

May 10, 2018

**BRIEF STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2018**

(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 26, 2018
Scheduled date of payment of dividends:	June 4, 2018
Scheduled date of filing of securities report:	June 27, 2018
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, 2018 (April 1, 2017 through March 31, 2018):

(1) Consolidated operating results:

(The percentages indicate the rates of increase (decrease) from 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)	(%)
Year ended March 31, 2018	1,269,201	5.6	49,218	(8.5)	50,455	2.7	37,147	6.1
Year ended March 31, 2017	1,202,293	(2.2)	53,802	9.3	49,112	39.1	35,004	60.7

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

Year ended March 31, 2018:	¥38,805 million	(0.7%)
Year ended March 31, 2017:	¥38,524 million	(217.4%)

	Earnings per share attributable to NH Foods Ltd. shareholders (basic)	Diluted earnings per share attributable to NH Foods Ltd. shareholders	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, 2018	348.46	342.07	8.8	6.8	3.9
Year ended March 31, 2017	343.47	322.54	9.2	7.0	4.5

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

Year ended March 31, 2018:	¥1,069 million
Year ended March 31, 2017:	¥485 million

(Notes) 1. As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. "Earnings per share attributable to NH Foods Ltd. shareholders (basic)" and "Diluted net income per share attributable to NH Foods Ltd. shareholders" were computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

2. Operating income is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales in accordance with 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)
Year ended March 31, 2018	755,076	446,139	440,793	58.4	4,100.70
Year ended March 31, 2017	720,276	408,356	404,126	56.1	3,832.95

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. "Total NH Foods Ltd. shareholders' equity per share" was computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

(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, 2018	54,626	(49,006)	(27,508)	60,335
Year ended March 31, 2017	65,254	(38,271)	(11,439)	82,639

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)	(%)	(%)	
Year ended March 31, 2017	—	—	—	52.00	52.00	10,965	30.3	2.8
Year ended March 31, 2018	—	—	—	53.00	53.00	11,394	30.4	2.7
Year ending March 31, 2019 (forecast)	—	—	—	90.00	90.00		30.2	

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. Dividends for the fiscal year ended March 31, 2017 and the fiscal year ended March 31, 2018 represent the actual amounts of dividends paid prior to the relevant share consolidation.

3. Forecast of consolidated business results for the year ending March 31, 2019 (April 1, 2018 through March 31, 2019):

(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		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Yen)
Second quarter (cumulative)	650,000	—	30,000	—	28,000	—	19,500	—	181.41
Whole-year period	1,310,000	—	50,000	—	46,000	—	32,000	—	297.70

(Notes) 1. NH Foods Ltd. will voluntarily apply International Financial Reporting Standards (IFRS) to consolidated financial statements for the first quarter of the fiscal year ending March 31, 2019 and thereafter, and has prepared the forecast of consolidated business results for the fiscal year ending March 31, 2019 in accordance with IFRS. Since the comparable actual results of the previous fiscal year and the second quarter of the previous fiscal year are in the process of being calculated, the rates of increase (decrease) from the previous fiscal year and the second quarter of the previous fiscal year are not stated.

2. As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. “Basic earnings per share” of the forecast of consolidated business results was computed based on the number of shares issued (excluding shares of treasury stock) after the relevant share consolidation.

3. Basic earnings per share is calculated based on “Profit attributable to owners of parent.”

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

* Notes:

(1) Changes in significant subsidiaries (changes in specific subsidiaries involving a change in the scope of consolidation) during the year: Yes

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

Excluded subsidiaries: - (Name:)

For more information, please refer to “8. Notes on Consolidated Financial Statements, (3) Note on Business Combination” on page 36 hereof.

(2) Changes in accounting policies:

1) Changes associated with changes in accounting standards: Yes

2) Other changes: None

For more information, please refer to “7. Important Matters Forming the Basis for Preparing Consolidated Financial Statements, (3) Changes in accounting policies” on page 33 hereof.

- (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, 2018:	107,495,804 shares
Year ended March 31, 2017:	105,447,649 shares
 - 2) Number of shares of treasury stock as of the end of the fiscal year:

Year ended March 31, 2018:	3,722 shares
Year ended March 31, 2017:	12,950 shares
 - 3) Average number of shares outstanding during the fiscal year:

Year ended March 31, 2018:	106,602,389 shares
Year ended March 31, 2017:	101,911,775 shares

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. The number of shares issued (shares of common stock) was computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

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

1. Non-consolidated business results for the year ended March 31, 2018 (April 1, 2017 through March 31, 2018):

- (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, 2018	802,712	2.5	7,880	(8.9)	22,934	15.3	20,209	40.3
Year ended March 31, 2017	783,145	(1.0)	8,651	60.5	19,887	26.0	14,408	170.7

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Year ended March 31, 2018	189.58	185.81
Year ended March 31, 2017	141.39	132.22

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one

share for each two shares of common stock. “Basic earnings per share” and “Diluted earnings per share” were computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

(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, 2018	481,779	230,683	47.9	2,145.46
Year ended March 31, 2017	487,598	212,101	43.5	2,010.64

(For reference)

Net worth: Year ended March 31, 2018: ¥230,620 million
Year ended March 31, 2017: ¥211,991 million

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. “Total net assets per share” was computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

2. Forecast of non-consolidated business results for the year ending March 31, 2019 (April 1, 2018 through March 31, 2019):

(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)	412,000	3.7	17,200	(15.9)	16,500	(11.3)	153.50
Whole-year period	831,000	3.5	20,600	(10.2)	18,100	(10.4)	168.38

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. “Basic earnings per share” of the forecast of non-consolidated business results was computed based on the number of shares issued (excluding shares of treasury stock) after the relevant share consolidation.

* These consolidated financial results are outside the scope of audit conducted by certified public accountants or audit firms.

* 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 “4. Future Outlook” on page 17.

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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 15, 2018 (Tuesday): 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. OVERVIEW OF OPERATING RESULTS, ETC.

