



Annual Report 2016 → Year Ended March 31, 2016

Renovation

Nipponham Group is overhauling operations to create a stable business model through reform, the theme of Medium-Term Management Plan Part 5.

Our specific goals are to secure a 25% share in both the domestic fresh meats market and the hams and sausages market, generate 25% of consolidated net sales overseas, and strive to realize the Group's objectives.

What will not change are our founding corporate commitments to remaining at the forefront in our exploration of food's contributions and becoming the world leader in delivering the "Joy of Eating."

Corporate Philosophies

1. Under the basic theme of "Joy of Eating" our company creates a culture that marks an epoch and contributes to society.
2. Our company is a place where employees can feel truly happy and fulfilled.

Management Principles

1. Act with noble ideals and the determination to achieve them.
2. Learn from others, teach others, and be willing to be taught by others.
3. Create the times by meeting the needs of the times.
4. Expand relationships through quality and service, and take responsibility for all people with whom we have relationships.
5. Strive for a highly functional organization.

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The Group's Brand Statement

The Brilliance of People for the Future of Food

The Group Brand Pledges

We aspire to share the pleasures of good eating and the joys of health with people around the world.

We pledge to impart the “Joy of Eating” with the greatest of care, through products that reflect our appreciation of the bounty of nature and our uncompromising commitment to quality, and to remain at the forefront in our exploration of food’s contribution to a happy and healthy life.

Contributing to Happy and Healthy Lives

Cultivating the bounty of nature

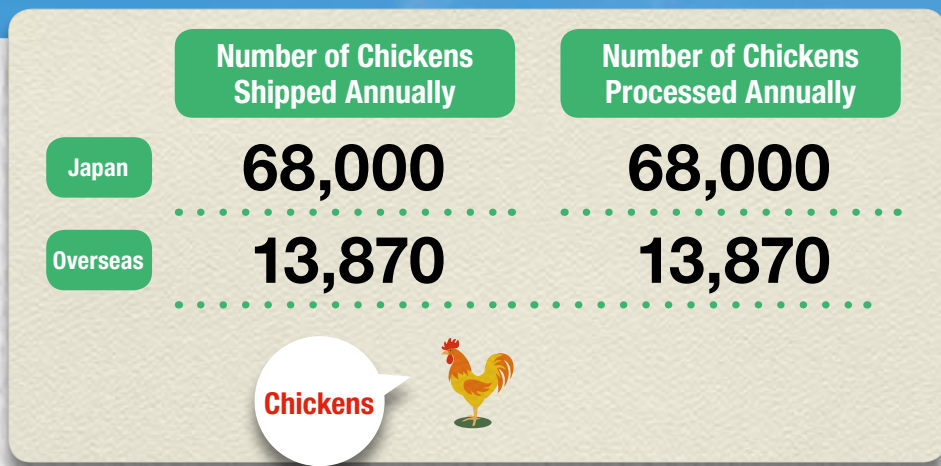
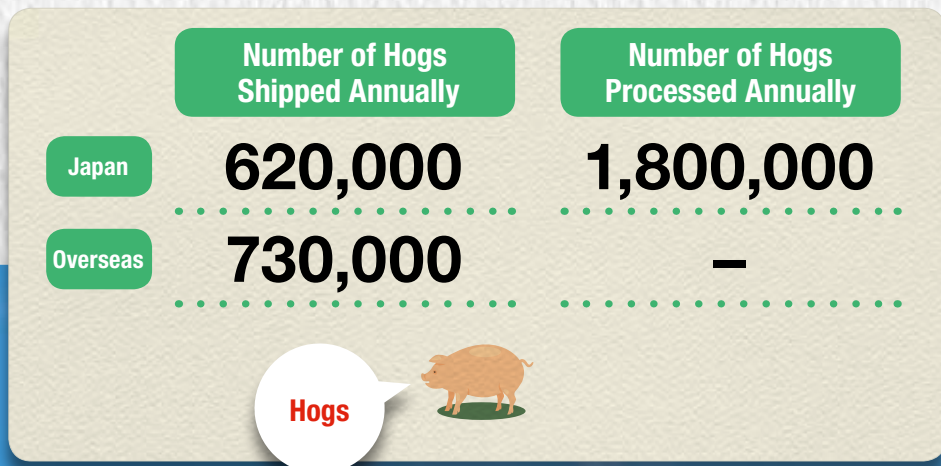
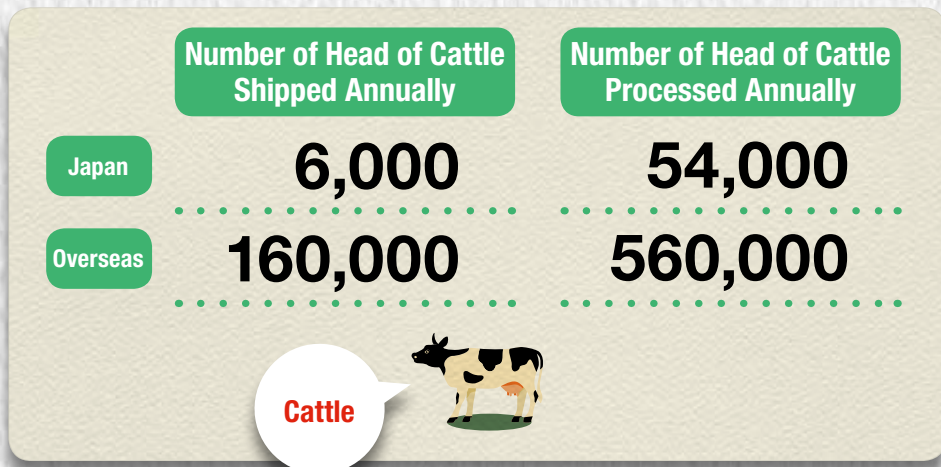
When Japanese people say “*Itadakimasu*” to express their gratitude before a meal, they do so in thanks for the life that made the repast possible. People and all other living things are connected in nature.

We appreciate, love, and nurture life.

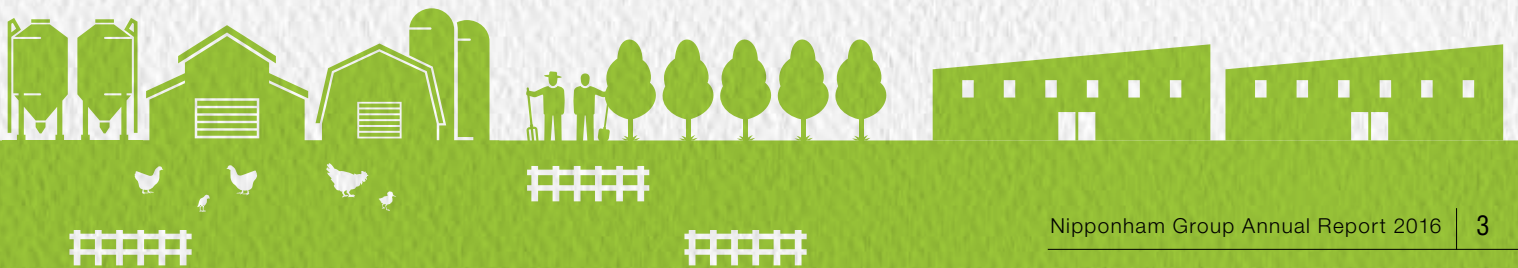


Number of Farms		
	Owned	Contracted
Japan	121	258
Overseas	34	139





As of April 1, 2016



Creating Everything Wholeheartedly

We produce delicious food from the life we carefully nurture.

However, we are never satisfied with simply being good enough.

We put our hearts into everything we do to create delicious food, pursuing quality so food is tastier and safer.

Number of Plants*

	Japan	Overseas
Hams and sausages	15	3
Processed foods	10	5
Extracts and freeze-dried foods	4	2
Processed marine products	3	8
Dairy products	4	—
Others	1	3

*Excluding fresh meats processing and packaging plants

As of April 1, 2016



Rolf Yamato Factory, Hoko Co., Ltd.



Nishinomiya Plant, Nippon Pure Food, Inc.



Kyoto Plant, Nippon Luna, Inc.



Ibaraki Plant, Nipponham Factory Ltd.



Kanto Plant, Nipponham Processed Foods Ltd.



Delivering the “Joy of Eating”

In an ever-changing world, we will continue to ask ourselves what products our customers expect and what selling approaches our customers will find the most receptive.

We will deliver the “Joy of Eating.”



Nippon Logistics Center, Inc. (Tokyo Office)



Nippon Daily Net Co., Ltd. (Neyagawa Center)



Logistics Centers

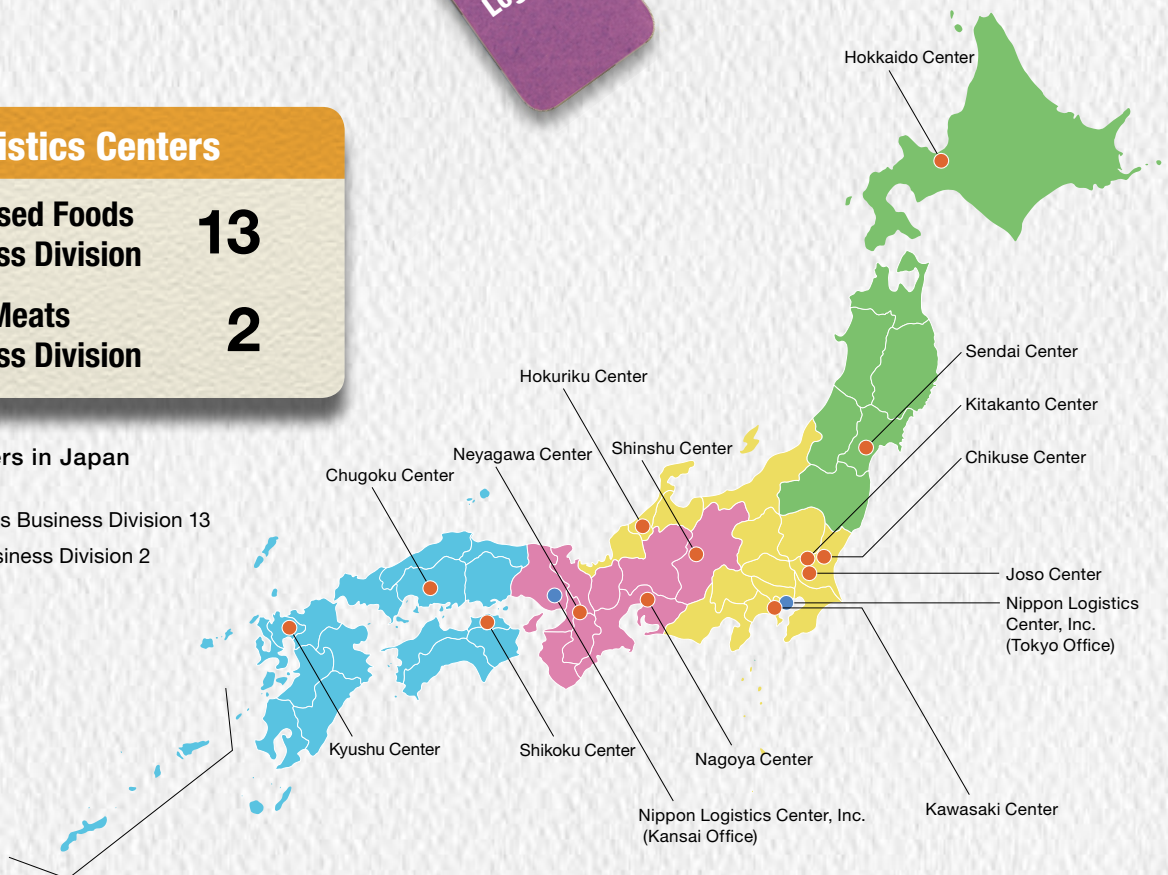
Processed Foods Business Division 13

Fresh Meats Business Division 2

Logistics Centers in Japan

(As of June 30, 2016)

- Processed Foods Business Division 13
- Fresh Meats Business Division 2



Sales Network

234 bases in Japan

**Processed Foods
Business Division 60**

**Fresh Meats
Business Division 116**

**Affiliated Business
Division 58**



As of April 1, 2016





Our Products

We rigorously manage the quality of all of our offerings, delivering fresh meats, processed foods, marine products, dairy products, and a variety of other foods that we produce and process to dining tables around the world.





