	145.47	136.50

(yen)

(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)
Third quarter of the year ending March 31, 2018	765,861	443,587	438,345	57.2	2,048.52
Year ended March 31, 2017	720,276	408,356	404,126	56.1	1,916.47

2. State of dividends:

(yen)

	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 third quarter (cumulative) period of the previous fiscal year in respect of the third 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	1,270,000	5.6	52,000	(3.3)	51,000	3.8	37,000	5.7	172.91

(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:

Third quarter of the year ending March 31, 2018:	213,988,149 shares
Year ended March 31, 2017:	210, 895, 298 shares

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

Third quarter of the year ending March 31, 2018:	7,149 shares
Year ended March 31, 2017:	25,901 shares

3) Average number of shares outstanding during the period:

Third quarter of the year ending March 31, 2018:	212,702,511 shares
Third quarter of the year ended March 31, 2017:	203,707,988 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.	
▪ February 5, 2018 (Monday): 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 Third Quarter of the Fiscal Year under Review

(1) Explanation on the Operating Results:

Overview of Operating Results in General

The Japanese economy during the third 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 policies. On the other hand, the economic conditions such as the future of the world economy, and the effect of the fluctuation in the capital markets arising from the uncertainty of the policies remain unpredictable.

In the food and fresh meats industry, the business conditions remain severe with the prices of certain raw materials having soared due to supply shortage, increases of costs for distribution and labors due to severe labor shortage, and intensifying sales competition and modest increase in household consumption.

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" that 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 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 such as 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 Uruguay, and also conducted reinforcement of its overseas chicken business by passing a resolution to invest in Panus Poultry Group, which is a production and processing business of poultry in Thailand. 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 third quarter of the fiscal year under review, on a consolidated and cumulative basis, net sales amounted to ¥981,110 million, increasing 5.9% from the corresponding period of the previous fiscal year. Operating income decreased 2.6% from the corresponding period of the previous fiscal year to ¥45,181 million, but income from continuing operations before income taxes and equity in earnings of associated companies increased 5.8% from the corresponding period of the previous fiscal year to ¥45,006 million by posting ¥2,273 million as a gain from the transfer of a professional baseball player. Net income attributable to NH Foods Ltd. increased 11.1% from the corresponding period of the previous fiscal year to ¥32,923 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*” showed steady performance and adding up of the sales of “*Hojyun Arabiki Wiener*” were attempted through a strengthened in-store promotion, the net sales were marginally increased from the corresponding period of the previous fiscal year due to the sluggish sales of “*Irodori Kitchen*”. In the year-end gift campaign, while sales of the flagship brand “*Utsukushinokuni*” showed steady performance, the sales amount of gift products decreased due to the slump of the year-end gift market as a whole. Regarding the sales of commercial-use products, although in major restaurants chains the sales showed steady performance through introduction of standard menus and campaigns, in the convenience stores channel sales decreased from the corresponding period of the previous fiscal year. 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, in addition to “*Tenshinkaku*” having continued favorably thanks to the expanded product lineup, “*Chuka Meisai*” showed some recovery owing to the introduction of TV commercials. However, 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 Kobo*”. 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 third quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Processed Foods Business Division amounted to ¥274,709 million, increasing 1.8% from the corresponding period of the previous fiscal year, and operating income decreased 16.8% compared to the corresponding period of the previous fiscal year to ¥7,124 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, utilized the television commercials for “*Sakurahime*” and “*Mugikomachi*”, and reinforced in-store promotion. In addition to the sales of brand meat being reinforced also for the convenience stores channel and restaurants channel, business proposals were promoted having regard to the needs and operations in stores or restaurants. As a result of efforts to make stable purchases and sales foreseeing the future market trend, the sales increased for domestic chicken which is in growing demand from health-conscious consumers and imported pork for which many inquiries were received due to high market price of domestic pork.

With regard to profits, 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 chicken in addition to the costs down plans, led to increase in profits.

As a result, for the third quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Fresh Meats Business Division amounted to ¥601,273 million, increasing 5.4% from the corresponding period of the previous fiscal year and operating income amounted to ¥38,113 million, increasing 9.6% from the corresponding period of the previous fiscal year.