1. Overview of Operating Results, etc. for the Fiscal Year under Review

(1) Overview of operating results in general

The Japanese economy continued its gradual recovery in the year ended March 31, 2018, with further improvements in corporate performance in a wide range of industries owing to the effect of the government's various policies. At the same time, due mainly to foreign currency exchange fluctuations caused by uncertainty regarding the future of the global economy, geopolitical risks and policies, the economic environment still remained unpredictable.

The operating climate in the food industry continuously remained adverse due to factors such as increases in the costs of some raw materials, rising labor and logistics costs resulting from severe human resource shortages and intensified sales competition.

Against this backdrop, the Group actively pushed ahead with New Medium-Term Management Plan Part 5, launched in April 2015. This initiative is in line with the aim of "Creating a stable business model through reform," and its two management policies are to "Establish competitive advantages of domestic businesses" and "Accelerate to a global company." Specific measures included reinforcing the domestic farm business, developing and promoting new products, enhancing productivity to strengthen cost competitiveness and to improve profitability, developing human resources and reinforcing risk management. The Group actively worked on in-store promotion using the Hokkaido Nippon-Ham Fighters. It also aired television commercials with its corporate messages to highlight awareness of the Group. Overseas, the Group strove to strengthen its overseas beef business by acquiring Breeders & Packers Uruguay S.A., a major meat processing company in Uruguay, and to strengthen its overseas chicken business by investing in the Panus Poultry Group, a chicken production and processing company in Thailand. The Group also reinforced its management structure in keeping with the Nipponham Group Fundamental Policy on Corporate Governance.

As a result of these activities, consolidated net sales for the year ended March 31, 2018 rose 5.6%, to ¥1,269,201 million. Although operating income decreased 8.5%, to ¥49,218 million, income from continuing operations before income taxes and equity in earnings of associated companies increased 2.7%, to ¥50,455 million, due in part to the recording of gain from the transfer through the posting system of ¥2,273 million. Net income attributable to NH Foods Ltd. rose 6.1% to ¥37,147 million.

Breakdown of consolidated net sales

Category	Year ended March 31, 2017 (April 1, 2016-March 31, 2017)		Year ended March 31, 2018 (April 1, 2017-March 31, 2018)		Rate of increase (decrease) from the previous year (%)
	Amount (Millions of Yen)	Component ratio (%)	Amount (Millions of Yen)	Component ratio (%)	
Hams and sausages	141,362	11.8	140,363	11.1	(0.7)
Processed foods	228,904	19.0	240,141	18.9	4.9
Fresh meats	673,871	56.0	721,387	56.8	7.1
Marine products	91,637	7.6	95,154	7.5	3.8
Dairy products	33,380	2.8	35,851	2.8	7.4
Others	33,139	2.8	36,305	2.9	9.6
Total	1,202,293	100.0	1,269,201	100.0	5.6

(2) Overview of operating segments

(Processed Foods Business Division)

In hams and sausages, sales of consumer products were unchanged from a year earlier. There was a favorable demand for *SCHAU ESSEN* due to solid promotion such as the airing of television commercials as well as reinforced in-store promotion of *Hojun coarse-ground wieners*, but these were offset by poor sales of *Irodori Kitchen* products. Sales of commercial products decreased from the previous fiscal year because of factors such as reduced sales of overseas products, despite the deployment of mainstay items by major restaurant chains. The Group enhanced its promotional efforts during gift-giving season through measures such as the airing of television commercials centered on the flagship *Utsukushi-no-Kuni* brand. However, the overall slump in the gift market caused sales to fall below those of the previous fiscal year, and segment sales declined slightly.

In processed foods, sales of consumer products fell below those of the previous fiscal year. Although there was growth for *Four Cheese Hamburg* and *Tenshinkaku* with expansion of items and improvements on existing products, greater competition caused sales of the core *Chuka Meisai* and *Ishigama Kobo* products flagged. With regard to commercial products, convenience store chains and major restaurant chains actively introduced new products, causing sales to exceed those of the previous fiscal year. Segment sales were thus up from the previous fiscal year.

Although cost improvements brought about by sales division structural reforms contributed to earnings, earnings decreased due to higher transportation costs and increased personnel expenses owing to labor shortages in the manufacturing sector.

As a result of such factors, segment sales increased 2.1%, to ¥355,498 million. Operating income, however, decreased 25.8%, to ¥5,867 million.

(Fresh Meats Business Division)

In fresh meats, the Group undertook an array of promotional initiatives, such as strengthening in-store promotion in mass merchandising stores for our fresh meat brands of the *Sakurahime* and *Mugikomachi* and advertising them through television commercials and on the radio, as well as having the Hokkaido Nippon-Ham Fighters hold a *Sakurahime & Mugikomachi* night game. The Group also reinforced brand fresh meat sales in restaurant and convenience store channels and strengthened its proposal-based marketing based on needs and store operations. It handled sales of domestic chicken, for which demand is growing as the result of greater health consciousness among consumers, through its stable production system. The need for imported pork has risen due to higher domestic pork prices, and the Group strove to achieve stable procurement and sales, taking into consideration future market conditions. As a result of these efforts, segment sales rose from the previous fiscal year.

Sales businesses undertook extensive marketing and promotional efforts in a wide

range of channels, including mass merchandising stores, restaurants and convenience stores, and sales volume rose. They, however, struggled with sales of imported beef, with its ongoing low market trend, and of domestic pork, whose price rose during the summer, so gross margins declined, causing earnings to fall below those of the previous fiscal year. In the domestic farm business, both pork and chicken prices trended comparatively high. In addition, the Group endeavored to expand production volume and lower costs, which resulted in earnings exceeding those of the previous fiscal year and thereby an increase in earnings for the segment as a whole.

Owing to these factors, segment sales increased 5.0%, to ¥778,417 million, while operating income increased 5.1%, to ¥46,154 million.

(Affiliated Business Division)

In marine products, sales of the core products such as tuna and shrimp remained robust in mass merchandising store channel, sales prices rose in response to raw materials price increases and sales were strong in the restaurant channel, where the Group had intensified its efforts, especially for sushi restaurants. Segment sales accordingly rose from the previous fiscal year.