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Forward-looking statements

This annual 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 exchange rates. Actual performance may differ significantly from the targets in this presentation, and investment decisions should not be based exclusively on them.

A Message to Shareholders



President and Representative Director

Juichi Suezawa

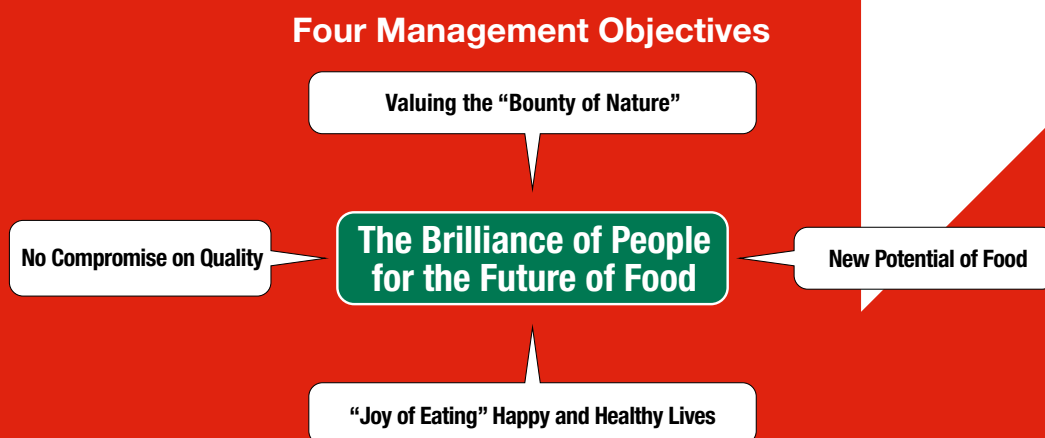
By becoming the world leader in delivering the “Joy of Eating,” the Group is contributing to people’s happiness and healthy living.

In the fiscal year ended March 31, 2016, the Group greatly exceeded its initial operating income target. In April 2015, we embarked on New Medium-Term Management Plan Part 5, the theme of which is to create a stable business model through reform. We deployed management policies under that theme to establish competitive advantages of domestic businesses and accelerate to a global company. During the year under review, we generated solid results by shifting our growth strategy into gear. For example, we reinforced our domestic farm business and our business alliance with Lay Hong Berhad in Malaysia.

Our vision is to operate in keeping with the four key management priorities for all of our businesses and to realize our brand statement, “The Brilliance of People for the Future of Food.”

We operate an integration system for cattle, hogs, and chickens, extending from production and breeding to processing, logistics, and sales. We aim to become a globally diversified enterprise specializing in proteins as we build our international presence. We consider it important to become a dynamic, diverse, and vision-driven entity in our efforts to lead the world in delivering the “Joy of Eating.”

We look forward to the support and encouragement of shareholders and other investors for our efforts to fulfill our growth potential in the years ahead.



Consolidated Financial Highlights

10-Year Summary

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

	Millions of Yen				
	2016	2015	2014	2013	2012
Net Sales	¥1,240,728	¥1,212,802	¥1,122,097	¥1,022,839	¥1,017,784
Operating Income	46,340	48,444	35,700	28,021	26,513
Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies	32,139	44,544	35,303	28,031	26,766
Net Income Attributable to NH Foods Ltd.	21,779	31,048	24,524	16,459	11,655
Total Assets	682,855	661,567	627,220	610,293	589,125
Total NH Foods Ltd. Shareholders' Equity	356,353	353,664	320,984	293,414	290,020
Interest-Bearing Debt	154,606	136,806	144,963	149,821	139,187
Net Cash Provided by Operating Activities	52,535	29,681	32,952	37,407	26,432
Net Cash Used in Investing Activities	(49,139)	(31,517)	(27,021)	(22,384)	(19,098)
Free Cash Flow	3,396	(1,836)	5,931	15,023	7,334
Net Cash Provided by (Used in) Financing Activities	8,182	(17,187)	(9,373)	(10,964)	(23,745)
Capital Expenditures	36,799	35,694	29,152	33,285	19,487
Depreciation and Amortization	19,445	18,951	18,649	19,323	23,756

Per Share Amounts:

	Yen				
Basic Earnings per Share Attributable to NH Foods Ltd. Shareholders	¥ 106.92	¥ 152.43	¥ 122.11	¥ 79.42	¥ 54.79
Diluted Earnings per Share Attributable to NH Foods Ltd. Shareholders	100.44	143.11	110.92	71.44	49.40
Total NH Foods Ltd. Shareholders' Equity	1,749.36	1,736.18	1,575.97	1,474.60	1,363.34
Cash Dividends	33.00	46.00	37.00	24.00	18.00

Financial Indicators:

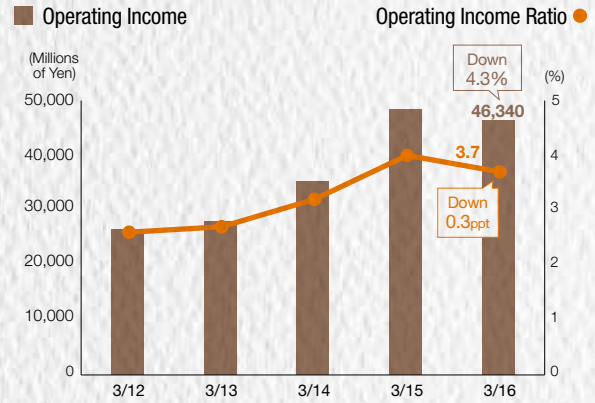
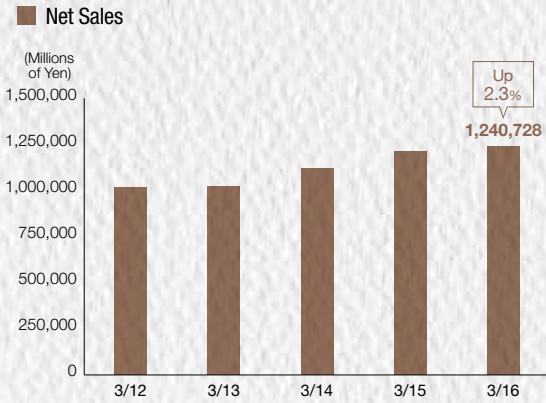
Ratio of Operating Income to Net Sales	3.7%	4.0%	3.2%	2.7%	2.6%
Return on Equity (ROE)	6.1%	9.2%	8.0%	5.6%	4.1%
Return on Assets (ROA)	4.8%	6.9%	5.7%	4.7%	4.5%
NH Foods Ltd. Shareholders' Equity Ratio	52.2%	53.5%	51.2%	48.1%	49.2%
Debt/Equity Ratio	0.43 times	0.39 times	0.45 times	0.51 times	0.48 times
Interest Coverage Ratio	35.1 times	24.2 times	21.3 times	22.8 times	14.5 times
Payout Ratio (Consolidated)	30.9%	30.2%	30.3%	30.2%	32.9%
Stock price: High	¥3,235	¥2,999	¥1,863	¥1,599	¥1,180
Low	¥2,085	¥1,505	¥1,292	¥ 923	¥ 918

					Thousands of U.S. Dollars
2011	2010	2009	2008	2007	2016
¥989,308	¥953,616	¥1,028,449	¥1,029,694	¥975,466	\$10,979,894
33,175	24,855	21,417	17,769	16,533	410,089
29,523	24,024	6,287	7,760	13,835	284,417
16,731	15,721	1,657	1,555	11,386	192,735
590,688	604,201	583,684	608,809	612,933	6,042,963
281,067	271,908	270,439	287,457	298,428	3,153,567
155,263	187,585	168,950	183,539	171,211	1,368,195
36,761	67,448	37,776	29,690	33,164	464,912
(12,829)	(16,369)	(4,519)	(26,997)	(17,999)	(434,858)
23,932	51,079	33,257	2,693	15,165	30,054
(36,951)	(5,227)	(24,761)	7,451	(6,322)	72,407
17,189	19,754	22,148	18,627	19,441	325,655
24,115	24,408	24,000	23,939	22,975	172,080
					U.S. Dollars
¥ 78.67	¥ 69.69	¥ 7.26	¥ 6.81	¥ 49.89	\$ 0.95
70.92	68.99	7.25	6.80	49.83	0.89
1,321.37	1,278.83	1,185.25	1,259.74	1,307.77	15.48
16.00	16.00	16.00	16.00	16.00	0.29
3.4%	2.6%	2.1%	1.7%	1.7%	
6.1%	5.8%	0.6%	0.5%	3.9%	
4.9%	4.0%	1.1%	1.3%	2.3%	
47.6%	45.0%	46.3%	47.2%	48.7%	
0.55 times	0.69 times	0.62 times	0.64 times	0.57 times	
17.0 times	31.6 times	15.0 times	11.0 times	11.4 times	
20.3%	23.0%	220.4%	234.9%	32.1%	
¥1,267	¥1,239	¥1,860	¥1,589	¥1,483	
¥ 851	¥ 987	¥ 885	¥1,023	¥1,175	

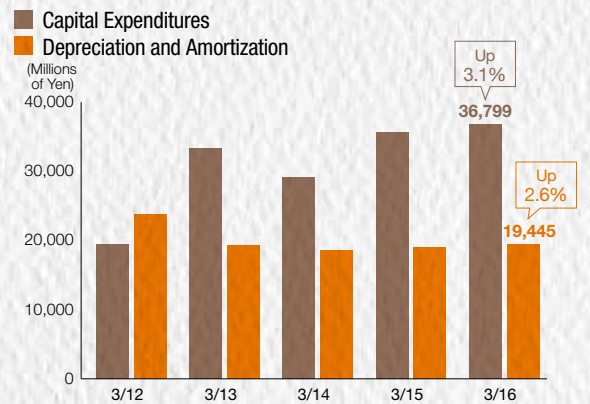
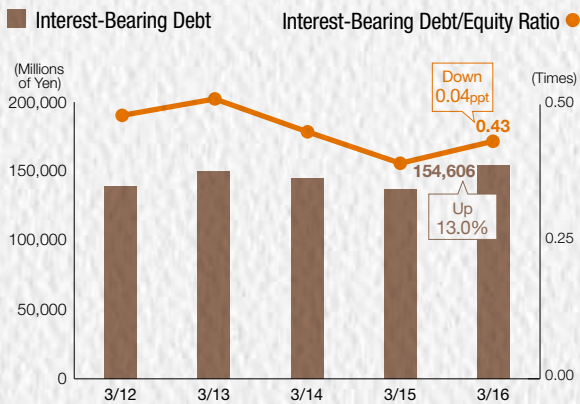
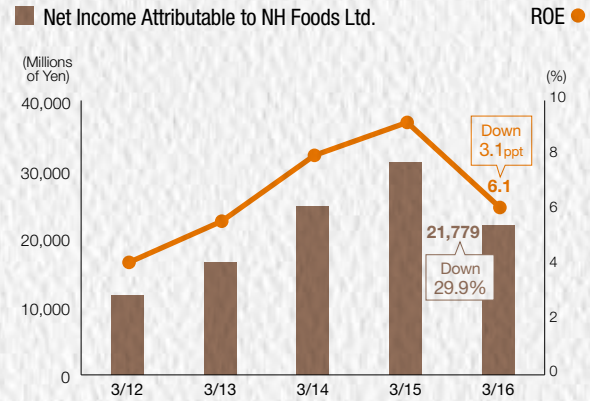
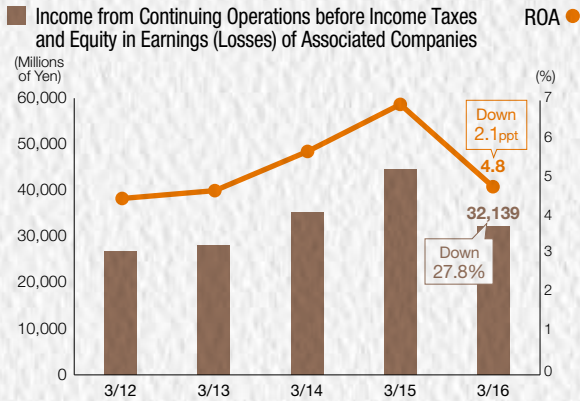
Notes

