

Financial Section

Management's Discussion and Analysis

Forward-looking statements

This integrated report includes forecasts regarding targets, strategies, and earnings. These forecasts are based on information available at the current time and contain certain assumptions about the future. They are subject to numerous external uncertainties in areas such as the economic environment, market trends, and foreign exchange. Actual performance may differ significantly from the targets in this presentation, and investment decisions should not be based exclusively on them.

Explanation of company name

In this integrated report, the "Group" refers to NH Foods Ltd. and its subsidiaries unless otherwise indicated.

OVERVIEW OF BUSINESS RESULTS

The Japanese economy continued to recover slowly in the year ended March 31, 2018, with corporate earnings improving across an array of sectors as a result of government policies. On the down-side, the economic climate remained unpredictable owing to foreign currency fluctuations stemming from uncertainty about global economic prospects, geopolitical risks, and government policies.

The operating climate in the food industry remained adverse. Negative factors included higher costs for some raw materials, increased personnel and logistics expenses owing to labor shortages, and intensified sales competition.

Against this backdrop, the Group 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."

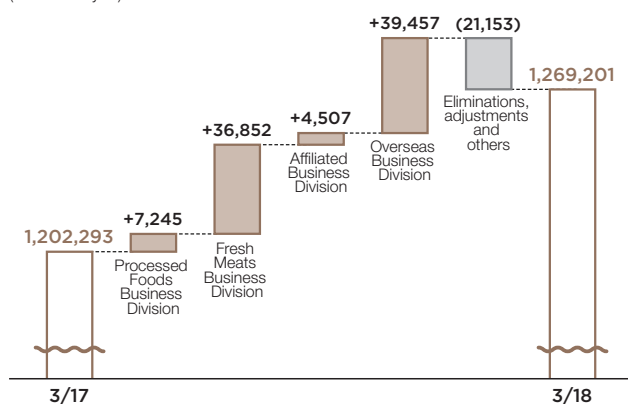
Specific measures included reinforcing the domestic farm business, developing and promoting new products, enhancing productivity to strengthen cost competitiveness and improve

profitability, developing human resources, and reinforcing risk management. The Group leveraged the Hokkaido Nippon-Ham Fighters baseball team in extensive in-store promotions and aired television commercials presenting corporate messages to highlight awareness of what it does. Overseas, the Group endeavored to reinforce its beef business by acquiring Breeders & Packers Uruguay S.A., a leading meat processor. It also strove to strengthen its overseas poultry business by investing in Panus Poultry Group Co., Ltd., a Thai poultry producer and processor. Another step was to bolster the Group's management structure in keeping with the "NH Foods Group Fundamental Policy on Corporate Governance."

Consolidated net sales for the year accordingly rose 5.6%, to ¥1,269,201 million. Although operating income dropped 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 recording gain from the transfer through the posting system of ¥2,273 million. Net income attributable to NH Foods Ltd. was up 6.1%, to ¥37,147 million.

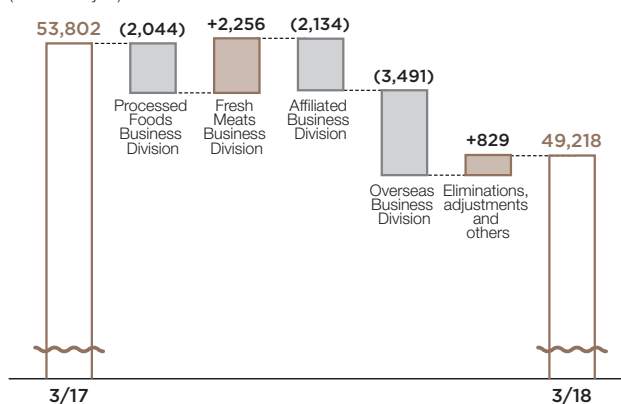
FACTORS IMPACTING NET SALES

(Millions of yen)



FACTORS IMPACTING OPERATING INCOME

(Millions of yen)



BUSINESS RESULTS BY SEGMENT

● Processed Foods Business Division

In hams and sausages, sales of consumer products were unchanged. Television commercials and other promotional vehicles contributed to favorable demand for *SCHAU ESSEN*, and the Group stepped up in-store promotions of *Hojun coarse-ground wieners*. Lackluster sales of the *Irodori Kitchen* series offset progress through such efforts. Sales of commercial products were down despite major restaurant chains deploying mainstay items, as sales of overseas offerings decreased. Although the Group stepped up promotions during the gift-giving season, primarily through television commercials for the flagship *Utsukushi-no-Kuni* brand, overall demand was down in the gift market. Sales in the hams and sausages segment thus declined slightly.