In dairy products, sales of yogurt and lactic acid probiotic beverages remained strong owing to favorable demand for the smoothie series products sold through mass merchandising stores and convenience stores. Demand was solid for cheese, reflecting commercial demand from key bakeries, restaurants and food producers, as well as its popularity with consumers. Therefore, segment sales as a whole increased from the previous fiscal year.

Earnings of both marine products and dairy products fell below those of the previous fiscal year due to reduced gross margins resulting from higher raw materials prices, increased transportation costs and other expenses.

As a result of these factors, segment sales increased 2.8%, to ¥163,548 million. Operating income, however, decreased 57.0%, to ¥1,612 million.

(Overseas Business Division)

Sales of this division were up from the previous fiscal year. This is because, in Asian and European operations, export sales were strong for Thailand and Singapore and, in Turkey, domestic poultry farming business remained strong. In Americas operations, domestic sales grew due to sales base expansion, exceeding those of the previous year. In Australian operations, sales of Australia rose compared to the previous year, and this, together with the acquisition of a meat processing company in Uruguay as a consolidated subsidiary, caused segment sales to exceed those of the previous year.

On the earnings front, Asian and European operation performance increased from the previous fiscal year due to steady poultry farming business in Turkey, despite difficult

operations with high fresh meat prices in the U.K. and high raw materials prices in Thailand. In the Americas, factors such as intensified sales competition inside the U.S., lower gross margins due to high fresh meat prices and higher marine product procurement prices in Chile caused earnings to fall in comparison to the previous fiscal year. In Australia, cattle collection environment improvements brought down procurement prices, but falling sales prices for beef had a significant impact, causing a drop in earnings compared to the previous fiscal year.

As a result of these factors, segment sales increased 18.4%, to ¥253,841 million. There was an operating loss of ¥4,742 million, compared with ¥1,251 million in operating loss a year earlier.

2. Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the year increased by 4.8% from the end of the previous fiscal year to account for ¥755,076 million. With regard to assets, although trade notes and accounts receivable increased by 17.8% from the end of the previous fiscal year to account for ¥151,420 million, cash and cash equivalents decreased by 27.0% from the end of the previous fiscal year to account for ¥60,335 million, and inventories decreased by 3.6% from the end of the previous fiscal year to account for ¥127,905 million. As a result, current assets decreased by 4.1% from the end of the previous fiscal year to account for ¥363,693 million. Property, plant and equipment - at cost, less accumulated depreciation increased by 8.5% from the end of the previous fiscal year to account for ¥307,558 million due to the increase in capital expenditures.

Liabilities decreased by 1.0% from the end of the previous fiscal year to account for ¥308,937 million, as other current liabilities increased by 62.8% from the end of the previous fiscal year to account for ¥35,149 million and trade notes and accounts payable increased by 11.6% from the end of the previous fiscal year to account for ¥113,654 million, but long-term debt, less current maturities decreased by 18.5% from the end of the previous fiscal year to account for ¥62,451 million, mainly because of conversion of the Euro Yen Zero Coupon Convertible Bonds due September 2018 to common stock.

Total NH Foods Ltd. shareholder's equity increased by 9.1% from the end of the previous fiscal year to account for ¥440,793 million, as common stock increased by ¥4,485 million and capital surplus increased by ¥4,317 million mainly because of the issuance of new shares due to conversion of Euro Yen Zero Coupon Convertible Bonds due September 2018 to common stock, and also due to ¥37,147 million in net income attributable to NH Foods Ltd. Interest-bearing debt* decreased by ¥27,336 million from the end of the previous fiscal year to account for ¥110,948 million.

As a result, NH Foods Ltd. shareholders' equity ratio increased by 2.3 percentage points from the end of previous fiscal year to 58.4%.

* 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.

3. Overview of Cash Flows for the Fiscal Year under Review

The states and causes of cash flows are as follows:

	Year ended March 31, 2017	Year ended March 31, 2018	Increase or decrease
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Cash flows from operating activities	65,254	54,626	(10,628)
Cash flows from investing activities	(38,271)	(49,006)	(10,735)
Cash flows from financing activities	(11,439)	(27,508)	(16,069)
Effect of exchange rate changes on cash and cash equivalents	(226)	(416)	(190)
Net increase (decrease) in cash and cash equivalents	15,318	(22,304)	(37,622)
Cash and cash equivalents at end of the year	82,639	60,335	(22,304)

With regard to operating activities, net income amounted to ¥37,419 million and depreciation and amortization amounted to ¥21,719 million and the increase in trade notes and accounts payable amounted to ¥9,883 million, though the trade notes and accounts receivable increased by ¥22,168 million. As a result, net cash provided by operating activities amounted to ¥54,626 million.

With regard to investing activities, although the decrease in time deposits amounted to ¥3,636 million and proceeds from sales of capital assets amounted to ¥3,607 million, acquisition of non-current assets amounted to ¥33,220 million and net decrease in cash and cash equivalents from acquisition of businesses amounted to ¥13,404 million and investments in associated companies amounted to ¥8,929 million. As a result, net cash used in investing activities amounted to ¥49,006 million.

With regard to financing activities, repayments of debt amounted to ¥18,556 million, while cash dividends amounted to ¥10,980 million. As a result, net cash used in financing activities amounted to ¥27,508 million.

As a result, cash and cash equivalents at end of the year decreased by ¥22,304 million in comparison with the end of the previous fiscal year to amount to ¥60,335 million.

The trends in cash flow indices are as shown below:

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018
Total NH Foods Ltd. shareholders' equity ratio (%)	51.2	53.5	52.2	56.1	58.4
Ratio of shareholders' equity on a fair value basis (%)	49.9	85.2	74.0	87.5	62.1
Years for debt redemption (year)	4.4	4.6	2.9	2.1	2.0
Interest coverage ratio (time)	21.3	24.2	35.1	57.4	44.7

- * Total NH Foods Ltd. shareholders' equity ratio:

$$\frac{\text{Total NH Foods Ltd. shareholders' equity}}{\text{Total assets}}$$
- Ratio of shareholders' equity on a fair value basis:

$$\frac{\text{Aggregate fair value of listed stock}}{\text{Total assets}}$$
- Years for debt redemption: $\frac{\text{Interest-bearing debt}}{\text{Cash provided by operating activities}}$
- Interest coverage ratio: $\frac{\text{Cash provided by operating activities}}{\text{Interest payments}}$

- (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.