- The figures are based on the consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America.
- The United States dollar amounts represent translations of Japanese yen at the rate of ¥113 = \$1. See Note 1 to the consolidated financial statements.
- Figures have been rounded to the nearest unit.
- Certain figures for the years ended on or before March 31, 2014 were adjusted retroactively as a result of a change in accounting policy about the classification of "cash and cash equivalents" for the year ended March 31, 2015.
- The consolidated financial statements for the years ended on or before March 31, 2009, have been reclassified to conform to the presentation requirements in accordance with the Accounting Standards Codification ("ASC") of the U.S. Financial Accounting Standards Board Topic 810, "Consolidation."
- In accordance with ASC Topic 205 "Presentation of Financial Statements," certain figures for the years ended on or before March 31, 2008 relating to the discontinued operation have been reclassified to conform to the current year's presentation.
- Operating income represents net sales less cost of goods sold and selling, general and administrative expenses.
- 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) x 100
ROA = (Income from continuing operations before income taxes and equity in earnings (losses) of associated companies / Average total assets) x 100
Free Cash Flow = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities
NH Foods Ltd. Shareholders' Equity Ratio = (NH Foods Ltd. shareholders' equity / Total assets) x 100
Debt / Equity Ratio = Interest-bearing debt / NH Foods Ltd. shareholders' equity
Interest Coverage Ratio = Net cash provided by operating activities / Interest paid

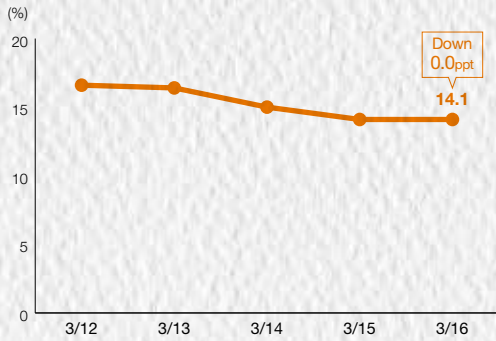
Consolidated Financial Highlights



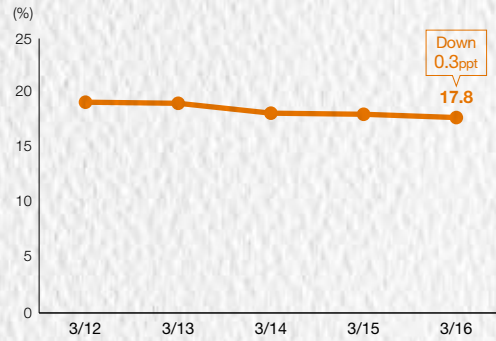
Note: Operating income is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, in accordance with Japanese accounting practices.



● Selling, General and Administrative Expenses Ratio

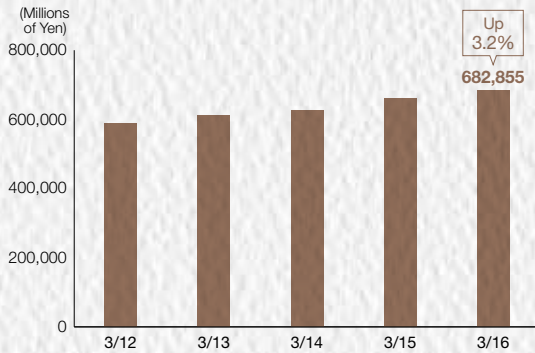


● Gross Profit Ratio

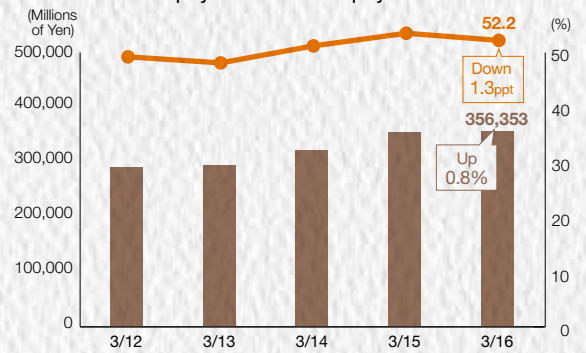


Note: Gross profit represents net sales less cost of goods sold.

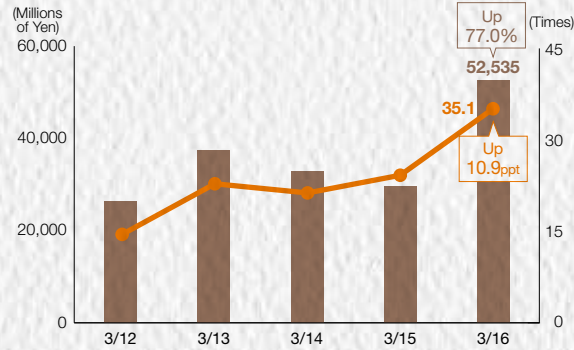
■ Total Assets



■ Total NH Foods Ltd. Shareholders' Equity ● NH Foods Ltd. Shareholders' Equity Ratio

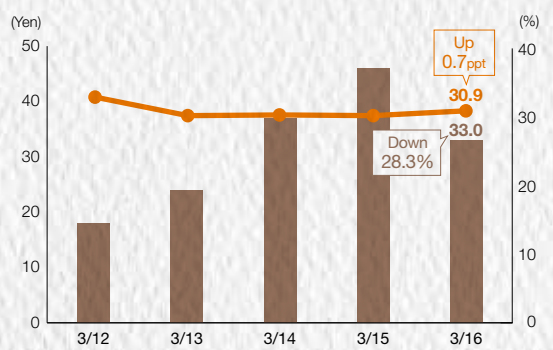


■ Net Cash Provided by Operating Activities



● Interest Coverage Ratio

■ Dividends per Share



● Payout Ratio (Consolidated)



Creating a stable business model through reform

Management Policies

1	Establish competitive advantages of domestic businesses	2	Accelerate to a global company
	<ul style="list-style-type: none"> ● Establish No. 1 brand supported by customers ● Continue to improve profitability ● Strengthen Group synergies 		<ul style="list-style-type: none"> ● Globalize integration ● Expand area of deployment ● Expand business domains

Top-notch management for No.1 quality that promotes the growth strategy

- Enhancement of quality of “products,” “management,” and “human resources”
- Continuous strengthening of compliance and corporate governance
- Pursuit of social responsibility

Management Strategies	Initiatives
<p>1 Continuous strengthening of profitability in domestic businesses</p>	<ul style="list-style-type: none"> ● Further strengthening of procurement ability and integration ● Expansion of market share by active investment in growth markets
<p>2 Expansion of overseas net sales at an early stage</p>	<ul style="list-style-type: none"> ● Further advance into large markets and emerging nations ● Overseas expansion of a diversity of top brand products
<p>3 Promotion of strategic branding</p>	<ul style="list-style-type: none"> ● Promotion of marketing and branding across the Group; realization of brand synergies between the Group, companies, and products
<p>4 Reinforcement of cross-Group corporate functions</p>	<ul style="list-style-type: none"> ● Procurement and cultivation of human resources responsible for global and management ● Introduction of ROIC as a business division performance indicator

Progress of Financial Targets

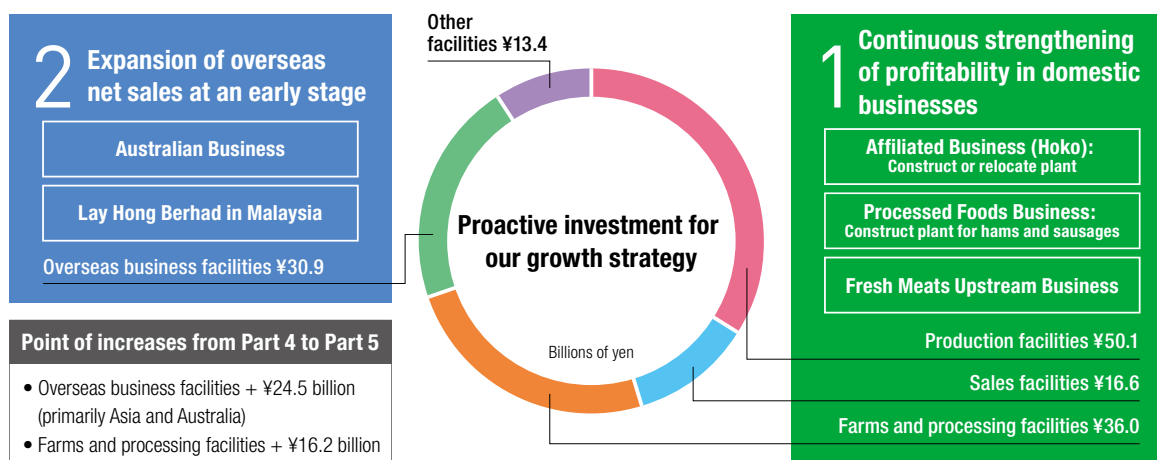
(Billions of yen)

	3/2016 results	3/2017 plan	3/2018 plan
Net sales	1,240.7	1,270.7	1,300.0
Operating income	46.3	49.0	52.0
Income before income taxes	32.1	44.0	50.0
Net income attributable to NH Foods Ltd.	21.8	31.0	33.0
Operating income ratio	3.7%	3.9%	4.0%
ROE	6.1%	–	Over 8.0%

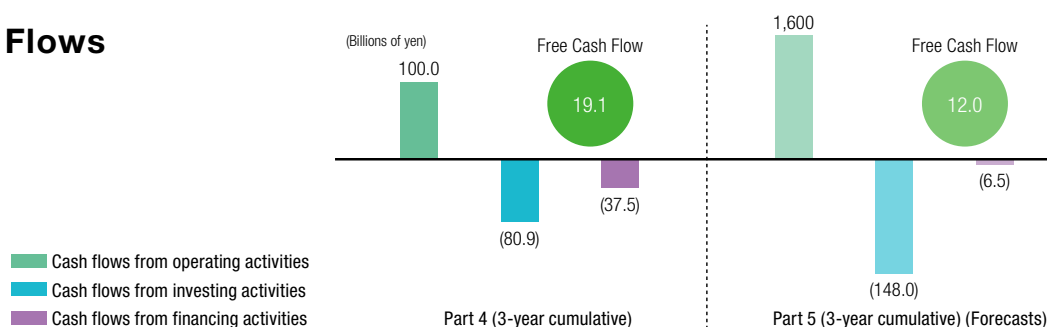
Progress of Capital Expenditures

Total Capital Expenditures (Part 5 Cumulative)