In processed foods, sales of consumer products were down. The Group added more items and improved existing offerings in the *Four Cheese Hamburg* and *Tenshinkaku* lines. At the same time, sales of core *Chuka Meisai* and *Ishigama Kobo* products languished amid intensified competition. Convenience store chains and large restaurant chains deployed new commercial products, boosting sales of these offerings. Segment sales were thus up from a year earlier.

While the Group benefited from cost-cutting progress through structural reforms of sales businesses, earnings decreased owing to higher transportation costs and from increased personnel expenses because of labor shortages in manufacturing.

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

● Fresh Meats Business Division

In fresh meats, diverse promotional initiatives included strengthening promotions in mass merchandising stores for *Sakurahime* and *Mugikomachi* and promoting these brands through television commercials, radio programs, and through a *Sakurahime & Mugikomachi*-themed Hokkaido Nippon-Ham Fighters night game. The Group

reinforced branded fresh meat sales in restaurant and convenience store channels and strengthened sales promotions based on needs and store operations. It drew on its stable production system in selling domestic chicken. Demand for chicken has grown amid a rising health consciousness among consumers. The need for imported pork rose amid higher domestic pork prices. The Group strove to stabilize procurement and sales in view of the market outlook. Segment sales thus increased from 12 months earlier.

Sales businesses undertook extensive sales and promotions through such diverse channels as mass merchandising stores, restaurants, and convenience stores, boosting sales volumes. The Group struggled, however, in selling imported beef in a market that remained weak and in cultivating demand for domestic pork, whose prices rose in summer 2017, driving gross profit down. In the domestic farm business, both pork and chicken prices were relatively high. The Group endeavored to expand production volume and lower costs. It thereby boosted domestic farm profits and earnings for the fresh meats segment.

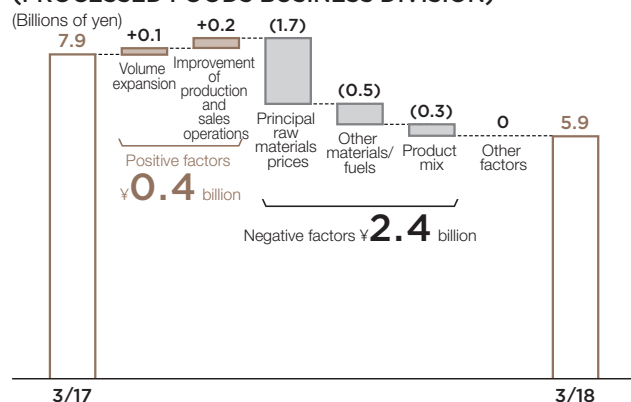
As a result of these factors, segment sales advanced 5.0%, to ¥778,417 million, and operating income increased 5.1%, to ¥46,154 million.

● Affiliated Business Division

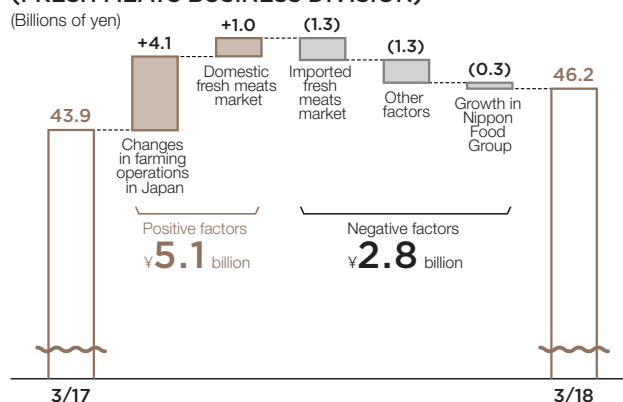
In marine products, major retail channel sales of such core offerings as tuna and shrimp remained robust. Prices rose in line with higher raw materials costs. Sales were strong to restaurant channels on which the Group stepped up its focus, particularly sushi purveyors. Segment sales accordingly rose from the previous fiscal year.

In the dairy products business, sales of yogurt and lactic acid probiotic beverages remained strong owing to favorable demand for smoothie series products at mass retailers and drugstores. Demand was solid for cheese, reflecting commercial demand from key bakeries, restaurants and food producers, as well as its popularity with consumers. Segment sales therefore increased.