4. Future Outlook

Regarding the economic picture for the year ending March 31, 2019, conditions are expected to remain unclear in the year ahead owing to the future of the global economy, the impact caused by uncertainty regarding government policies, foreign currency exchange rate fluctuations and increasing labor and logistics costs resulting from personnel shortages in Japan, despite ongoing expected benefits from domestic government stimulus measures. The Group will thus move forward with the "Medium-Term Management Plan 2020," launched in April 2018, with the aim of "Building systems that pave the way to the future." In order to increase corporate value and become a company that contributes to the realization of sustainable societies, the five business policies of this initiative are to "Strengthen profitability by improving the efficiency of existing businesses," "Create value through dialog with consumers," "Enhance and develop technological capabilities for conceptualizing and realizing the future of food," "Change gears in overseas market deployment" and "Pursue sustainability." (For details, please refer to "II. MANAGEMENT POLICY 3. NH Foods Ltd.'s Medium- and Long-Range Management Strategies and Issues to be Addressed by NH

Foods Ltd.” on page 22.)

In the Processed Foods Business Division, despite signs of a gradual recovery in consumption, the operating climate will probably remain adverse owing to intensifying price competition, higher raw materials and fuel prices, higher personnel and logistics costs due to personnel shortages and other factors. The Group will throw off preconceived notions, enhance its product development capabilities through marketing from consumers’ viewpoints and transform the cost structures from a perspective of overall value chain optimization. In enhancing product development capabilities through marketing, the Group will accelerate decision-making, increase contact with customers and strive to gather information and assess needs to contribute to product development. Highly-profitable core brand products will be centrally sold, and the Group will engage in sales through undeveloped channels. In transforming cost structures from an overall value chain optimization perspective, the Group will invest in labor-saving equipment, aggregate major offerings in key plants and share production line operation level conditions with manufacturing and sales divisions, raising operation rates and improving productivity.

In the Fresh Meats Business Division, the Group expects the operating climate to remain challenging amid the volatility in global supply and demand, such as the growth of fresh meat consumption in emerging countries and changes in feed prices due to climate change. The Group will reinforce its business structure to enable it to continue to provide consumers and customers with a stable and uninterrupted supply of the high quality fresh meat products they demand. The Group will therefore reinforce its unique integration system, covering everything from its own farms to logistics and sales companies, enhance its market studies and analysis and focus on effective promotion activities with the aim of further developing and cultivating brand fresh meats demanded by customers. The Group will also develop tighter relationships with overseas fresh meat companies and build strategic partnerships with an eye towards future free trade systems, and build a continuous, stable purchasing environment. Furthermore, the Group will overhaul its logistics networks and restructure its sales offices, expanding its domestic sales share.

In the Affiliated Business Division, the marine products division will implement structural reforms and expand business while improving profitability, and the dairy products division will improve its product and proposal strengths and expand its share. The Group will drive efficiencies through strategical capital expenditures on its manufacturing factories and establish a structure to increase production over the medium and long terms. Amid the expectation of higher raw material prices due to dramatic swings in supply and demand, the Group will reinforce its procurement capabilities in Japan and abroad, by means of customer-oriented marketing to develop high value-added products centered on in-house manufactured goods, thereby enhancing profitability. On the sales front, Group collaboration will be strengthened, while at the same time, multiproduct channel strategies will be implemented and new markets will be cultivated.

The Overseas Business Division will build a stronger value chain, expanding sales in nations where it does business. Group companies in these markets will collaborate to boost sales to third countries and stabilize revenues. They will drive growth by harnessing the

Group's comprehensive strengths, such as by leveraging product development capabilities and quality control techniques cultivated in Japan, and deliver an array of merchandise and services that matches local preferences. We will bolster our manufacturing and sales sites from medium- and long-term perspectives while continuing to focus on reinforcing governance.

With the harsh operating climate posing numerous challenges, the Group will make a concerted effort to optimize synergies through Group collaboration with the aim of "Building systems that pave the way to the future" under Medium-Term Management Plan 2020.

With regard to operating results for the year ending March 31, 2019, net sales are estimated to amount to ¥1,310.0 billion.

Forecast of consolidated net sales

Category	Year ending March 31, 2019 (April 1, 2018-March 31, 2019)	Rate of increase (decrease) from the previous year
	(Billion Yen)	(%)
Hams and sausages	140.4	—
Processed foods	243.3	—
Fresh meats	744.9	—
Marine products	96.6	—
Dairy products	36.2	—
Others	48.6	—
Total	1,310.0	—

With regard to income, operating income, profit before tax, and profit attributable to owners of parent are estimated to amount to ¥50.0 billion, ¥46.0 billion, and ¥32.0 billion, respectively.

(Note) NH Foods Ltd. will voluntarily apply International Financial Reporting Standards (IFRS) to financial statements for the first quarter of the fiscal year ending March 31, 2019 and thereafter, and has prepared the forecast of consolidated business results for the fiscal year ending March 31, 2019 in accordance with IFRS. Since the comparable actual results of the previous fiscal year are in the process of being calculated, the rates of increase (decrease) from the previous fiscal year are not stated.

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 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.

5. NH Foods Ltd.'s Fundamental Policy of Profit Allocation and Dividends for the Year Ended March 31, 2018 and the Year Ending March 31, 2019

With regard to the determination of the distribution of retained earnings, etc., it is NH Foods Ltd.'s policy to pay dividends according to business results on a consistent basis, while increasing its internal reserve in order to strengthen its corporate fundamentals as the basis for long-range development. In addition, NH Foods Ltd. intends to make effective use of the internal reserve as a source of investments which will maintain its competitiveness and attain sustained growth for the years to come, with the aim of maintaining and strengthening its financial structure.

Under this policy, NH Foods Ltd. will pursue stable and continuous dividend growth, using a consolidated payout ratio of 30% to distribute profits according to its consolidated performance.