(Affiliated Business Division)

In the marine products business, with respect to the retailer channel, the sales of our key products such as tuna and prawns continued favorably, and for the year-end shopping season, price revision was conducted for high unit price products such as crab and roe whose raw material costs rose. As a result, the sales were higher than that of the corresponding period of the previous financial year. Also in the restaurants channel where efforts are strengthened, the sales grew mainly in sushi restaurants.

Among the dairy products business, with regard to yogurt and lactic acid probiotic beverages yogurt drinks struggled as the temperature fell but the main product, vanilla yogurt, maintained the performance of the previous year. And with favorable sales of a series of smoothie products for channels such as major retailers and drugstores, net sales were higher than that of the corresponding period of the previous fiscal year. Further, with regard to cheese, in addition to cheese products for restaurants channels and food manufacturers channels growing, sales of consumer products greatly grew and 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, due to the increase in worldwide demand and with the instable fish catch of certain fish species, raw materials price rose and gross profits decreased, resulting in lower sales than that of the corresponding period of the previous financial year. In the dairy products business, profits were lower than that of the corresponding period of the previous fiscal year, due to the decrease of the gross profits as a result of increased prices for raw materials and so forth, despite sales expansions for yogurt and lactic acid probiotic beverages as well as cheese.

As a result, for the third quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Affiliated Business Division amounted to ¥128,437 million, increasing 3.2% from the corresponding period of the previous fiscal year and operating income amounted to ¥2,321 million decreasing 35.9% 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 and Singapore and domestic sales in 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 in Australia was similar to the previous year, but because of inclusion of a Uruguayan meat processing company as a consolidated subsidiary, net sales were higher than that of the corresponding period of the previous fiscal year.

With regards to profits, for the Asia and Europe operations, although there were some struggles due to rising fresh meat purchase price in the UK, since the poultry business in Turkey continued favorably, the profits were higher than that of the corresponding period of the previous fiscal year. In the Americas operations, the decrease of gross profits due to rising fresh meat purchase price, intensified sales competition in domestic sales, and the effect of the rising purchase price of marine products in Chile 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 third quarter period of the fiscal year under review, on a consolidated and cumulative basis, net sales of the Overseas Business Division amounted to ¥193,093 million, increasing 17.6% from the corresponding period of the previous fiscal year and operating loss amounted to ¥2,922 million (an operating loss of ¥352 million for the corresponding period of the previous fiscal year).

(2) Explanation on the Financial Position:

<Financial position>

At the end of the third quarter period of the fiscal year under review, total assets increased by 6.3% from the end of the previous fiscal year to account for ¥765,861 million, due to the increases of the trade notes and accounts receivable by ¥64,081 million, the property, plant and equipment (at cost, less accumulated depreciation) by ¥14,843 million, the inventories by ¥7,195 million respectively from the end of the previous fiscal year, etc., though the cash and cash equivalents decreased by ¥42,681 million and the time deposit also decreased by ¥4,844 million from the end of the previous fiscal year. Liabilities increased by 3.3% from the end of the previous fiscal year to account for ¥322,274 million as notes payable and accounts payable increased by ¥36,809 million from the end of the previous fiscal year. In addition, interest-bearing debt decreased by ¥21,109 million from the end of the previous fiscal year to account for ¥117,175 million.

Total NH Foods Ltd. shareholders' equity increased by 8.5% from the end of the previous fiscal year to account for ¥438,345 million and the NH Foods Ltd. shareholders' equity ratio increased by 1.1 percentage points from the end of the previous fiscal year to 57.2%.

<Cash flows>

With regard to operating activities, the increase of the notes payable and accounts payable amounted to ¥34,347 million and net income amounted to ¥33,281 million and depreciation and amortization amounted to ¥15,956 million, though the trade notes and

accounts receivable increased by ¥62,817 million and inventories increased by ¥4,531 million. As a result, net cash provided by operating activities amounted to ¥13,139 million.

With regard to investing activities, acquisition of non-current assets amounted to ¥23,541 million and net decrease of cash and cash equivalents from acquisition of business amounted to ¥13,404 million. As a result, net cash used in investing activities amounted to ¥29,836 million.

With regard to financing activities, cash dividends amounted to ¥10,980 million, while bank loans repayment was ¥16,414 million. As a result, net cash used in financing activities amounted to ¥26,069 million.