FACTORS IMPACTING OPERATING INCOME (PROCESSED FOODS BUSINESS DIVISION)



FACTORS IMPACTING OPERATING INCOME (FRESH MEATS BUSINESS DIVISION)



Earnings of marine and dairy products were down, as hikes in raw materials prices, transportation costs, and other expenses lowered gross profit.

Owing to these factors, segment sales advanced 2.8%, to ¥163,548 million, while operating income declined 57.0%, to ¥1,612 million.

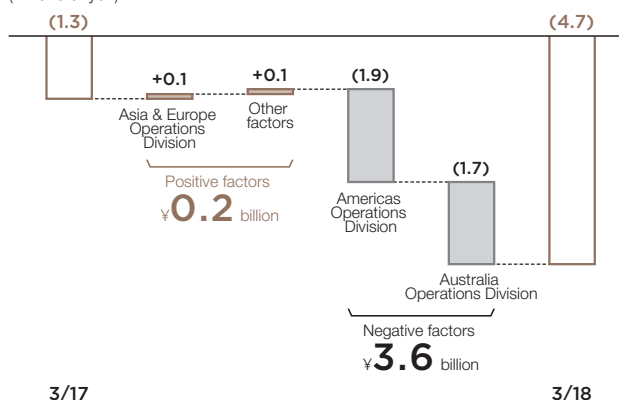
● Overseas Business Division

Sales of this division increased on progress in Asian and European operations. There, the Group enjoyed solid export revenues in Thailand and Singapore and favorable domestic sales of its poultry farming operations in Turkey. Revenues in the Americas grew on sales base expansion. Sales also rose in Australia. Also during the year, a meat processing company in Uruguay became a consolidated subsidiary. Segment sales thus increased for the term.

On the earnings front, Asian and European businesses performed better on steady progress at poultry farming operations in Turkey, which offset the impacts of high fresh meat prices in the United Kingdom and high raw materials costs in Thailand. Earnings were down in the Americas, reflecting intensified sales competition in the United States, lower gross profit owing to higher fresh meat prices, and increased marine product procurement costs in Chile. In

FACTORS IMPACTING OPERATING INCOME (LOSS) (OVERSEAS BUSINESS DIVISION)

(Billions of yen)



Australia, cattle collection improvements lowered procurement costs, but falling beef prices dragged earnings down.

As a result of these factors, sales of the Overseas Business Division surged 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.

OUTLOOK FOR THE YEAR ENDING MARCH 31, 2019

Notwithstanding anticipated benefits from the Japanese government's stimulus measures, the economic picture for the year ending March 31, 2019 remains unclear in view of prospects for the global economy, as well as uncertainty regarding government policies, foreign currency fluctuations, and higher labor and logistics costs owing to domestic personnel shortages. The Group will thus move forward with 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."

In the Processed Foods Business Division, we expect the operating climate to remain adverse despite signs of a gradual consumption recovery. Negative factors would include intensifying price competition, higher raw materials and fuel costs, and increased personnel and logistics expenses owing to personnel shortages. The Group will avoid preconceptions, enhancing product development by marketing from consumer perspectives and transforming its cost structure to optimize the overall value chain. Product development improvements will encompass accelerating decision-making, engaging more with customers, and striving to gather information and assess needs. The Group

will centralize sales of highly profitable core brand offerings and sell 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 information on production line operating levels with manufacturing and sales divisions to boost utilization rates and productivity.

In the Fresh Meats Business Division, the Group expects the operating climate to remain challenging amid global supply and demand volatility, notably in terms of fresh meat consumption growth in emerging countries and changing in feed prices owing to climate change. The Group will reinforce its business structure to maintain stable and uninterrupted supplies of the high-quality fresh meat products that consumers and other customers demand. The Group will therefore reinforce its unique integration system, covering everything from its own farms to logistics and sales companies, enhance market studies and analysis and focus on effective promotions to develop and cultivate the branded fresh meats customers seek. The Group will also deepen relationships with overseas fresh meat companies and build strategic partnerships for future free trade systems, creating conditions for continuous and stable purchasing. The Group will also overhaul its logistics networks and restructure sales offices with the aim of expanding its domestic sales share.

In the Affiliated Business Division, the marine products business will implement structural reforms and expand operations while improving profitability. The dairy products business will improve its

product and proposal capabilities and expand market share. The Group will drive efficiencies by strategically allocating capital expenditure at factories and by establishing a structure to increase production over the medium and long terms. With raw material prices expected to climb amid dramatic supply and demand swings, the Group will reinforce procurement in Japan and abroad. It will do so by undertaking customer-centric marketing to develop high-value-added products, centered on internally manufactured offerings to enhance profitability. The Group will strengthen sales collaboration while implementing multiproduct channel strategies and cultivating new markets.