NH Foods Ltd. will acquire treasury stock in a flexible manner for the purpose of improving per-share shareholder value and ROE, in consideration of investments towards growth and its financial position.

Regarding dividends for the fiscal year under review, we plan to pay an ordinary dividend of ¥53 (consolidated dividend payout ratio of 30.4%).

For the year ending March 31, 2019, management plans to pay an ordinary dividend of ¥90 per share, based on the consolidated dividend payout ratio of 30% with profit attributable to owners of parent forecasted to be ¥32.0 billion.

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. Dividends for the fiscal year under review represent the actual amounts of dividends paid prior to the relevant share consolidation.

II. MANAGEMENT POLICY

1. NH Foods Ltd.'s Fundamental Management 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.

As the foundation of our business, we will further enrich the “Nipponham Group Fundamental Policy on Corporate Governance” and promote our initiatives for the five CSR material issues (producing food that is safe and reliable, supporting mental and physical well-being through food and sport, maintaining workplaces that motivate employees, sustainable food supply for the next generation and preserving the environment), which was defined in January 2016. We believe that implementing these initiatives will contribute to the realization of sustainable societies and the increase of the Group's corporate value.

2. Target Management Indices

In the final year of the “Medium-Term Management Plan 2020” which was started in April 2018 (April 1, 2018 – March 31, 2021), the Group has set targets of consolidated net sales of ¥1,410.0 billion, operating income of ¥56.0 billion, operating income ratio of 4.0%, and ROE of 7.0% or higher.

- (Notes)
1. NH Foods Ltd. will voluntarily apply International Financial Reporting Standards (IFRS) to financial statements for the first quarter of the fiscal year ending March 31, 2019 and thereafter, and has prepared the forecast of consolidated business results for the fiscal year ending March 31, 2019 in accordance with IFRS.
 2. The “Medium-Term Management Plan 2020” 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 Management Strategies and Issues to be Addressed by NH Foods Ltd.

In April 2018, the Group formulated the “Medium-Term Management Plan 2020” with the theme of “Building systems that pave the way to the future.”

Looking to the future business environment, environmental changes with major impacts on the Group are predicted. In Japan, these include the scheduled hike in consumption tax, the elimination or dramatic reduction of import tariffs due to advances in free trade such as TPP11 and the EU-Japan EPA and its impact on Japanese primary industries resulting from these tariff changes, the aging society and shrinking population, and changes in distribution channels. Overseas, the changes include greater consumption power and the changing demand-supply balance due to economic growth and rising populations in emerging nations, and rising feed costs due to climate change.

In this environment, our Medium-Term Management Plan 2020 was launched in April 2018. Not only to further accelerate the growth strategies promoted in New Medium-Term Management Plan Part 5, but also to continue the Group’s business into the future with the dramatically changing social environments inside and outside Japan, and to contribute to the realization of sustainable societies through food and health, we took a long-term perspective to consider what kind of role the Group should play in societies of the future, and formulated management policies by backcast from these objectives. In order to achieve this, the policies of each business division will be organically linked to the management policies of the entire Group, and Group-wide functional strategies will be implemented to support this. As a foundation for the business to stand steady in the midst of changing environments and strategies, the Group will continue to promote “Management for No. 1 Quality” to attain higher quality not only in products but also in management and human resources, and to continuously strengthen corporate governance. The Group will work as one to implement these measures and make sustained efforts for future-oriented business transformation.

[Business Policies]

(1) Strengthen profitability by improving the efficiency of existing businesses

From medium- and long-term and company-wide perspectives, we will examine and implement measures regarding the Group’s businesses and products, sales channels and areas, and value chains in fields which we wish to reinforce, new fields which we wish to take on, and fields in which revenue is tight.

(2) Create value through dialog with consumers

In order to realize better societies and improve our profitability through the products and services offered by the Group, we will deepen our understanding of consumers and, based on this deeper understanding, implement business activities that create greater value for consumers.

(3) Enhance and develop technological capabilities for conceptualizing and realizing the future of food

We will assess likely future changes in social environments, develop new product categories, carry out technical development in order to improve production efficiency, and conduct basic research of the technologies that will be necessary in the future, establishing them as strengths of the Group.

(4) Change gears in overseas market deployment

Grasping the market situation from a Japanese and global perspective, the Group will deploy global operations based on collaboration between Japanese and overseas business divisions.

(5) Pursue sustainability

We consider CSR to be “management aimed at sustained prosperity of both society and companies,” and will tackle social issues through our business activities, led by the five CSR material issues defined by the Group.

[Functional Strategies]