As a result, cash and cash equivalents at end of the third quarter period of the fiscal year under review decreased by ¥42,681 million in comparison with the end of the previous fiscal year to amount to ¥39,958 million.

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

With regards to net sales, since steady performance due to high market price and increase in demand is anticipated mainly in the fresh meat business, it is expected to exceed the prior forecast. With regards to operating income, due to the increase in labor costs in the Processed Foods Business, rise in the imported fresh meat purchase price in the Fresh Meat Business and the anticipated difficulty in North America operations in the Overseas Business, it is expected to fall below the prior forecast. On the other hand, with regards to net income from continuing operations before income taxes and equity in earnings of associated companies, and net income attributable to NH Foods Ltd., for the consolidated third quarter period of the fiscal year ending March 31, 2018, it is expected to stay at the level of the previous forecast due to the gain from the transfer of a professional baseball player arising and so forth. 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 November 1, 2017 as “Brief Statement of Accounts for the Second 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	56,000	51,000	37,000	173.14
Adjusted forecast (B)	1,270,000	52,000	51,000	37,000	172.91
Amount of increase or decrease (B)-(A)	10,000	(4,000)	—	—	
Rate of increase or decrease (%)	0.8	(7.1)	—	—	
(For reference) Actual results for the	1,202,293	53,802	49,112	35,004	171.74

previous fiscal year (Fiscal year ended March 31, 2017)					
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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)	Third quarter period of the year ending March 31, 2018 (as of December 31, 2017)
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	82,639	39,958
Time deposits	18,616	13,772
Trade notes and accounts receivable	128,579	192,660
Allowance for doubtful receivables	(373)	(386)
Inventories	132,697	139,892
Deferred income taxes	6,650	-
Other current assets	10,590	10,555
Total current assets	379,398	396,451
Property, plant and equipment - at cost, less accumulated depreciation	283,364	298,207
Intangible assets, less accumulated amortization	4,715	9,912
Investments and other assets:		
Investments in associated companies	5,100	5,526
Other investment securities	28,828	31,865
Other assets	11,244	12,495
Total investments and other assets	45,172	49,886
Deferred income taxes - non-current	7,627	11,405
Total Assets	720,276	765,861

(millions of yen)

	Year ended March 31, 2017 (as of March 31, 2017)	Third quarter period of the year ending March 31, 2018 (as of December 31, 2017)
<u>Liabilities and Equity</u>		
Current liabilities:		
Short-term bank loans	48,804	44,911
Current maturities of long-term debt	12,822	10,289
Trade notes and accounts payable	101,857	138,666
Accrued income taxes	8,920	3,743
Deferred income taxes	1,402	-
Accrued expenses	22,357	19,529
Other current liabilities	21,591	25,207
Total current liabilities	217,753	242,345
Liability under retirement and severance programs	13,268	13,937
Long-term debt, less current maturities	76,658	61,975
Deferred income taxes - non-current	2,561	2,190
Other long-term liabilities	1,680	1,827
Total liabilities	311,920	322,274
NH Foods Ltd. shareholders' equity:		
Common stock	31,806	35,191
Capital surplus	58,873	62,096
Retained earnings:		
Appropriated for legal reserve	8,275	8,383
Unappropriated	303,208	325,058
Accumulated other comprehensive income	2,005	7,632
Treasury stock, at cost	(41)	(15)
Total NH Foods Ltd. shareholders' equity	404,126	438,345
Noncontrolling interests	4,230	5,242
Total equity	408,356	443,587
Total Liabilities and Equity	720,276	765,861

(Note) Breakdown of other accumulated comprehensive income

	Year ended March 31, 2017	Third quarter period of the year ending March 31, 2018
Net unrealized gains on securities available-for-sales	8,650	11,080
Pension liability adjustments	(3,656)	(3,495)
Foreign currency translation adjustments	(2,989)	47

(2) Consolidated Quarterly Statements of Income:

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

(millions of yen)