¥147.0 billion (Difference from Part 4 + ¥48.9 billion)



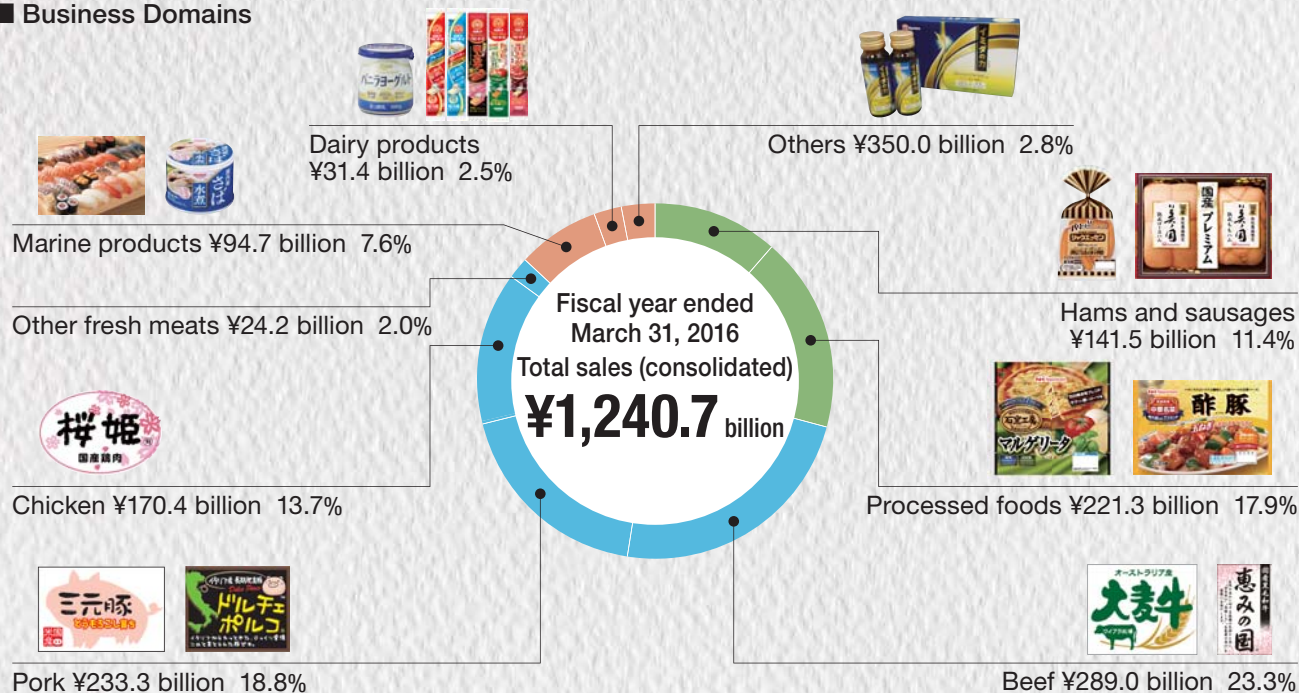
Cash Flows



At a Glance

We have expanded beyond our origins in manufacturing hams and sausages to making a wide range of products, including a variety of processed foods, marine products, dairy products, and health foods.

Business Domains



Global Network



As of April 2016

Notes: 1. Includes subsidiaries by the equity method
 2. Names of countries include resident offices

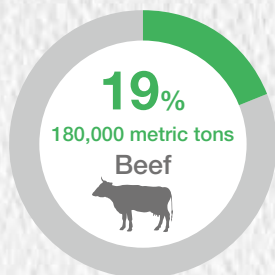
	Number of Bases (including partners')	Japan	Overseas
Farms	552	379	173
Plants	100	74	26
Logistics and sales locations, etc.	361	325	36



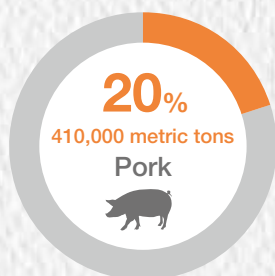
■ Share of Fresh Meats Sales

No. 1 in Japan

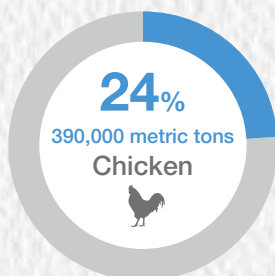
Domestic market shares by sales volume in fresh meats (domestic and imported)



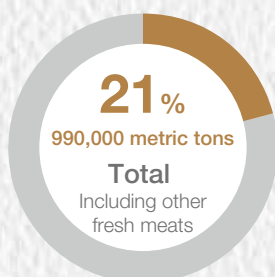
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(Based on NH Foods data as of June 2016)

■ Market Position

Fresh Meats Industry

Major 10 Global Fresh Meats Companies based on Net Sales

	Net sales (¥ million)	Location	Fiscal year
JBS S.A.	6,020,343	Brazil	Year ended December 2015
Tyson Foods, Inc.	4,978,001	USA	Year ended October 2015
WH Group Limited	2,548,049	China	Year ended December 2015
NH Foods Ltd.	1,240,728	Japan	Year ended March 2016
Brasil Foods S.A.	1,189,793	Brazil	Year ended December 2015
Hormel Foods Corporation	1,112,961	USA	Year ended October 2015
Danish Crown Group (non-listed)	1,058,310	Denmark	Year ended September 2015
Marfrig Alimentos S.A.	698,129	Brazil	Year ended December 2015
SEABOARD CORPORATION	672,063	USA	Year ended December 2015
VION Food Group (non-listed)	611,535	Netherlands	Year ended December 2015

Major 7 Domestic Fresh Meats Companies based on Net Sales

	Net sales (¥ million)	Operating income (¥ million)	Fiscal year
NH Foods Ltd.	1,240,728	46,340	Year ended March 2016
Itoham Foods Inc.	638,779	10,203	Year ended March 2016
Prima Meat Packers, Ltd.	361,223	7,963	Year ended March 2016
Starzen Co., Ltd.	303,402	3,914	Year ended March 2016
S Foods Inc.	242,566	8,428	Year ended February 2016
Marudai Food Co., Ltd.	229,543	4,168	Year ended March 2016
Yonekyu Co., Ltd.*	178,671	7,182	Year ended March 2016

Food Industry

Major 10 Domestic Food Companies

	Net sales (¥ million)	Operating income (¥ million)	Fiscal year
Suntory Holdings Ltd. (non-listed)	2,686,765	185,094	Year ended December 2015
Japan Tobacco Inc.	2,252,884	565,229	Year ended December 2015
Kirin Holdings Co., Ltd.	2,196,925	124,751	Year ended December 2015
Asahi Group Holdings	1,857,418	135,119	Year ended December 2015
NH Foods Ltd.	1,240,728	46,340	Year ended March 2016
Meiji Holdings Co., Ltd.	1,223,746	77,781	Year ended March 2016
Ajinomoto Co., Inc.	1,185,980	91,045	Year ended March 2016
Yamazaki Baking Co., Ltd.	1,027,199	27,001	Year ended December 2015
Maruha Nichiro Holdings, Inc.	884,811	16,972	Year ended March 2016
Itoham Foods Inc.*	638,779	10,203	Year ended March 2016

*Itoham Foods Inc. and Yonekyu Corporation established Itoham Yonekyu Holdings Inc. on April 1, 2016.

Sales Overview

With the establishment of the new Overseas Business Division in April 2016, Nipponham Group has adopted a segment setup composed of four business divisions.

Previously, overseas businesses and affiliated companies operated under separate business divisions: the Processed Foods Business Division, Fresh Meats Business Division, and Affiliated Business Division. However, through the establishment of the Overseas Business Division, these businesses and companies have now become more centralized and transparent, helping the Group to accelerate to a global company.

Processed Foods Business Division

Figures in parentheses are results under the previous segment setup

Segment Sales

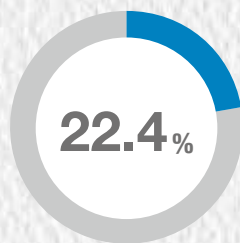
¥338.1 billion

(¥356.6 billion)

Operating Income

¥3.9 billion

(¥4.1 billion)



Share of net sales

Notes: 1. Sales share is after eliminations, adjustments, and others

2. Sales figure above is for the operating segment and includes intersegment transactions

Hams and Sausages Business



Deli and Processed Foods Business



Main Products

Business Model

Product Development



We seek to increase demand in our pursuit of delicious hams and sausages. We also develop new cooked foods.

Production



Each of our 25 domestic plants has obtained Hazard Analysis and Critical Control Point (HACCP) system and ISO certifications and maintains strict sanitary controls.

Logistics



Utilizing our 13 logistics centers nationwide, we have created a logistics network that covers all of Japan.

Sales



At our approximately 60 sales bases throughout Japan, we allocate specialists according to segment for supermarkets, convenience stores, restaurants, and other customers.

Fresh Meats Business Division

Figures in parentheses are results under the previous segment setup

Segment Sales

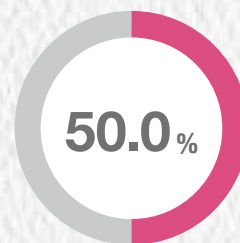
¥753.9 billion

(¥877.3 billion)

Operating Income

¥38.9 billion

(¥39.7 billion)



Share of net sales

Notes: 1. Sales share is after eliminations, adjustments, and others

2. Sales figure above is for the operating segment and includes intersegment transactions

Imported Fresh Meats Business



Main Products

Domestic Fresh Meats Business



Business Model

Production and breeding



The Group breeds its own cattle, hogs, and chickens at 121 domestic farms.

Packing and Processing



With 17 domestic plants, we process and package our own products.

Logistics



We own one of the nation's largest distribution centers in both East and West Japan, and a state-of-the-art international logistics facility.

Sales



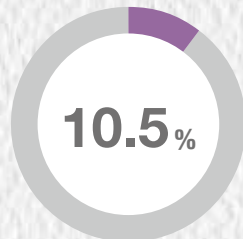
With 116 sales offices and bases set up in Japan's major cities, we carry out direct community-based sales in every region.

Affiliated Business Division

Figures in parentheses are results under the previous segment setup

Segment Sales
¥158.7 billion
 (¥159.4 billion)

Operating Income
¥2.2 billion
 (¥2.3 billion)



Share of net sales

Notes: 1. Sales share is after eliminations, adjustments, and others
 2. Sales figure above is for the operating segment and includes intersegment transactions

Marine Products Business



Dairy Products Business



Main Products

Business Model

Marine Products Business



We carry out production and sales of processed marine products

Dairy Products Business

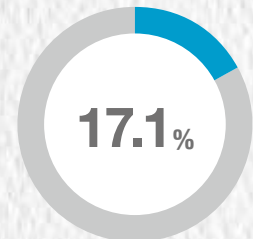


We produce and sell not only cheese and other dairy products but also yogurt and lactic acid probiotic beverages.

Overseas Business Division

Segment Sales
¥256.1 billion

Operating Income
¥0.6 billion



Share of net sales

Notes: 1. Sales share is after eliminations, adjustments, and others
 2. Sales figure above is for the operating segment and includes intersegment transactions

Main Products



Business Model

Production and breeding



We breed cattle, hogs and chickens at 34 of our own farms.

Packing and processing



We process and package fresh meats at four overseas plants.

Production



Each of our 21 overseas plants has obtained HACCP system and ISO certifications, underpinning their strict sanitary controls.

Export and sales



Selling products that meet local tastes at our 34 overseas sales offices.