The Overseas Business Division will strengthen the value chain, expanding sales in countries where it operates. 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. They will deliver an array of merchandise and services that match local preferences. We will bolster manufacturing and sales sites over the medium and long terms 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, aiming at "Building systems that pave the way to the future" under the "Medium-Term Management Plan 2020."

For the year ending March 31, 2019, management projects net sales of ¥1,310.0 billion. With regard to income, operating income, profit before tax, and profit attributable to owners of parent, they 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 as of the first quarter of the fiscal year ending March 31, 2019. It has accordingly prepared its consolidated results forecasts for the fiscal year ending March 31, 2019, in accordance with IFRS. As comparable results for the previous fiscal year are being calculated, rates of change from the previous fiscal year are not stated.

ANALYSIS OF FINANCIAL POSITION

ASSETS

At year-end, total assets stood at ¥755,076 million, a rise of 4.8% from a year earlier. Although trade notes and accounts receivable increased 17.8% from the end of the previous fiscal year, to ¥151,420 million, cash and cash equivalents decreased 27.0%, to ¥60,335 million. Inventories decreased 3.6%, to ¥127,905 million. Current assets thus dropped 4.1%, to ¥363,693 million. Property, plant and equipment—at cost, less accumulated depreciation increased 8.5%, to ¥307,558 million, reflecting higher capital expenditures.

LIABILITIES

Other current liabilities increased 62.8%, to ¥35,149 million, and trade notes and accounts payable rose 11.6%, to ¥113,654 million. Long-term debt, less current maturities was down 18.5%, to ¥62,451 million. This decline mainly reflected the conversion of euro yen convertible bonds with stock acquisition rights due

September 2018. Liabilities of ¥308,937 million were thus down 1.0% from a year earlier.

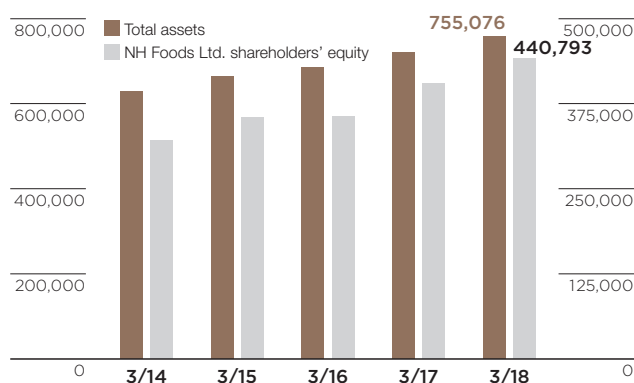
TOTAL NH FOODS LTD. SHAREHOLDERS' EQUITY

Total NH Foods Ltd. shareholders' equity increased 9.1% from the close of the previous year, to ¥440,793 million. Among the prime factors were ¥37,147 million in net income attributable to NH Foods Ltd. and the issuance of new shares from conversions of euro yen convertible bonds with stock acquisition rights due September 2018, adding ¥4,485 million to common stock and ¥4,317 million to capital surplus. Also, interest-bearing debt dropped ¥27,336 million, to ¥110,948 million.

As a result of these factors, the total NH Foods Ltd. shareholders' equity ratio rose 2.3 percentage points, to 58.4%.

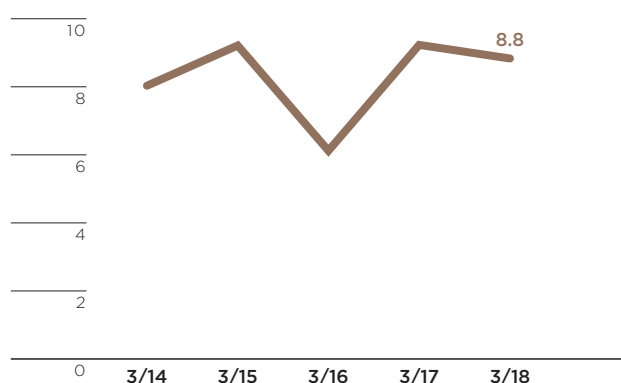
Note: Interest-bearing debt consists of short-term bank loans, current maturities of long-term debt, and long-term debt, less current maturities (including zero coupon convertible bonds), in the consolidated balance sheets.