	Cumulative third quarter period of the year ended March 31, 2017 (April 1, 2016 through December 31, 2016)	Cumulative third quarter period of the year ending March 31, 2018 (April 1, 2017 through December 31, 2017)
Net sales	926,349	981,110
Cost of goods sold	744,283	795,147
Selling, general and administrative expenses	135,701	140,782
Other operating costs and expenses (income) - net	3,164	1,407
Gain from the transfer through the posting system	—	2,273
Interest expense	872	924
Other income (expenses) - net	198	(117)
Income from continuing operations before income taxes and equity in earnings of associated companies	42,527	45,006
Income taxes	12,964	12,602
Income from continuing operations before equity in earnings of associated companies	29,563	32,404
Equity in earnings of associated companies - net of applicable income taxes	251	877
Net income from continuing operations	29,814	33,281
Loss from discontinued operations - net of applicable income taxes	(12)	-
Net income	29,802	33,281
Net income attributable to noncontrolling interests	(169)	(358)
Net income attributable to NH Foods Ltd.	29,633	32,923

(for the consolidated third quarter period of the year)

(millions of yen)

	Third quarter period of the year ended March 31, 2017 (October 1, 2016 through December 31, 2016)	Third quarter period of the year ending March 31, 2018 (October 1, 2017 through December 31, 2017)
Net sales	333,257	353,230

Cost of goods sold	263,124	284,389
Selling, general and administrative expenses	47,200	49,219
Other operating costs and expenses (income) - net	2,373	712
Gain from the transfer through the posting system	—	2,273
Interest expense	272	289
Other income (expenses) - net	369	1,786
Income from continuing operations before income taxes and equity in earnings of associated companies	20,657	22,680
Income taxes	5,733	7,357
Income from continuing operations before equity in earnings (losses) of associated companies	14,924	15,323
Equity in earnings (losses) of associated companies - net of applicable income taxes	(9)	333
Net income from continuing operations	14,915	15,656
Net income from discontinued operations - net of applicable income taxes	—	—
Net income	14,915	15,656
Net income attributable to noncontrolling interests	(31)	(110)
Net income attributable to NH Foods Ltd.	14,884	15,546

(3) Consolidated Quarterly Statements of Comprehensive Income:

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

	(millions of yen)	
	Third quarter period of the year ended March 31, 2017 (April 1, 2016 through December 31, 2016)	Third quarter period of the year ending March 31, 2018 (April 1, 2017 through December 31, 2017)
Net income	29,802	33,281
Other comprehensive income - net of applicable income taxes		
Net unrealized gains on securities available-for-sale	2,617	2,431
Pension liability adjustments	261	161
Foreign currency translation adjustments	(1,472)	3,010
Total other comprehensive income	1,406	5,602
Comprehensive income	31,208	38,883
Net comprehensive (income) loss attributable to noncontrolling interests	455	(333)
Net comprehensive income attributable to NH Foods Ltd.	31,663	38,550

(for the consolidated third quarter period of the year)

	(millions of yen)	
	Third quarter period of the year ended March 31, 2017 (October 1, 2016 through December 31, 2016)	Third quarter period of the year ending March 31, 2018 (October 1, 2017 through December 31, 2017)
Net income	14,915	15,656
Other comprehensive income - net of applicable income taxes		
Net unrealized gains on securities available-for-sale	2,139	638
Pension liability adjustments	89	54
Foreign currency translation adjustments	4,901	379
Total other comprehensive income	7,129	1,071
Comprehensive income	22,044	16,727

Net comprehensive (income) loss attributable to noncontrolling interests	62	(162)
Net comprehensive income attributable to NH Foods Ltd.	22,106	16,565

(4) Consolidated Quarterly Statements of Cash Flows:

(millions of yen)