(1) Strengthen system for realizing highly strategic and effective management

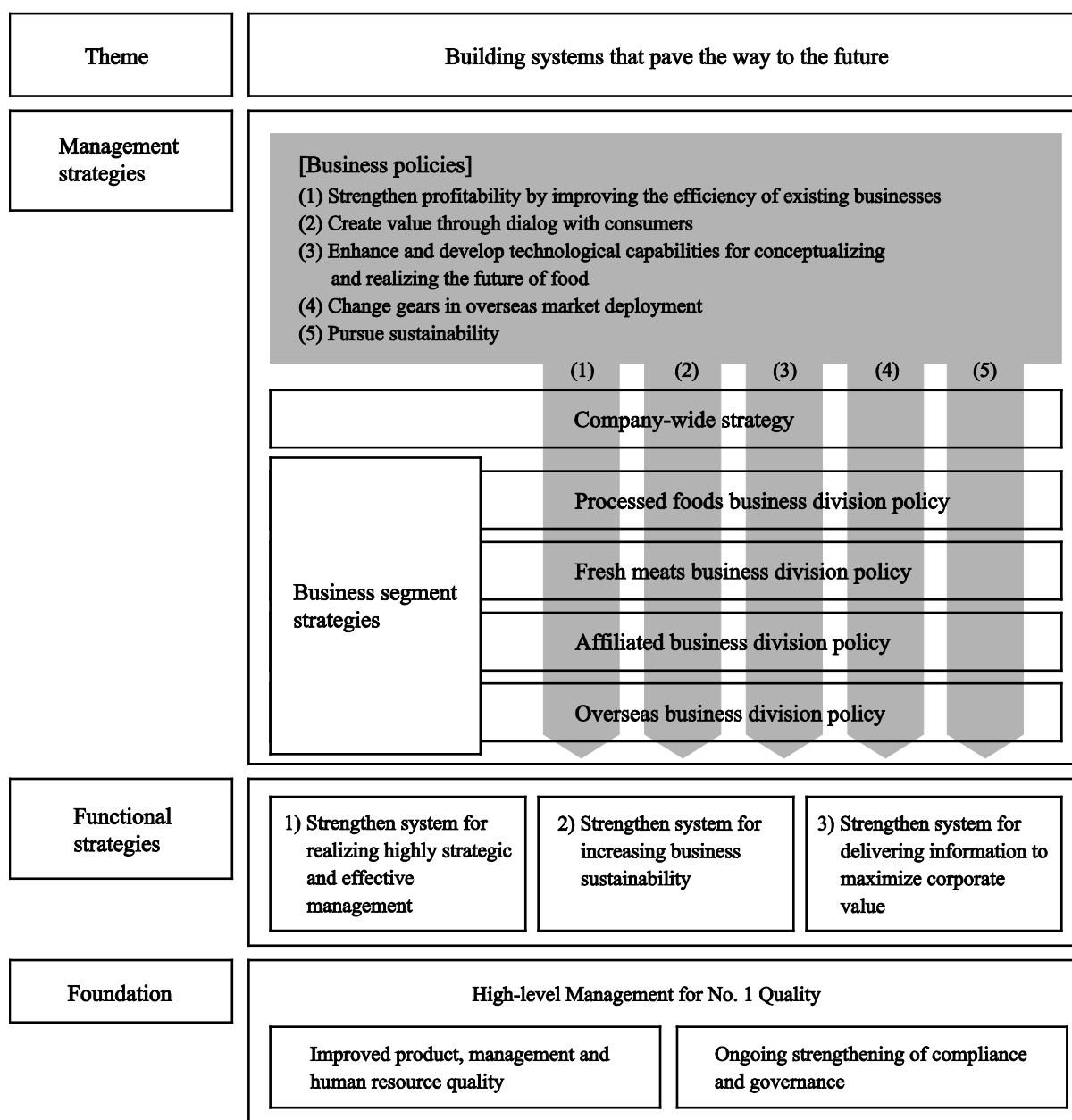
We will strengthen our system for realizing highly strategic and effective management from a company-wide perspective, observing and reflecting the changes in social environments. We will also improve management function transparency and appropriateness.

(2) Strengthen system for increasing business sustainability

We will make capital investments that focus on the future and investments aimed at improving technologies, and also invest in human capital and optimize personnel composition. Furthermore, for the sake of business expansion, we will establish a quality assurance system that meets international standards and accommodates globalization efforts, and expand our network to communicate with various business partners. We will work on upgrading the financial strategies and capital strategies, which provide support for our growth strategies.

(3) Strengthen system for delivering information to maximize corporate value

We will enhance the Group's brand value, as well as strengthen our information delivery and communication functions to deepen our stakeholders' understanding of our business activities and initiatives. This will contribute to the improvement of our corporate value.



III. 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.

IV. CONSOLIDATED FINANCIAL STATEMENTS AND PRIMARY NOTES

1. Consolidated Balance Sheet

(Millions of Yen)

	Year ended March 31, 2017 (as of March 31, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Increase (decrease)
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	82,639	60,335	(22,304)
Time deposits	18,616	14,518	(4,098)
Trade notes and accounts receivable	128,579	151,420	22,841
Allowance for doubtful receivables	(373)	(386)	(13)
Inventories	132,697	127,905	(4,792)
Deferred income taxes	6,650	—	(6,650)
Other current assets	10,590	9,901	(689)
Total current assets	379,398	363,693	(15,705)
Property, Plant and Equipment - At Cost, Less Accumulated Depreciation	283,364	307,558	24,194
Intangible Assets, Less Accumulated Amortization	4,715	10,457	5,742
Investment and Other Assets:			
Investments in associated companies	5,100	14,427	9,327
Other investment securities	28,828	32,535	3,707
Other assets	11,244	12,897	1,653
Total investments and other assets	45,172	59,859	14,687
Deferred Income Taxes - Non-current	7,627	13,509	5,882
Total Assets	720,276	755,076	34,800

(Millions of Yen)

	Year ended March 31, 2017 (as of March 31, 2017)	Year ended March 31, 2018 (as of March 31, 2018)	Increase (decrease)
Liabilities and Equity			
Current Liabilities:			
Short-term bank loans	48,804	40,446	(8,358)
Current maturities of long-term debt	12,822	8,051	(4,771)
Trade notes and accounts payable	101,857	113,654	11,797
Accrued income taxes	8,920	8,699	(221)
Deferred income taxes	1,402	—	(1,402)
Accrued expenses	22,357	23,315	958
Other current liabilities	21,591	35,149	13,558
Total current liabilities	217,753	229,314	11,561
Liability under Retirement and Severance Programs	13,268	13,655	387
Long-term Debt, Less Current Maturities	76,658	62,451	(14,207)
Deferred Income Taxes - Non-current	2,561	1,613	(948)
Other Long-term Liabilities	1,680	1,904	224
Total Liabilities	311,920	308,937	(2,983)
NH Foods Ltd. Shareholders' Equity:			
Common stock	31,806	36,291	4,485
Capital surplus	58,873	63,190	4,317
Retained earnings:			
Appropriated for legal reserve	8,275	8,383	108
Unappropriated	303,208	329,282	26,074
Accumulated other comprehensive income	2,005	3,663	1,658
Treasury stock, at cost	(41)	(16)	25
Total NH Foods Ltd. shareholders' equity	404,126	440,793	36,667
Noncontrolling Interests	4,230	5,346	1,116
Total Equity	408,356	446,139	37,783
Total Liabilities and Equity	720,276	755,076	34,800

(Note) Breakdown of accumulated other comprehensive income

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (decrease)
Net unrealized gains on securities available-for-sale	8,650	9,900	1,250
Pension liability adjustments	(3,656)	(2,781)	875
Foreign currency translation adjustments	(2,989)	(3,456)	(467)