TOTAL ASSETS/NH FOODS LTD. SHAREHOLDERS' EQUITY (Millions of yen)



RETURN ON EQUITY (ROE)

(Yen)



CASH FLOWS

● Cash Flows from Operating Activities

Net cash provided by operating activities was ¥54,626 million. Key factors were ¥37,419 million in net income and ¥21,719 million in depreciation and amortization, and a ¥9,883 million increase in trade notes and accounts payable, offset by a ¥22,168 million increase in trade notes and accounts receivable.

● Cash Flows from Investing Activities

Net cash used in investing activities was ¥49,006 million. This reflected a ¥3,636 million decrease in time deposits, ¥3,607 million in proceeds from sales of capital assets, ¥33,220 million in the capital expenditures, a ¥13,404 million net decrease in cash and cash equivalents resulting from purchase of businesses, and ¥8,929 million in investments in associated companies.

● Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥27,508 million. This reflected ¥18,556 million in repayments of debt and ¥10,980 million in cash dividends.

As a result, cash and cash equivalents at end of the year decreased ¥22,304 million, to ¥60,335 million.

CAPITAL EXPENDITURES

The Group has created an “integration system” that covers all aspects of its operations—from farming to processing, production, distribution, and sales—and invests in fixed assets as necessary to enhance, rationalize, and strengthen this system.

These investments totaled approximately ¥41.5 billion (including software) for the fiscal year. The principal investments are as described below.

● Processed Foods Business Division

This division, primarily Nipponham Factory Ltd., Nipponham Processed Foods Ltd., and other subsidiaries, used approximately ¥13.8 billion, mainly to expand and upgrade production facilities for hams and sausages, and processed foods.

● Fresh Meats Business Division

Capital expenditures by the division totaled approximately ¥15.6 billion. This spending included approximately ¥8.1 billion by Nippon White Farm Co., Ltd., Interfarm Co., Ltd., and other subsidiaries to upgrade and refurbish breeding facilities; approximately ¥3.3 billion by Kanto Nippon Food, Inc., Naka Nippon Food, Inc., and other subsidiaries to improve operational and logistics facilities; and approximately ¥4.0 billion by Nippon Food Packer, Inc., Nippon Pure Food, Inc., and other subsidiaries to upgrade processing and packing facilities.

● Affiliated Business Division

Capital expenditures totaling ¥6.4 billion were made in such areas as updating production and operational facilities in the marine and dairy products businesses of Hoko Co., Ltd. and Nippon Luna, Inc., among others.

● Overseas Business Division

The Overseas Business Division made around ¥4.8 billion in capital investments, including upgrading production and breeding facilities at Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi.

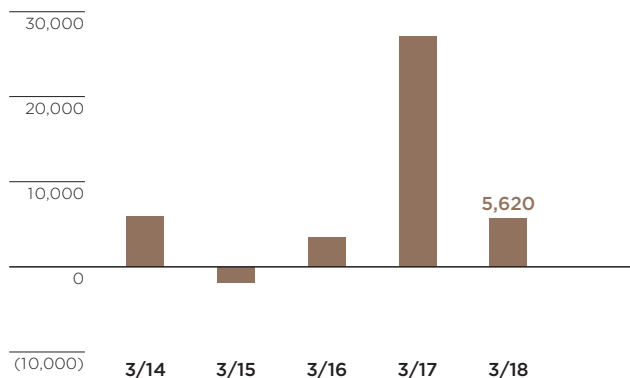
SHAREHOLDER RETURNS POLICY

The Group maintains a policy of paying dividends that are commensurate with business results while increasing internal reserves to strengthen its corporate fundamentals to drive its long-term development. It also seeks to harness retained earnings to fund investments to maintain competitiveness and generate sustainable growth and maintain and reinforce its financial position.

Management will accordingly pursue stable and continuous dividend growth, targeting a consolidated payout ratio of 30% to distribute profits in line with consolidated results. Management will flexibly acquire treasury stock, taking into account growth investments and the Group's financial position, to enhance shareholder value per share and return on equity.

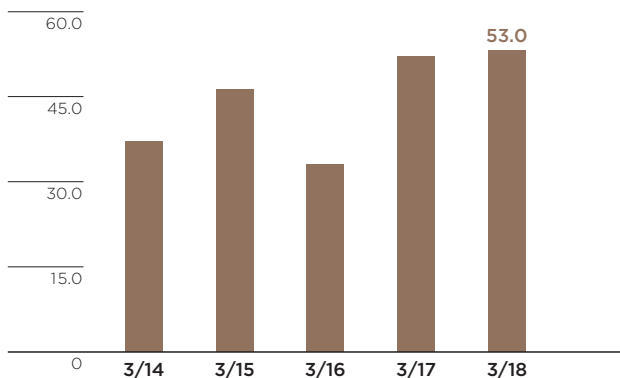
FREE CASH FLOW

(Millions of yen)



DIVIDEND PER SHARE

(Yen)



The Company paid a year-end dividend of ¥53.00 per share of common stock (for a consolidated payout ratio of 30.4%) for the year ended March 31, 2018.