Messages from Top Management

Embarking on reforms that clearly put Nipponham Group on the move

Seeking to leverage growth and capital strategies to optimize financial value while boosting non-financial value to continuously enhance corporate value

Constructing a competitive structure to engineer a recovery in operating income



Juichi Suezawa

President and Representative Director

See page **24**



Yoshihide Hata

Vice President and Representative Director

See page **30**



Koji Kawamura

Representative Director and Senior Managing Executive Officer,
General Manager of Processed Foods Business Division

See page **34**

Nipponham Group aims to deliver the pleasures of good eating to people worldwide by making its overseas operations more transparent and developing businesses that match local tastes

We will draw on our nationwide marketing clout to boost our competitive advantages

We will transform ourselves into a manufacturer while enhancing the presence of our marine and dairy products



Hiroji Okoso

Director and Senior Managing Executive Officer,
General Manager of Overseas Business Division

See page **43**



Katsumi Inoue

Director and Senior Managing Executive Officer,
General Manager of Fresh Meats Business Division

See page **37**



Kazunori Shinohara

Director and Managing Executive Officer,
General Manager of Affiliated Business Division

See page **40**

Embarking on reforms that clearly put Nipponham Group on the move

The Group is striving to create a stable business model through reform to become the world leader in delivering the “Joy of Eating.” We will realize that objective by strengthening Group synergies to reinforce our domestic businesses while expanding international sales through our new Overseas Business Division.



Juichi Suezawa

President and Representative Director

Progress under New Medium-Term Management Plan Part 5

Reaching First-Year Targets

In April 2015, we embarked on New Medium-Term Management Plan Part 5. The theme is to leverage reforms to create a stable business model that is impervious to diverse changes in the operating climate.

There were numerous changes in the operating climate during the first year of this initiative. While the Japanese economy slowly recovered, the market shrank amid a declining birth rate, an aging population, and signs of labor shortages. As a result, consumption remains less than vibrant. In addition, consumers became more concerned about food safety and security.

The supply and demand equilibrium of fresh meats fluctuated internationally owing to population growth in emerging nations and global climate change. Depending

on what developments occur with the Trans-Pacific Partnership (TPP) and other factors, we will likely experience major changes in the trade climate.

It was against this backdrop that the Group posted ¥1,240.7 billion in net sales, slightly exceeding management's first-year target. Operating income was ¥46.3 billion. While this was below the previous term's record high, it still exceeded the initial target.

Factors in Reaching First-Year Targets and Cross-Division Projects

The key driver in reaching our first-year targets was the Fresh Meats Business Division which generated stable earnings domestically, enabling us to offset the impact of a diverse overseas operating climate. The division has become one of Japan's biggest meat suppliers and sellers on the

strength of a vertical integration system that handles everything from production and breeding to slaughter, processing, logistics, and sales. Our fresh meats business has 116 sales bases throughout Japan, and has top shares domestically in sales of beef, pork, and chicken. By building a highly competitive business model for the division, we enabled it to contribute greatly to our performance.

For the Processed Foods Business Division, we have continued with our efforts to establish a management structure underpinned by production, sales, and logistics, and to implement supply chain management (SCM) reforms. The latter efforts have included maintaining and restructuring our nationwide transportation networks across divisions and lowering logistics costs and inventories. Although our raw materials expenditures were high in the first half of the year, cost-cutting initiatives began to bear fruit from the third quarter, and we look forward to a performance recovery.

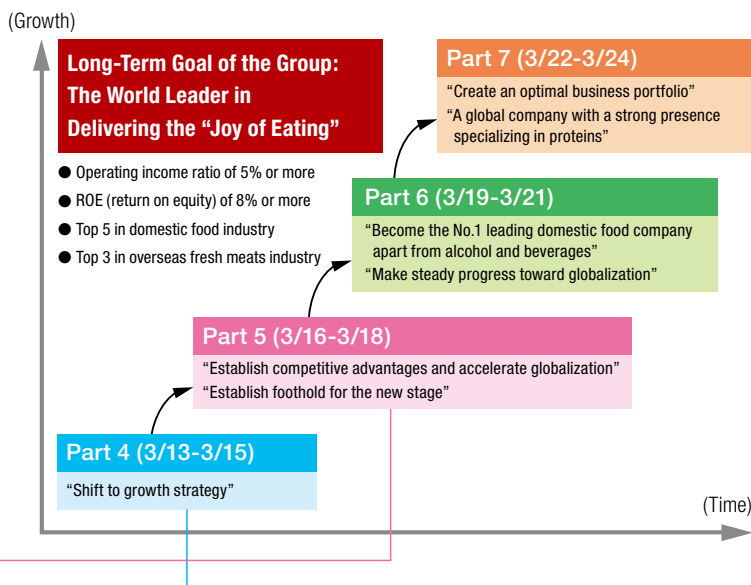
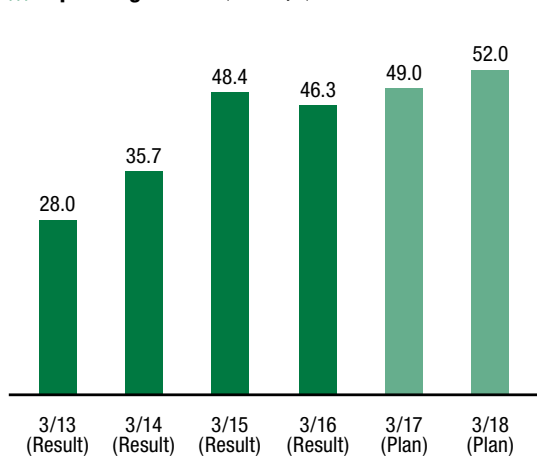
In the Affiliated Business Division, Group companies strove to increase the proportions of in-house manufactured goods while strengthening proposal-based

marketing to create entire sales spaces. These initiatives greatly improved profit margins and the division's presence.

Our cross-division projects began to bear fruit, helping to boost results. On the product policy front, we launched several processed foods that incorporate brands from the Fresh Meats Business Division. These brands included *Sakurahime*® domestically produced chicken, *Mugikomachi*® domestically produced pork, and *Dolce Porco*® from slowly fattened Italian hogs. Our new offerings won accolades from suppliers at Group exhibitions in Tokyo, Osaka, and Fukuoka in January and February 2016.

On the sales channel policy front, we stepped up our focus on the highly promising convenience store market. While the Processed Foods Business Division has spearheaded marketing to convenience stores over the years, it has been able to make more timely proposals of merchandise employing suitable ingredients by collaborating in sales with the Fresh Meats Business Division. The Group's vertical integration system, which covers everything from production to sales, made it possible for cross-division projects to deliver solid proposals.

Operating Income (Billions of yen)



Pursuing Further Growth

Creating Brands That Enjoy Solid Consumer Trust to Build a Business Model That Minimizes Operating Climate Exposure

While our *SCHAU ESSEN*® wiener sausage brand is a market leader in Japan, we recognize the need to develop and cultivate successors.

It will therefore be vital to explore market-oriented ideas that base development on market needs instead of on the perspectives of a manufacturer. So, while the major sellers in the refrigerated multistage showcases of supermarkets are volume zone items, the Group has few volume offerings. We had few market-driven item ideas for that zone because of our manufacturing costs. That said, we know that a virtual cycle will emerge when demand takes off for products, as this will energize the Sales & Marketing Division, thus helping the division's staff to sell more products and boost plant productivity. A good example of this is *Rengi Chori Kakumei*, a great tasting and reasonably priced offering which we produced based on market-oriented ideas and launched in April 2016.

We are also focusing on bolstering our fresh meat brands. In 2015, we boosted sales of the *Sakurahime*® brand by 40% by running television commercials for this line in the Kanto and Hokuriku regions. We will extensively market processed foods to suppliers of this brand, including fried chicken and chicken outlet offerings.

The success with *Sakurahime*® convinced us that drawing on the brands that the Fresh Meats Business Division developed to cultivate a sales strategy beyond divisional boundaries is certain to win consumer approval. We have therefore lined up a similar marketing method for the *Mugikomachi*® and *Dolce Porco*® brands. By developing and cultivating fresh meat brands that enjoy solid consumer trust, we can build a business model that minimizes our exposure to the operating climate.

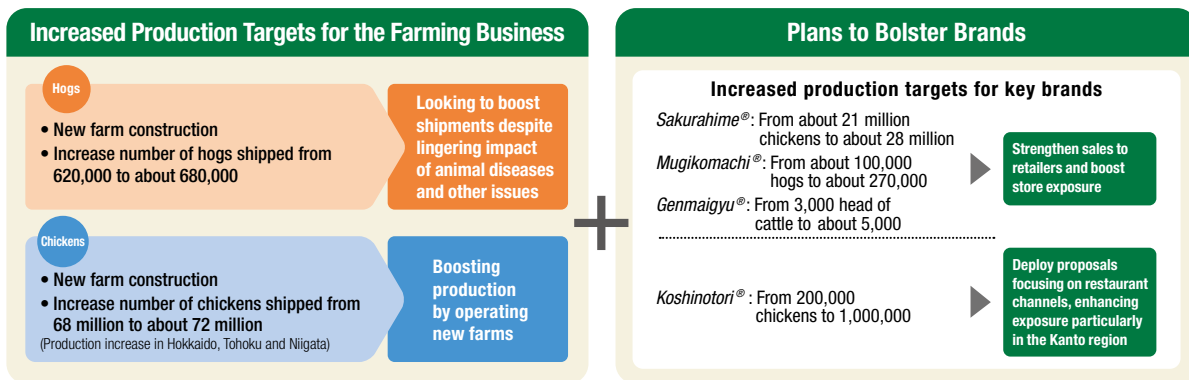
Reinforcing Our Domestic Farm Business and Leveraging Group Synergies

We will strengthen our farm business in Japan. We are working to increase the number of hogs shipped from 620,000 to about 680,000 annually, and the number of chickens from 68 million to about 72 million every year.

While the TPP and other factors will likely increase imports of low-priced goods, the upside is that Japanese consumers are far more concerned than foreign counterparts about food safety and security.

We will draw on our powerful vertical integration system to organically link our R&D, product development, solid quality assurance structure, and marketing capabilities to deliver the outstanding Japanese quality that domestic consumers demand.

/// Plans to Reinforce Our Farming Business and Bolster Our Brands (Objectives under New Medium-Term Management Plan Part 5 to be achieved by March 31, 2018)



Account for **25%** of the domestic fresh meats market

Another strength of the Group is its 234 sales bases around Japan. While these sales bases have operated separately along fresh meats, processed foods, and marine products lines over the years, we will have them collaborate as part of a sales network that is more attentive to consumer needs. We will develop new channels that enable the Fresh Meats Business Division to offer a range of items from other divisions to grilled meat restaurant operator customers, including frankfurters, fried chicken, and other processed foods, and yogurt beverages.

Challenges and New Opportunities for Our Australian and Other Foreign Operations

We have fattened, processed, distributed, and sold cattle within Australia for many years. We export Australian beef to Japan and 33 other markets around the world.

Given that Japanese food producers have the world's highest food safety and security standards, the Group accordingly runs its Australian farms to match Japanese quality requirements, producing the *Omugi-Gyu* and *Angus Reserve* beef brands, which are regarded highly worldwide.

Although our Australian operations generated record earnings in 2014 on the strength of low feeder cattle costs and high prices, reduced cattle numbers thereafter as a result of higher shipments raised these livestock costs,

which we were unable to pass on to meat buyers. This situation prompted us to transition from a product-driven focus for our Australian operations toward a market-oriented one that ensures timely sales to countries and regions in which demand is greatest.