	Third quarter period of the year ended March 31, 2017 (April 1, 2016 through December 31, 2016)	Third quarter period of the year ending March 31, 2018 (April 1, 2017 through December 31, 2017)	(For reference) Year ended March 31, 2017 (April 1, 2016 through March 31, 2017)
Operating Activities:			
Net income	29,802	33,281	35,055
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,049	15,956	20,287
Impairment losses	508	944	2,285
Income taxes deferred	239	460	(1,257)
Foreign exchange transaction adjustments	5,461	(1,321)	715
Increase in trade notes and accounts receivable	(56,947)	(62,817)	(796)
Decrease (increase) in inventories	6,124	(4,531)	1,305
Decrease (increase) in other current assets	(2,920)	(295)	742
Increase in trade notes and accounts payable	34,830	34,347	7,705
Increase (decrease) in accrued income taxes	(955)	(5,178)	1,808
Increase (decrease) in accrued expenses and other current liabilities	1,700	1,166	(1,039)
Others - net	(970)	1,127	(1,556)
Net cash provided by operating activities	31,921	13,139	65,254
Investing Activities:			
Capital expenditures	(22,864)	(23,541)	(40,183)
Proceeds from sales of capital assets	1,139	596	1,211
Decrease (increase) in time deposits	26	4,972	(7,735)
Purchases of marketable securities and other investment securities	(107)	(65)	(624)
Proceeds from sales and maturities of marketable securities and other investment securities	2,106	1,808	2,481
Investments to associated companies	(195)	(36)	(195)
Net decrease in cash and cash equivalents resulting from purchase of business	-	(13,404)	-
Net increase in cash and cash equivalents resulting from sales of business	5,372	608	5,372
Others - net	(363)	(774)	1,402
Net cash used in investing activities	(14,886)	(29,836)	(38,271)
Financing Activities:			
Cash dividends	(6,744)	(10,980)	(6,744)
Increase (decrease) in short-term bank loans	65	(2,163)	4,063
Proceeds from debt	3,178	2,817	6,282
Repayments of debt	(10,625)	(16,414)	(15,277)
Contributions from noncontrolling interest	424	765	424
Acquisition of treasury stock	(8)	(8)	(9)
Others - net	(170)	(86)	(178)
Net cash used in financing activities	(13,880)	(26,069)	(11,439)
Effect of exchange rate changes on cash and cash equivalents	359	85	(226)
Net increase (decrease) in cash and cash equivalents	3,514	(42,681)	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)	70,835	39,958	82,639
Additional cash flow information:			
Cash payment for the period (year)			
Interest paid	853	923	1,136
Income taxes paid	14,432	16,581	14,305
Capital lease obligations incurred	3,302	1,819	3,864

Conversion of convertible bonds	-	6,720	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 83 subsidiaries and 9 associated companies.

(Consolidated cumulative third quarter period of the year)

For the consolidated cumulative third quarter period of the year ended March 31, 2017 (April 1, 2016 through December 31, 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	258,902	491,470	122,129	70,321	942,822	(16,473)	926,349
(2) Intersegment	10,889	78,764	2,378	93,885	185,916	(185,916)	-
Total	269,791	570,234	124,507	164,206	1,128,738	(202,389)	926,349
Operating expenses	261,229	535,452	120,887	164,558	1,082,126	(202,142)	879,984
Operating income (loss)	8,562	34,782	3,620	(352)	46,612	(247)	46,365

For the consolidated cumulative third quarter period of the year ending March 31, 2018 (April 1, 2017 through December 31, 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	264,321	513,894	125,490	94,633	998,338	(17,228)	981,110
(2) Intersegment	10,388	87,379	2,947	98,460	199,174	(199,174)	-
Total	274,709	601,273	128,437	193,093	1,197,512	(216,402)	981,110
Operating expenses	267,585	563,160	126,116	196,015	1,152,876	(216,947)	935,929
Operating income (loss)	7,124	38,113	2,321	(2,922)	44,636	545	45,181

(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.

(Consolidated third quarter period of the year)

For the consolidated third quarter period of the year ended March 31, 2017 (October 1, 2016 through December 31, 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	96,968	173,530	46,070	22,866	339,434	(6,177)	333,257
(2) Intersegment	3,733	26,043	737	32,115	62,628	(62,628)	-
Total	100,701	199,573	46,807	54,981	402,062	(68,805)	333,257
Operating expenses	95,375	184,210	44,789	54,734	379,108	(68,784)	310,324
Operating income (loss)	5,326	15,363	2,018	247	22,954	(21)	22,933

For the consolidated third quarter period of the year ending March 31, 2018 (October 1, 2017 through December 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	98,606	180,290	47,469	33,260	359,625	(6,395)	353,230
(2) Intersegment	3,590	31,391	1,040	34,448	70,469	(70,469)	-
Total	102,196	211,681	48,509	67,708	430,094	(76,864)	353,230
Operating expenses	97,276	198,065	47,107	68,102	410,550	(76,942)	333,608
Operating income (loss)	4,920	13,616	1,402	(394)	19,544	78	19,622

(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 subsidiaries 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
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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 ¥494 million and they were included in "Selling, general and administrative expense" of the consolidated statement of income.

As of February 1, 2018, 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.