Based on a projection of ¥32 billion in net income attributable to owners of parent for the year ending March 31, 2019, the

Company targets a year-end dividend of ¥90.00 per share of common stock on a consolidated payout ratio of 30%.

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.

BUSINESS RISKS

Risks with the potential to affect the Group's operating results and financial condition include, but are not limited to, the following major risks. These risks are related to future events, based on judgments made by the Group as of March 31, 2018.

1. Market-Related Risks

The Group's business centers on fresh meats and fresh meats-related processed products. As such, in addition to selling fresh meats, the Group uses fresh meats as raw materials for hams and sausages, processed foods, and other products. As a consequence, the Group's operating results and financial condition are vulnerable to fluctuations in market prices for livestock. Moreover, the Group's livestock breeding business, which supplies these fresh meats, is by nature affected not only by fluctuations in product prices but also by swings in feed and crude oil prices. The Group also manufactures marine and dairy products, and is thus vulnerable to market conditions and fluctuations in the prices of raw materials used in these businesses.

To counter market-related risks, the Group works to diversify its product procurement channels, develop high-value-added products, create brands, establish marketing strategies from a customer perspective, and make use of commodity futures contracts. The Group also strives to ensure the stable procurement of raw materials in anticipation of product demand and to maintain appropriate inventories of fresh meats. Such measures do not, however, guarantee complete avoidance of these risks.

The livestock market and the Group's operating results and financial condition may also be significantly affected by outbreaks of disease—such as BSE, avian influenza, foot-and-mouth disease, and the porcine epidemic diarrhea (PED) virus—as well as by the imposition of safeguard tariffs, that is, emergency restrictions on imports.

2. Safety-Related Risks

Based on its Open Quality concept, which emphasizes earning the trust of customers and responding to their expectations concerning the safety of its products, the Group has established Quality Policies: strict compliance with laws and regulations; creation of a quality and safety assurance network; objective assessment of product safety; product traceability; and closer links with customers.

In line with these policies, the Group has built a rigorous quality assurance framework for which it has obtained recognized third-party certification (i.e., ISO and HACCP) and a traceability system for the raw materials used in its fresh meats and processed food products, which include hams and sausages, thereby ensuring the safety and reliability of raw materials and strengthening its food defense strategy. It has further reinforced its measures for quality

improvement and has endeavored to secure safety and reliability. If, despite the best efforts of the Group, problems are found in any product or service provided by the Group, it will ensure prompt disclosure and take all necessary measures to prevent exacerbation of any such problems and ensure the safety of the customer as our main priority.

However, in the event of a quality issue that falls outside the scope of these initiatives or has a major impact on society because, for example, it threatens food safety, the impact thereof has the potential to affect the Group's operating results and financial condition.

3. Risks Related to the Procurement of Materials

The Group strives to increase production efficiency and reduce inventory losses and distribution costs. However, should the Group be unsuccessful in offsetting increases in costs related to the procurement of materials and fuel or to distribution—attributable to such factors as high crude oil prices—or in passing those costs onto customers by raising product prices, the resulting increases in costs have the potential to affect the Group's operating results and financial condition.

4. Foreign Exchange Risks

The translation into yen of costs, income, and trade receivables and payables associated with transactions undertaken by the Group denominated in other currencies may be affected by fluctuations in currency rates.

To minimize exchange risks, the Group utilizes hedging instruments, including foreign currency forward exchange contracts, currency swap contracts, currency option contracts, and cross currency swap contracts. Such measures do not, however, guarantee protection against the impact of these risks. Moreover, the use of hedging instruments to minimize foreign exchange risks may expose the Group to the risk of opportunity loss in the event foreign exchange market fluctuations exceed management's estimates.

There is also a risk that translation losses—that is, losses arising from the translation of the foreign currency-denominated financial statements of overseas consolidated subsidiaries into yen—may accumulate in the foreign currency translation adjustments, triggering fluctuations in shareholders' equity in the consolidated financial statements. Such fluctuations have the potential to affect the Group's operating results and financial condition.