Our next challenge is to increase feedlot-grown beef (grain-fed beef) over grass-fed beef as a proportion of sales. We will also prioritize differentiating our grain-fed beef based on brands to stabilize our fresh meat earnings. Grain-fed beef currently accounts for 25% of the sales of our Australian operations. We look to double and ultimately further increase that percentage, centered on branded beef, as part of efforts to create a stable business model.

We expect the halal market to expand in the years ahead. We have positioned ourselves well to profit from that market, having acquired a major Turkish chicken firm and set up a joint venture with a leading Malaysian integrated poultry company.

Establishing the Overseas Business Division and Looking to Generate More of Our Sales Internationally

One of our objectives is to increase the proportion of sales that we generate overseas. Basically, we aim to solidify our domestic businesses, securing funds to develop our overseas operations and take advantage of international growth potential.

/// Nipponham Group's Overseas Bases



Note:
 • As of April 30, 2016
 • Including equity-method affiliated companies
 • Overseas bases include representative offices

In April 2016, we established the Overseas Business Division to make our international operations more transparent throughout the Group. We aim to generate at least 15% of net sales outside Japan by the year ending March 2018, and need to formulate clear initiatives for reaching that goal.

Our overseas business operates in 18 countries and regions, supplying Japan, selling locally, and exporting to third countries. We aim to leverage Group synergies from sharing information on suppliers and customers of the Fresh Meats Business Division, the Processed Foods Business Division, and the Affiliated Business Division, thereby cultivating new businesses.

We will internationally deploy the vertical integration system that has proven successful in Japan as we focus on business expansion internationally, particularly in Southeast Asia, the United States, and Europe. In Southeast Asia, for example, we will cultivate farm and processed food operations. In Europe, we will concentrate on developing and selling *Chuka Meisai*®, which is prepared with one more vegetable than before, and other convenient processed foods, which have earned strong followings, particularly from the numerous two-income households in that market.

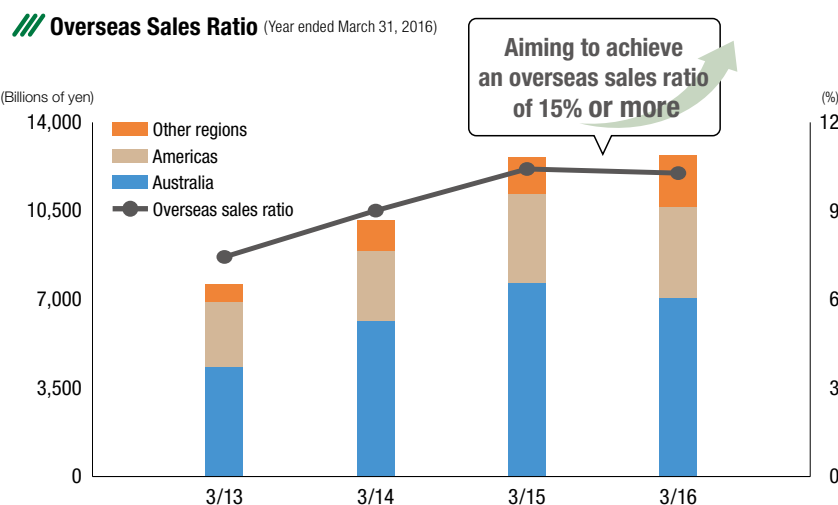
Developing High Value-Added Merchandise That Caters to a Growing Preference for Locally Produced Offerings

The Group's Processed Foods Business Division operates 25 ham and sausage and processed food factories around Japan. Going forward, we believe it is vital to develop high value-added merchandise that caters to a growing preference among consumers for local items.

We run hog and chicken farms, slaughtering facilities, and processing factories all over Japan, and will focus operations on local needs. We will process locally raised hogs and chickens at nearby facilities, thereby enhancing productivity while matching the taste preferences of consumers in those communities.

Boosting Corporate Value through Functional Foods and Other New Areas

We have expanded our business domains over the years beyond our origins in hams and sausages to encompass fresh meats, processed foods, marine products, and allergy-safe food products. New areas include the development of functional ingredients, such as medical use collagen. Cultivating new operations not only expands business opportunities but also enhances our appeal from various perspectives. And we believe that we can attract diverse human resources by leveraging ingredients and engaging in strategic branding.



Our Stance on Contributing to Society

Positioning CSR as an Extension of Business

Many people suffer from food allergies and other problems associated with contemporary diets. In keeping with our commitment to sharing the “Joy of Eating” worldwide, we consider it vital to contribute to communities by creating foods that are free of seven specific raw materials. These are milk, eggs, flour, buckwheat, peanuts, prawns, and crabs.

Our Reform Priorities

Embarking on Reforms to Overhaul the Corporate Culture to Create a More Dynamic Enterprise

I visited as many production and sales sites as possible in my first year after taking the Group helm. I will draw on my experience in embarking on reforms this year under our new organizational structure. The first priority is to enhance working environments, creating a more open and positive corporate culture. Delegating authority will also be vital down the track. I want the Group to become a truly global enterprise, transforming the corporate culture so each individual takes responsibility for making decisions and pursuing challenges. I am certain that the Company will continue to progress for the next 100 years if all of our some 30,000 employees fearlessly pursue the reforms that we start rolling out this year.

Our Long-Term Stance

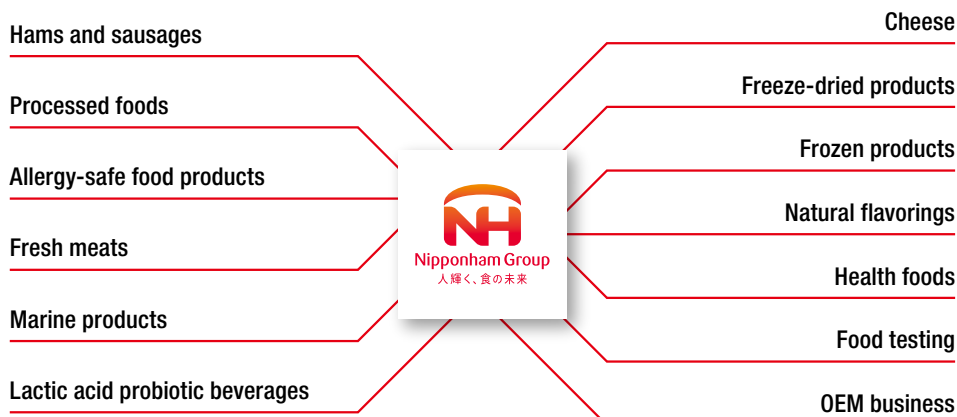
Endeavoring to Become Japan’s Top Food Provider and a Global Fresh Meats Enterprise

While we are Japan’s top fresh meats processing company, we need to satisfy the expectations of society by becoming the market leader in our 13 food product categories. We therefore embarked on Renovation 25. Under this initiative, we aim to secure a 25% share in the domestic markets for fresh meats and hams and sausages, and generate 25% of our net sales internationally. Nine years hence, we look to post net sales of ¥1.5 trillion, delivering an operating income ratio of at least 5% (on an operating income of ¥75 billion). We will deploy initiatives to ensure that our business divisions—Fresh Meats, Processed Foods, Affiliated, and Overseas—reach their objectives.

We will need to continue driving forward through reforms and investment to attain our goals. I look forward to the long-term support of shareholders and other investors for these efforts.

I have positioned the second year of Part 5 as one of decisive progress, one in which many people, both inside and outside the Group, can clearly see that we are on the move.

Nipponham Group’s Food Product Categories



Seeking to leverage growth and capital strategies to optimize financial value while boosting non-financial value to continuously enhance corporate value

Nipponham Group will invest proactively as part of its growth strategy, continuously strengthening profitability to reach its quantitative targets of an operating income ratio exceeding 5% and an ROE of more than 8%. We will take into account the weighted average cost of capital (WACC) to bolster our invested capital efficiency and continue to raise ROE to optimize our financial value. We will pursue strategic branding to enhance our competitive advantages while engaging in CSR activities that focus on key issues to help resolve diverse social problems, thereby boosting our social, or non-financial, value.

Yoshihide Hata

Vice President and Representative Director



Progress with Financial Targets of New Medium-Term Management Plan Part 5

By the fiscal year ending March 31, 2018, the final year of New Medium-Term Management Plan, we seek to generate an ROE of more than 8%, a return on invested capital (ROIC) above 6%, and a cumulative free cash flow of ¥12.0 billion during the three-year initiative. While net sales and operating income both exceeded our initial targets in the fiscal year ended March 31, 2016, income before income taxes and equity in earnings of associated companies was ¥32.1 billion, against our initial target ¥39.0 billion. Net income attributable to NH Foods Ltd. was ¥21.8 billion, which was short of our initial target of ¥27.0 billion. These targets were not achieved mainly because of foreign exchange losses and impairment losses of goodwill. The ROIC was thus 6.2%, as the operating income ratio and invested capital turnover ratio both surpassed management's projections at the start of the term.

On the downside, however, our ROE was just 6.1%, which was 3.1 percentage points below the record high of 9.2% in the fiscal year ended March 31, 2015. Our free cash flow was ¥3.4 billion, a ¥5.2 billion increase from a year earlier. Our debt/equity ratio was 0.43 times, while our WACC was in keeping with capital market expectations. So, our capital structure was close to ideal.

We target a consolidated dividend payout ratio of 30%, commensurate with consolidated results. After factoring in our consolidated financial position, results, and other factors, we therefore decided to pay a dividend of ¥33.00 per share for the fiscal year ended March 31, 2016. We look to stably and continuously expand dividends in the years ahead. At the same time, we will repurchase shares flexibly to help enhance shareholder value per share and ROE in line with our growth investment requirements and financial position.

Solidifying Our Position for the Future through Aggressive Capital Expenditures to Expand Business Domains while Sustainably Reinforcing Profitability

Under Part 5, we aim to establish competitive advantages of domestic businesses and accelerate to a global company. We will accordingly endeavour to build a robust business model, reinforce our cost competitiveness, ensure top-notch management for No. 1 quality, and generate 15% of net sales overseas. We therefore seek to proactively invest a cumulative ¥147.0 billion during the three years of Part 5. The chart below presents details of that spending.

We had planned to invest ¥52.2 billion in the fiscal year ended March 31, 2016, but investment actually amounted to ¥36.8 billion, mainly to set up new factories and farms. We have earmarked ¥62.2 billion for the current fiscal year, so our total spending for these two terms is basically on track. We are using the hurdle rate, which incorporates investment scale, business domains, areas, and other factors, to scrutinize our plans while testing risk scenarios so we can make our investment decisions more accurate. We will enhance invested capital efficiency by rebuilding our infrastructure to optimize production as part of selection and focus initiatives. We will additionally conduct reviews to solidify investment returns.

Capital Expenditures

(Billions of yen)

	Part 4 Results (3-year cumulative)	Part 5		
		Part 5 Plan (3-year cumulative)	2016 Results	2017 Plan
Production facilities	51.7	50.1	17.1	20.5
Sales and logistics facilities	14.1	16.6	3.5	9.9
Farms and processing facilities	19.8	36.0	7.7	13.4
Overseas business facilities	6.4	30.9	4.1	10.9
Other facilities	6.1	13.4	4.4	7.5
Total	98.1	147.0	36.8	62.2

Total Capital Expenditures (Part 5 Cumulative) ¥147.0 billion
(Difference from Part 4 + ¥48.9 billion)

Point of increases from Part 4 to Part 5

- Overseas business facilities + ¥24.5 billion (primarily Asia and Australia)
- Farms and processing facilities + ¥16.2 billion

Deploying ROIC to Drive ROE Management and Pursuing Invested Capital Efficiency to Satisfy All Investors

We made ROE a management indicator in the New Medium-Term Management Plan Part 4, which we launched in April 2012. Shareholder-focused management is about generating cash flows, and optimizing the equity spread, which means ROE exceeding the cost of shareholders' equity. The cost of shareholders' equity is the rate of return that shareholders and other investors can expect. Carrying out shareholder-focused management should help us boost corporate value.