2. Consolidated Statement of Income

(Millions of Yen)

	Year ended March 31, 2017 <small>(April 1, 2016 through March 31, 2017)</small>	Year ended March 31, 2018 <small>(April 1, 2017 through March 31, 2018)</small>	Increase (decrease)
Net Sales	1,202,293	1,269,201	66,908
Cost Of Goods Sold	968,995	1,033,355	64,360
Selling, General and Administrative Expenses	179,496	186,628	7,132
Other Operating Costs and Expenses (Income) – Net	5,320	(66)	(5,386)
Gain From The Transfer Through The Posting System	—	2,273	2,273
Interest Expense	1,140	1,172	32
Other Income (Expenses) - Net	1,770	70	(1,700)
Income from Continuing Operations before Income Taxes and Equity in Earnings of Associated Companies	49,112	50,455	1,343
Income Taxes:			
Current	15,787	16,517	730
Deferred	(1,257)	(2,412)	(1,155)
Total income taxes	14,530	14,105	(425)
Income from Continuing Operations before Equity in Earnings Of Associated Companies	34,582	36,350	1,768
Equity in Earnings of Associated Companies - Net of Applicable Income Taxes	485	1,069	584
Net Income from Continuing Operations	35,067	37,419	2,352
Loss from Discontinued Operations - Net of Applicable Income Taxes	(12)	—	12
Net Income	35,055	37,419	2,364
Net Income Attributable to Noncontrolling Interests	(51)	(272)	(221)
Net Income Attributable to NH Foods Ltd.	35,004	37,147	2,143
Operating Income (based on Japanese accounting practices)	53,802	49,218	(4,584)

3. Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	Year ended March 31, 2017 <small>(April 1, 2016 through March 31, 2017)</small>	Year ended March 31, 2018 <small>(April 1, 2017 through March 31, 2018)</small>
Net income	35,055	37,419
Other comprehensive income - net of applicable income taxes		
Net unrealized gains on securities available-for-sale	3,063	1,251
Pension liability adjustments	1,727	875
Foreign currency translation adjustments	(1,886)	(600)
Total other comprehensive income	2,904	1,526
Comprehensive income	37,959	38,945
Net comprehensive (income) loss attributable to noncontrolling interests	565	(140)
Net comprehensive income attributable to NH Foods Ltd.	38,524	38,805

4. Consolidated Statement of Changes in Equity

For the year ended March 31, 2017 (April 1, 2016 through March 31, 2017)

(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, 2016	24,166	50,958	8,150	275,051	(1,515)	(457)	356,353	5,007	361,360
Net income				35,004			35,004	51	35,055
Other comprehensive income					3,520		3,520	(616)	2,904
Cash dividends				(6,722)			(6,722)	(22)	(6,744)
Transfer to retained earnings appropriated for legal reserve			125	(125)			—	—	—
Acquisition of treasury stock						(9)	(9)	—	(9)
Disposition of treasury stock		(29)				31	2	—	2
Conversion of convertible bonds	7,640	7,770				394	15,804	—	15,804
Capital increase of subsidiaries		235					235	150	385
Others		(61)					(61)	(340)	(401)
Balance, March 31, 2017	31,806	58,873	8,275	303,208	2,005	(41)	401,126	4,230	408,356

For the year ended March 31, 2018 (April 1, 2017 through March 31, 2018)

(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	Treasury Stock			
Balance, April 1, 2017	31,806	58,873	8,275	303,208	2,005	(41)	404,126	4,230	408,356
Net income				37,147			37,147	272	37,419
Other comprehensive income					1,658		1,658	(132)	1,526
Cash dividends				(10,965)			(10,965)	(15)	(10,980)
Transfer to retained earnings appropriated for legal reserve			108	(108)			—	—	—
Acquisition of treasury stock						(10)	(10)	—	(10)
Disposition of treasury stock		(33)				35	2	—	2
Conversion of convertible bonds	4,470	4,447					8,917	—	8,917
Issuance of new shares due to the exercise of stock options	15	(15)					0	—	0
Change in ownership interest of parent due to transactions with noncontrolling interests		(82)					(82)	531	449
Capital increase of subsidiaries							—	357	357
Others							—	103	103
Balance, March 31, 2018	36,291	63,190	8,383	329,282	3,663	(16)	440,793	5,346	446,139

5. Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2017 (April 1, 2016 through March 31, 2017)	Year ended March 31, 2018 (April 1, 2017 through March 31, 2018)
Operating Activities:		
Net income	35,055	37,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,287	21,719
Impairment losses	2,285	1,631
Income taxes deferred	(1,257)	(2,412)
Foreign exchange transaction adjustments	715	(3,285)
Increase in trade notes and accounts receivable	(796)	(22,168)
Decrease in inventories	1,305	5,743
Decrease in other current assets	742	416
Increase in trade notes and accounts payable	7,705	9,883
Increase (decrease) in accrued income taxes	1,808	(203)
Increase (decrease) in accrued expenses and other current liabilities	(1,039)	7,396
Others – net	(1,556)	(1,513)
Net cash provided by operating activities	65,254	54,626
Investing Activities:		
Capital expenditures	(40,183)	(33,220)
Proceeds from sales of capital assets	1,211	3,607
Decrease (increase) in time deposits	(7,735)	3,636
Purchases of other investment securities	(624)	(2,482)
Proceeds from sales and maturities of other investment securities	2,481	1,808
Investments in associated companies	(195)	(8,929)
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
Others – net	1,402	(630)
Net cash used in investing activities	(38,271)	(49,006)
Financing Activities:		
Cash dividends	(6,744)	(10,980)
Increase (decrease) in short-term bank loans	4,063	(4,701)
Proceeds from debt	6,282	5,762
Repayments of debt	(15,277)	(18,556)
Contributions from noncontrolling interest	424	1,063
Acquisition of treasury stock	(9)	(10)
Others – net	(178)	(86)
Net cash used in financing activities	(11,439)	(27,508)
Effect of exchange rate changes on cash and cash equivalents	(226)	(416)
Net increase (decrease) in cash and cash equivalents	15,318	(22,304)
Cash and cash equivalents at beginning of the year	67,321	82,639
Cash and cash equivalents at end of the year	82,639	60,335
Additional cash flow information		
Cash payment for the year		
Interest paid	1,136	1,222
Income taxes paid	14,305	16,534
Capital lease obligations incurred	3,864	2,367
Conversion of convertible bonds	15,771	8,917

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: 85 companies
- ii) Number of equity-method companies: 10 companies

(2) Summary of principal accounting policies

i) Basis of preparation of consolidated financial statements:

The consolidated financial statements of the Group are prepared in accordance with the accounting principles generally accepted in the United States of America.