To hedge risks associated with transactions in foreign currencies, the Group continually monitors currency markets in accordance with its exchange risk management policies and periodically assesses its exposure to foreign exchange risks. All foreign currency forward exchange contracts, currency swap contracts, currency option contracts, and cross-currency swap contracts are carried out based on these policies and on internal regulations governing transactional authority and transaction amount limits.

5. Interest Rate Risks

The Group raises the bulk of the funds it requires through loans from third parties and other forms of interest-bearing debt. Most of the Group's interest-bearing debt—¥110.9 billion as of March 31, 2018—is fixed-rate. Accordingly, the Group believes that for the foreseeable future the direct impact of interest rate increases will be negligible. Nonetheless, in a high interest-rate environment, any increase in the Group's interest burden has the potential to affect the Group's operating results and financial condition.

6. Share Price Risks

Marketable securities held by the Group consist principally of the shares of its business partners. As such, the Group is exposed to share price risks associated with market price fluctuations. As of March 31, 2018, these shares represented unrealized gains. However, share price movements in the future may significantly affect the Group's operating results and financial condition.

Additionally, should the value of pension plan assets be negatively affected by weakness in the stock market, pension costs may increase and additional pension plan assets may become necessary.

7. Risks of Impairment Losses on Long-Lived Assets

Should the value of long-lived assets owned by the Group decrease, necessitating the application of impairment accounting, resulting losses have the potential to affect the Group's operating results and financial condition.

8. Risks Associated with Natural Calamities, Unforeseen Accidents, and Social Upheaval

The Group has operations in Japan and several other countries. The geographical locations of these operations involve certain risks. Any of the following occurrences has the potential to affect the Group's operating results and financial condition:

- Earthquake, flood, or other major natural calamity and the potential impact thereof on the infrastructure, i.e., damage to roads, harbors, and rail lines and the interruption of gas, water, and electric power supplies
- Environmental contamination (pollution of the atmosphere, water, or soil) resulting from an unforeseen accident or chance occurrence
- Social unrest caused by the spread of an infectious disease, such as influenza
- Unforeseen establishment of adverse laws or regulations, or the repealing of laws or regulations
- Unforeseen adverse economic or social event
- Occurrence of social or economic disorder caused by such events as war, conflict, or terrorist attack

9. Risks of Information Leakage

In line with internal regulations for safeguarding personal information and governing insider trading, the Group rigorously protects and manages both the personal information it possesses and critical corporate information through such measures as compliance training and hierarchical employee education. The Group has also formulated measures to ensure the security of its information system and to respond to the impact of major disasters. Nonetheless, information may be leaked, falsified, or lost, in the event of a natural calamity that exceeds assumptions, an extended interruption of power supplies, damage to hardware and/or software, a computer virus, or unauthorized access to the Group's computer networks. A protracted breakdown of the Group's information systems may also occur. Any of these occurrences has the potential to affect the Group's operating results and financial condition.

10. Compliance Risks

The Group strives to maintain a corporate culture that emphasizes transparency and sound business practices and works continuously to reinforce and instill awareness of compliance matters. The Group has established a risk management structure that ensures its ability to respond swiftly to recognized risks. The Compliance Committee, which is chaired by an executive who is appointed by the president and representative director of the parent company, is responsible for ensuring compliance Groupwide, while the Compliance Department is charged with deploying ongoing measures aimed at enhancing understanding among employees and management, as well as with compliance risk mitigation.

However, should an instance of noncompliance, such as the failure of an employee or member of management to comply with a relevant law or regulation, arise, it would have the potential to affect the Group's operating results and financial condition.

11. Risks Associated with Environmental Issues

In line with its Environmental Policies, the Group is committed to conducting its business in a manner that incorporates consideration for the environment, thereby contributing to the realization of a sustainable society.

The Group has obtained certification under ISO 14001 and is working to earn certification from other key external organizations. The Group's management practices, which include environmental audits implemented by the CSR Department, also reflect its commitment to being an environment-friendly organization. The Group also endeavors to ensure the appropriateness and transparency of its environmental and other CSR initiatives.

Nonetheless, in the event of an accident, negligence, or other problem resulting in environmental contamination, the Group may be obliged to pay for remediation and/or damages. In the event that existing laws and regulations are revised, the Group may be obliged to significantly increase environment-related investment. Either of these occurrences has the potential to affect the Group's operating results and financial condition.