Under Part 5, we added ROIC as a business division performance indicator to make business strategies more specific so we can invest proactively while enhancing ROE. We consider ROIC a better fit as a business management indicator because the key components are the operating income ratio and invested capital turnover ratio. It is vital to control inventories, which account for a high proportion of invested capital. In the fiscal year ended March 31, 2016, inventories were ¥137.4 billion, accounting for around one-quarter of our ¥516.0 billion in invested capital. Inventories rise as fresh meat prices climb and merchandise handling volumes increase. Meanwhile, it is strategically important to expand investments in farms for fresh meats businesses to strengthen Group procurement capabilities, a strength of

Cash Flows (Actual and Plan)

(Billions of yen)

	Part 4 Results (3-year cumulative)	Part 5	
		2016 Results	2017 Plan
Net income	72.6	18.8	31.2
Depreciation and amortization	58.3	19.9	20.5
Others	(30.9)	13.8	0.8
Cash flows from operating activities	100.0	52.5	52.5
Capital expenditures	(87.1)	(36.9)	(56.0)
Others	6.2	(12.2)	(0.9)
Cash flows from investing activities	(80.9)	(49.1)	(56.9)
Cash dividend	(16.4)	(9.4)	(6.8)
Others	(21.1)	17.6	3.4
Cash flows from financing activities	(37.5)	8.2	(3.4)
Free cash flow	19.1	3.4	(4.4)

our integration system, and maintain our competitive advantages as a manufacturer. When invested capital increases, we consider it important to employ selection and focus to replace assets with those that deliver greater capital efficiency and to increase profitability.

We will boost ROIC by rolling out initiatives to enhance management indicator components, the operating income ratio and the invested capital turnover ratio, as part of the Plan-Do-Check-Act (PDCA) cycles of each business value chain. We will enhance invested capital efficiency by managing more in sync with the key performance indicators of each division. These indicators include developing high value-added products, enhancing productivity by installing high-capacity lines at production facilities, concentrating inventories upstream, and pursuing selectivity and focus for product items and production lines to shorten inventory turnover periods. We will use ROIC as an indicator for evaluating businesses and the performance of executives, with management that reflects invested capital efficiency becoming a key operational element.

Making Growth Investments while Optimizing Our Capital and Debt Structures

We are employing financial and capital strategies to optimize our debt/equity ratio. An ideal ratio is around 0.4 times, which is close to the optimal capital and debt structure for lowering our WACC. While we will allocate capital heavily in the foreseeable future for growth investments, we will also explore flexible treasury stock acquisitions to ensure optimal capital and debt structures.

We believe that we can improve corporate value and ensure shareholder-focused management by balancing business strategies and financial and capital strategies so we can sustainably improve ROE and better generate cash flows.

Delivering Sustainable Growth and Enhancing Medium- to Long-Term Corporate Value while Reinforcing Our Governance Structure and Human Resources Cultivation

We formed the Nipponham Group Fundamental Policy on Corporate Governance in November 2015. We are accordingly endeavoring to realize our long-term goal of becoming the world leader in delivering the “Joy of Eating.” We are increasing

/// ROIC = Return On Investment Capital

Return on invested capital (working capital + capital investment)

Return on invested capital	=	Net sales Investment capital	×	Operating income Net sales	×	After tax
		[Invested capital turnover]		[Operating income ratio]		[1-tax rate]
2015 results 6.4%	=	2.52 (times)	×	4.0%	×	0.64
2016 results 6.2%	=	2.46 (times)	×	3.7%	×	0.67
2017 plan 6.4%	=	2.39 (times)	×	3.9%	×	0.69

management transparency and efficiency to ensure prompt decision making and proper business implementation to drive resolute management determinations. A basic policy at the same time is to continue efforts to clarify responsibility for decisions.

In the fiscal year ending March 31, 2017, for example, we established the Board of Independent Officers and Representative Directors and the Board of Independent Officers. These bodies provide forums for dialogue about the Group's operating climate, direction, strategies, and other issues so we can secure objective opinions and thus reinforce our management foundations. We will engage in constructive dialogue with various stakeholders to help enhance corporate value.

One major challenge is to develop human resources. We will build a framework for cultivating management personnel over the medium to long term. As well as evaluating personnel according to how well they achieve their goals, we will deploy a framework in which we set stretch objectives and assess personnel for each of their challenges. We will review our evaluation methods and training programs to reinforce the leadership, analytical skills, creativity, implementation planning, and reform capabilities of our management and employees.

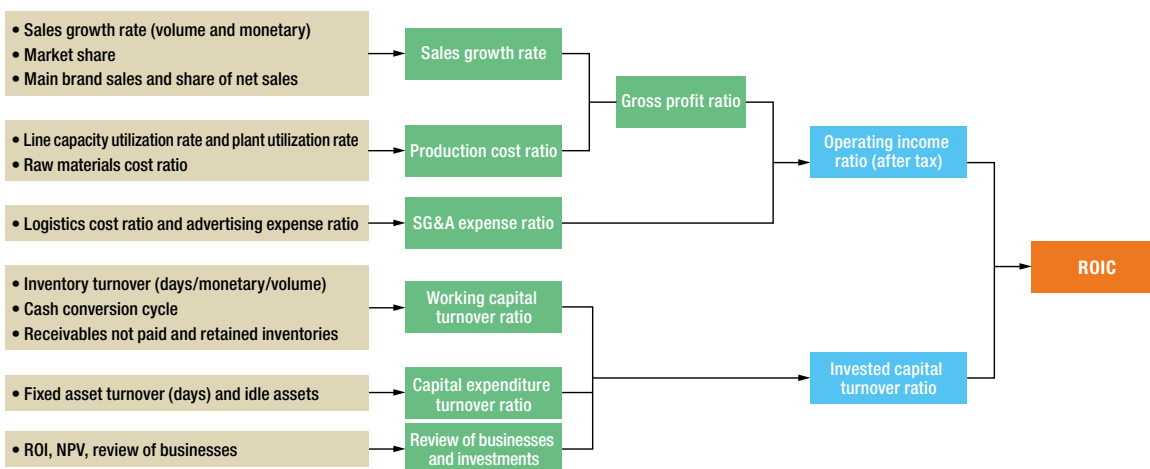
Boosting Corporate Value through Strategic Branding and CSR

The Group seeks to become the world leader in delivering the "Joy of Eating" by generating an operating income ratio of more than 5% and an ROE exceeding 8% while realizing its corporate philosophies and management principles and fulfilling its brand pledge.

When it comes to corporate value, social value and other non-financial value are just as important as financial value. Our brand strategy is crucial in that respect.

I believe that the Group can increase its brand value by organically linking its product, Group, and corporate brands. By motivating our employees and uniting the Group, we can enhance our competitive advantages and become a global market winner. For us, the enhanced non-financial value that stems from pushing ahead with strategic branding and undertaking CSR activities that focus on key issues to resolve social problems is vital for bolstering our ROE.

/// Measures to Improve ROIC (Reverse ROIC Tree)



Constructing a competitive structure to engineer a recovery in operating income

Complementing its strong product development and proposal-based marketing capabilities, the Processed Foods Business Division has products with top shares in each category, *SCHAU ESSEN*® being an example. In the fiscal year ending March 31, 2017, we are engineering an earnings recovery through such proactive business efforts as developing new products incorporating branded fresh meats, deploying an area strategy, cultivating new sales channels, and reinforcing core brands.

Share of net sales



22.4%

Figures in parentheses are results under the previous segment setup

Net sales	3/2016 result	3/2017 plan
	¥338.1 billion (¥356.6 billion)	¥352.0 billion
Operating income	3/2016 result	3/2017 plan
	¥3.9 billion (¥4.1 billion)	¥8.0 billion
Operating income ratio	3/2016 result	3/2017 plan
	1.1 %	2.3 %



Koji Kawamura

Representative Director and Senior Managing Executive Officer,
General Manager of Processed Foods Business Division

Main Strategies and Initiatives

Continuously strengthen profitability of domestic businesses

Develop category-leading products

Differentiate competitively by developing high value-added offerings incorporating branded fresh meats.

Expand sales volumes

Improve operational capacity by cultivating new markets and selling offerings at attractive prices in existing markets.

Cultivate new channels

Reinforce regional sales activities outside major metropolitan areas and harness the Group's networks.

Reinforce cost competitiveness

Set up high-capacity lines, use the Group's human resources more effectively and balance the workforce structure.

Tracking Toward a Recovery from the Third Quarter

In the fiscal year ended March 31, 2016, the first year of New Medium-Term Management Plan Part 5, the division endeavored to turn sales volumes around and improve the operating income ratio. Despite these efforts, sales were just ¥338.1 billion. Operating income was ¥3.9 billion and the operating income ratio was 1.1%.

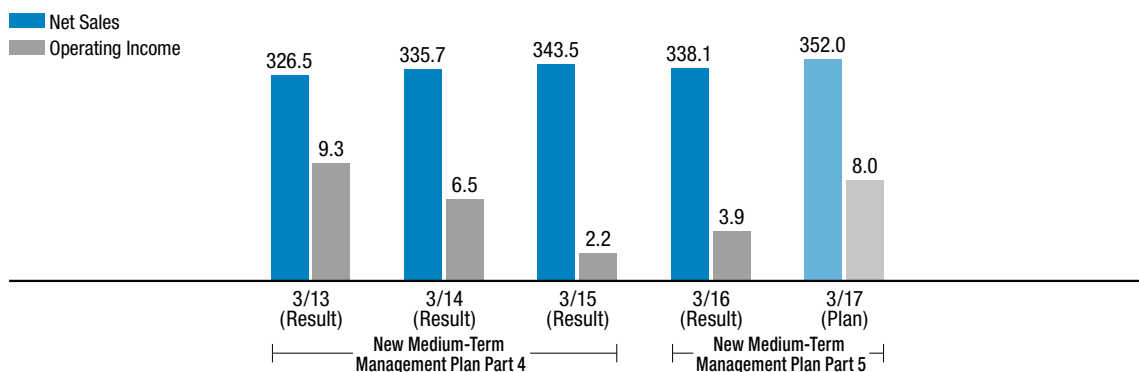
Several factors underpinned our inability to significantly improve profitability. One was that production volumes were lackluster, reflecting a delayed recovery in sales volumes of consumer products other than core brands and commercial products. Another was that higher raw material and fuel costs affected operations through the first half of the year. We took various steps to cut costs. For example, we set up high-capacity lines and reduced logistics costs, decreasing the number of items commensurately. Nonetheless, plant

utilization rates were inadequate to leverage the cost reductions, and we failed to achieve a major earnings recovery. That said, operating income began turning around from the third quarter as sales of consumer products recovered in the second half of the year and cost-cutting initiatives began to bear fruit.

Focusing on Rebuilding Competitive Advantages to Engineer an Earnings Recovery

The division looks to develop category-leading products, expand sales volumes, and cultivate new channels. It will focus on rebuilding the competitive advantages of its domestic businesses by drawing on the strengths accumulated over the years and Group synergies. The division will also undertake structural reforms over the medium and long terms to ensure sustainable business progress.