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, 2017.

ii) Method and basis of evaluation of inventories:

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or market. Market value is based on the net realizable value.

iii) Method and basis of valuation of marketable securities:

The Group accounts for their investments in debt and equity securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 320 "Investments - Debt and Equity Securities."

Marketable securities classified as available-for-sale:

Stated at fair value using quoted prices at the balance sheet date. (Relevant unrealized gains (losses) are reported in equity after taking into account the related tax effect, and cost of securities sold 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 assets:

By the straight-line method (however, in accordance with ASC Topic 350 “Intangibles - Goodwill and Other,” intangible 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 programs:

In accordance with ASC Topic 715 “Compensation - Retirement Benefits,” to prepare for the payment of retirement and severance benefits to employees, the Group accounts for liability under retirement and severance programs based on the projected benefit obligations and the fair value of plan assets at the balance sheet date.

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 (= 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 taxes:

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

(3) Changes in accounting policies

From April 1, 2017, NH Foods Ltd. 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. Notes on Consolidated Financial Statements

(1) 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 mainly at overseas subsidiaries and associated companies

For the year ended March 31, 2017 (April 1, 2016 through March 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	334,249	642,118	155,930	91,566	1,223,863	(21,570)	1,202,293
(2) Intersegment	14,004	99,447	3,111	122,818	239,380	(239,380)	-
Total	348,253	741,565	159,041	214,384	1,463,243	(260,950)	1,202,293
Operating expenses	340,342	697,667	155,295	215,635	1,408,939	(260,448)	1,148,491
Operating income (loss)	7,911	43,898	3,746	(1,251)	54,304	(502)	53,802
Assets, depreciation and amortization and capital expenditures							
Assets	173,480	328,463	71,505	104,965	678,413	41,863	720,276
Depreciation and amortization	5,951	7,183	1,914	2,104	17,152	2,349	19,501
Capital expenditures	11,306	22,125	3,847	3,568	40,846	2,896	43,742

For the year ended March 31, 2018 (April 1, 2017 through March 31, 2018): (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	342,040	664,909	159,674	125,234	1,291,857	(22,656)	1,269,201
(2) Intersegment	13,458	113,508	3,874	128,607	259,447	(259,447)	-
Total	355,498	778,417	163,548	253,841	1,551,304	(282,103)	1,269,201
Operating expenses	349,631	732,263	161,936	258,583	1,502,413	(282,430)	1,219,983
Operating income (loss)	5,867	46,154	1,612	(4,742)	48,891	327	49,218
Assets, depreciation and amortization and capital expenditures							
Assets	189,745	336,455	80,500	123,187	729,887	25,189	755,076
Depreciation and amortization	6,292	7,911	2,075	2,530	18,808	2,426	21,234
Capital expenditures	13,789	15,575	6,439	4,823	40,626	840	41,466

(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.
4. Depreciation and amortization represents depreciated amounts for property, plant and equipment and intangible assets. Depreciation and amortization for each segment do not include those included in corporate overhead expenses and profit and loss of certain subsidiaries stated in (Note) 2.
5. Capital expenditures represents increases in property, plant and equipment and intangible assets.

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

	Year ended March 31, 2017 (April 1, 2016 through March 31, 2017)	Year ended March 31, 2018 (April 1, 2017 through March 31, 2018)
	(Millions of Yen)	
Net income (Numerator):		
Net income attributable to NH Foods Ltd.	35,004	37,147
Dilutive effect of the issuance of convertible-bonds-type bonds with stock acquisition rights	57	37
Net income attributable to NH Foods Ltd. shareholders (diluted)	35,061	37,184
	(Thousand shares)	
Shares (Denominator):		
Weighted average number of shares to calculate earnings per share attributable to NH Foods Ltd. shareholders (basic)	101,912	106,602
Dilutive effect of stock options granted	80	52
Dilutive effect of the issuance of convertible-bonds-type bonds with stock acquisition rights	6,712	2,048
Average number of shares to calculate earnings per share attributable to NH Foods Ltd. shareholders (diluted)	108,704	108,702

(Note) As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. Shares (Denominator) were computed on the assumption that the relevant share consolidation was carried out at the beginning of the year ended March 31, 2017.

(3) Note on Business Combination

On June 1, 2017, NH Foods Ltd. 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)	
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 ¥494 million and they were included in “Selling, general and administrative expense” of the consolidated statement of income.

The fair value allocated to the assets and liabilities of BPU (after adjustment of provisional amount) at the acquisition date 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
Intangible assets	1,578
Other assets	799
Trade notes and accounts payable	(2,402)
Other liabilities	(1,446)
The net assets acquired	10,367
Goodwill	3,976
Total	14,343

NH Foods Ltd. is in the process of calculating the fair value of the acquired assets and assumed liabilities in accordance with ASC 805 “Business Combination.”

The fair value measurement was completed during the fiscal year under review, and intangible assets increased by ¥1,557 million, deferred tax liability increased by ¥389 million, and goodwill decreased by ¥1,168 million from the initial provisional amount, respectively.

Of the intangible assets above, ¥1,557 million are subject to amortization, which include an intangible asset of ¥882 million with a 12-year useful life pertaining to the relationship with a supplier and an intangible asset of ¥675 million with a 4-year useful life pertaining to allocation of export quota.

The goodwill was generated mainly due to synergies and excess earning capabilities expected in future business development, and was included in the Overseas Business Division referred to in the operating segment information. Such goodwill is not deductible for tax purposes.

(4) Events subsequent to March 31, 2018

Not applicable.

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