Five-Year Summary

NH Foods Ltd. and Subsidiaries
For the Years Ended March 31

	Millions of Yen				
	2018	2017	2016	2015	2014
Net Sales	¥1,269,201	¥1,202,293	¥1,229,324	¥1,199,956	¥1,110,766
Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies	50,455	49,112	35,309	43,797	35,673
Net Income Attributable to NH Foods Ltd.	37,147	35,004	21,779	31,048	24,524
Total Assets	755,076	720,276	682,855	661,567	627,220
Total NH Foods Ltd. Shareholders' Equity	440,793	404,126	356,353	353,664	320,984
Interest-Bearing Debt	110,948	138,284	154,583	136,758	144,901
Net Cash Provided by Operating Activities	54,626	65,254	52,535	29,681	32,952
Net Cash Used in Investing Activities	(49,006)	(38,271)	(49,139)	(31,517)	(27,021)
Free Cash Flow	5,620	26,983	3,396	(1,836)	5,931
Net Cash Provided by (Used in) Financing Activities	(27,508)	(11,439)	8,182	(17,187)	(9,373)
Capital Expenditures	41,466	43,765	36,799	35,694	29,152
Depreciation and Amortization	21,234	19,765	19,445	18,951	18,649

Per Share Amounts:	Yen					
Basic Earnings per Share Attributable to NH Foods Ltd. Shareholders						
Continuing operations	¥ 348.46	¥ 343.59	¥ 245.56	¥ 297.70	¥ 248.02	
Discontinued operations		(0.12)	(31.72)	7.16	(3.79)	
Total	¥ 348.46	¥ 343.47	¥ 213.84	¥ 304.86	¥ 244.23	
Diluted Earnings per Share Attributable to NH Foods Ltd. Shareholders						
Continuing operations	¥ 342.07	¥ 322.66	¥ 230.61	¥ 279.50	¥ 225.27	
Discontinued operations		(0.12)	(29.72)	6.72	(3.44)	
Total	¥ 342.07	¥ 322.54	¥ 200.89	¥ 286.22	¥ 221.83	
Total NH Foods Ltd. Shareholders' Equity	¥ 4,100.70	¥ 3,832.95	¥ 3,498.72	¥ 3,472.37	¥ 3,151.94	
Cash Dividends	¥ 53.00	¥ 52.00	¥ 33.00	¥ 46.00	¥ 37.00	

Financial Indicators:		Percent				
Return on Equity (ROE)	8.8%	9.2%	6.1%	9.2%	8.0%	
Return on Invested Capital (ROIC)	6.2%	7.0%	6.5%	6.4%	4.9%	
NH Foods Ltd. Shareholders' Equity Ratio	58.4%	56.1%	52.2%	53.5%	51.2%	
		Times				
Debt/Equity Ratio	0.25	0.34	0.43	0.39	0.45	
Interest Coverage Ratio	44.70	57.40	35.10	24.20	21.30	

Notes

- The above figures are based on the consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America.
- See Note 1 to the consolidated financial statements with respect to the determination of the number of shares in computing the per share amounts attributable to NH Foods Ltd. shareholders.
- Certain figures for the years ended on or before March 31, 2014 were adjusted retrospectively as a result of a change in accounting policy about the classification of "cash and cash equivalents" for the year ended March 31, 2015.
- 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, Basic earnings per share attributable to NH Foods Ltd. shareholders and Diluted earnings per share attributable to NH Foods Ltd. shareholders were computed on the assumption that the share consolidation was carried out at the beginning of the year ended March 31, 2014. Cash dividends represent the actual payment prior to the relevant share consolidation.
- In accordance with Accounting Standards Codification ("ASC") Topic 205, "Presentation of Financial Statements," certain figures for the years ended on or before March 31, 2016 relating to the discontinued operation have been reclassified to conform to the current year's presentation.
- Interest-bearing debt consists of 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.
- Capital expenditures represent the additions to tangible and intangible fixed assets.
- Depreciation and amortization consist of depreciation of tangible fixed assets and amortization of intangible fixed assets.
- ROE = (Net income attributable to NH Foods Ltd. / Average total NH Foods Ltd. shareholders' equity) × 100
ROIC = (Operating income after tax / (Total equity + Interest-bearing debt)) × 100
Free Cash Flow = Net cash provided by operating activities + Net cash used in investing activities
NH Foods Ltd. Shareholders' Equity Ratio = (NH Foods Ltd. shareholders' equity / Total assets) × 100
Debt / Equity Ratio = Interest-bearing debt / NH Foods Ltd. shareholders' equity
Interest Coverage Ratio = Net cash provided by operating activities / Interest paid