/// Processed Foods Business Division Net Sales and Operating Income (Billions of yen)



Developing Category-Leading Products

The division has numerous category-leading products. They include *SCHAU ESSEN*®, a top brand of coarse-ground wiener sausage, the *Ishigama Kobo*® chilled pizza series and the *Chuka Meisai*® chilled Chinese delicatessen series. To develop major new successors to these flagship offerings, we will develop high value-added products that incorporate branded fresh meats from the Fresh Meats Business Division, including *Sakurahime*® domestically produced chicken, *Mugikomachi*® domestically produced pork, and *Dolce Porco*® imported pork. To cater to growing consumer demand for offerings that complement more convenient living, we will develop products in new categories for the Group. Examples include *Rengi Chori Kakumei* and *Fuwatama*® *Omuretsu*, new microwaveable offerings with additional ingredients such as vegetables and eggs, chilled bakery items for busy mornings, and our *Kiwami-yaki*® premium hamburg. Such first-of-a-kind products will enable us to differentiate ourselves from the competition.

Expanding Sales Volumes and Cultivating New Channels

Expanding businesses in existing markets will be important to engineer an earnings recovery. Doing so will also be vital to cultivate new markets. The division will compete better in existing markets by making its pricing more attractive in light of customers reducing their spending. We will reduce production costs by enhancing plant utilization rates. To date,

the division has focused on marketing to volume retailers, convenience store chains, restaurants and other outlets in major metropolitan areas. Down the track, we will also focus on regions outside major metropolitan areas. At the same time, we will cultivate such new channels as company cafeterias, school catering, and hotels, proposing specific menus for each channel. We will endeavor to expand sales by leveraging marketing channels across the Group. They include barbecue restaurants and Japanese-style pubs, which are strengths for the Fresh Meats Business Division, and self-service sushi restaurants and school catering, where the Affiliated Business Division has advantages.

Embarking on Structural Reforms

The division maintains 25 production bases around Japan. To date, we have installed high-capacity lines at Nipponham Factory's Ibaraki Plant which produces hams and sausages. We will need to make more capital expenditures to save on manpower and improve productivity. In the fiscal year ending March 31, 2017, we will integrate Nipponham Factory's Hyogo Plant and Ono Plant, deploying high-capacity lines at the new Hyogo Plant to lower costs. We must also overhaul our operational approach, going beyond sales volume expansions and cost reductions to ensure sustainable business growth.

While improving our cost competitiveness, we will undertake more structural reforms, leveraging the Group's human resources and balancing our workforce structure.



We will draw on our nationwide marketing clout to boost our competitive advantages

The greatest strength of the Fresh Meats Business Division is a vertical integration system that handles everything from breeding and feeding through sales.

We will reinforce our branded fresh meats and bolster our sales network to generate Group synergies so we can increase our market share.



Figures in parentheses are results under the previous segment setup

Net sales	3/2016 result	3/2017 plan
	¥753.9 billion (¥877.3 billion)	¥747.0 billion
Operating income	3/2016 result	3/2017 plan
	¥38.9 billion (¥39.7 billion)	¥35.5 billion
Operating income ratio	3/2016 result	3/2017 plan
	5.2%	4.8%



Katsumi Inoue

Director and Senior Managing Executive Officer,
General Manager of Fresh Meats Business Division

Main Strategies and Initiatives

Continuously strengthen profitability of domestic businesses

Expand sales volumes in line with profitability

Cultivate branded fresh meats that resist market fluctuations, improving customer satisfaction, market share and profitability.

Reinforce production, procurement and logistics

Strengthen existing farm operations and invest in new ones to increase production capacity while overhauling and streamlining logistics facilities.

Generate Group synergies

Draw on our branded fresh meats as raw materials for processed offerings to add more value to our merchandise, and ensure collaboration between Group sales and logistics facilities.

Undertake human resources and organizational reforms

Cultivate human resources who are willing to go beyond preconceived ideas and focus on fostering future executives.

Maintaining Strong Domestic Sales

A key strength of the Group's domestic fresh meats business is a vertical integration system that handles all processes in-house, from production and breeding through to slaughter, processing, distribution, and marketing. Our upstream farm business has Japan's largest production and processing capacity. Downstream, we have 116 sales bases nationwide that ensure stable supplies of fresh and safe meats to consumers.

In the fiscal year ended March 31, 2016, the first year of New Medium-Term Management Plan Part 5, the division performed very solidly. It generated ¥753.9 billion in sales and ¥38.9 billion in operating income.

Sales volume rose 4%, as we cultivated new restaurant sales channels such as barbecue restaurants and boosted awareness of our branded fresh meats through television commercials for *Sakurahime*® chicken. At our upstream

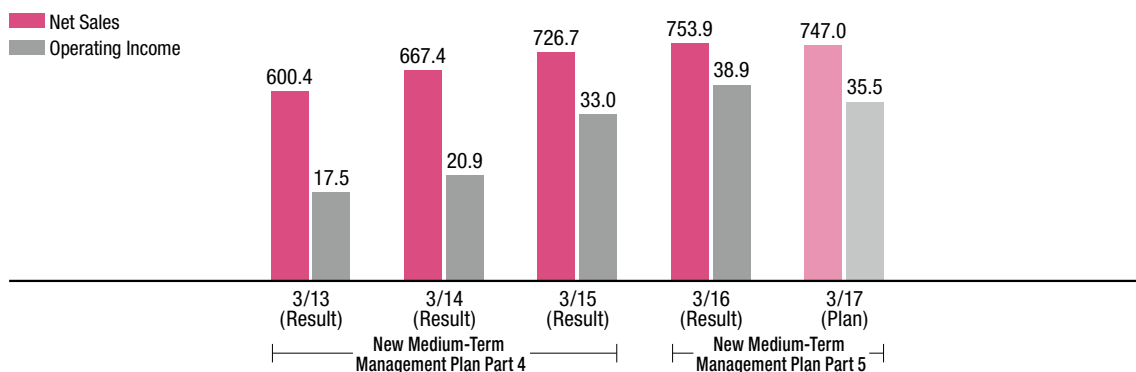
farm business, we expanded several businesses to reinforce our branded fresh meat capabilities in line with a growing consumer preference for domestically produced offerings and rising local consumption needs. Those businesses were Nippon White Farm Co., Ltd., which grows and processes chicken, and Interfarm Co., Ltd., a hog farming business.

With related laws and regulations becoming stricter, we undertook various steps to refine our shipment operations. Such steps included optimizing distribution facilities and bolstering our fleet of vehicles to handle smaller deliveries in metropolitan Tokyo.

Implementing Multifaceted Reforms to Secure a 25% Share of the Domestic Fresh Meats Market

The division aims to capture 25% of Japan's fresh meats market over the medium and long terms so it can expand

/// Fresh Meats Business Division Net Sales and Operating Income (Billions of yen)



sales volumes in line with profitability. Given that our current share is 21.3%, we would need to lift our annual volumes from about 1 million metric tons to about 1.2 million metric tons, to achieve a 25% share. It would be difficult for us to simply build on our measures to date for that purpose. We will therefore need to take new approaches, which is why we will ensure a shared commitment to reforms throughout the division.

We have positioned the fiscal year ending March 31, 2017, as a period for deploying reforms. We will accordingly cultivate our branded fresh meats while instituting multifaceted reforms that include reinforcing production and logistics, generating Group synergies, and pursuing human resources and organizational growth.

Strengthening Our Branded Fresh Meats

We aim to become the brand of choice for consumers by enhancing awareness of our offerings while offering more attractive products, thereby generating stable growth. We will accord particular attention to improving recognition of *Sakurahime*[®] domestically produced chicken, *Mugikomachi*[®] domestically produced pork, *Megumi-no-Kuni*[®] Japanese beef, as well as *Dolce Porco*[®] from slowly fattened Italian hogs and *Omugi-Gyu* beef from Australia. We will thereby shift away from commodities to build a business model encompassing strong brands that minimize our vulnerability to fluctuations in the fresh meats and other markets.

Reinforcing Our Production and Logistics Capabilities

Livestock farmers in Japan face numerous issues, with many of them aging and being unable to find successors. It is against this backdrop that we will endeavor to expand our

market share. We will do that by leveraging the fresh meat production techniques that the Group has amassed over many years while being prepared to explore business alliances. At the same time, we seek to help maintain the domestic livestock industry.

We will ensure speedy deliveries of offerings procured in Japan and overseas by drawing on our two logistics centers in East and West Japan and 116 domestic sales bases, as well as ensuring the bolstering of our distribution facilities near consumption areas to relay and deliver products more efficiently.

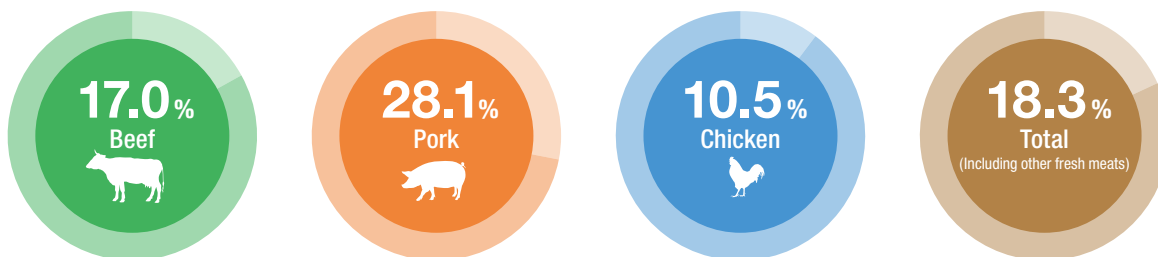
Generating Group Synergies

The division aims to help reinforce the overall business model of the Group by having the Processed Foods Business Division and the Affiliated Business Division draw on its branded fresh meats to create products that benefit from the safety, taste, and other value of the division's offerings. The Fresh Meats Business Division and the Processed Foods Business Division will have their sales bases collaborate to streamline logistics through joint deliveries and share supplier information to expand sales volumes.

Undertaking Human Resources and Organizational Reforms

Because building incrementally on efforts to date will be insufficient to capture 25% of the domestic fresh meats market, it will be vital for the division to foster human resources who constantly transform themselves and embrace new challenges without fearing failure. The division will also cultivate future executives to drive sustainable growth, revitalizing the organization.

/// Fresh Meats Sold under Our Branded Fresh Meats



Source: Based on research by NH Foods Ltd.

We will transform ourselves into a manufacturer while enhancing the presence of our marine and dairy products

The Affiliated Business Division aims to increase the ratio of in-house manufactured goods while reinforcing consumer products. We will share sales channels and effectively harness Group assets to further expand our market share in marine and dairy products.

Share of net sales



10.5%

Figures in parentheses are results under the previous segment setup

Net sales	3/2016 result	3/2017 plan
	¥158.7 billion (¥159.4 billion)	¥165.0 billion
Operating income	3/2016 result	3/2017 plan
	¥2.2 billion (¥2.3 billion)	¥3.0 billion
Operating income ratio	3/2016 result	3/2017 plan
	1.4 %	1.8 %



Kazunori Shinohara

Director and Managing Executive Officer,
General Manager of Affiliated Business Division

Main Strategies and Initiatives

Continuously strengthen profitability of domestic businesses

Marine Foods Corporation

Strengthen product development capabilities, review marketing frameworks, and enhance recognition through television commercials.

Hoko Co., Ltd.

Leverage Group synergies to develop high value-added products and reinforce manufacturing capabilities.

Nippon Luna, Inc.

Cultivate potential mainstay offerings such as *Vanilla Yogurt* and propose new ways to enjoy yogurt.

The Division's Three Core Companies Enhanced Their Performance in the Fiscal Year Ended March 31, 2016

The Affiliated Business Division comprises three core companies: Marine Foods Corporation, which specializes in processed marine products such as raw fish products for sushi and seafood delicacies; Hoko Co., Ltd., which handles cheeses, canned, frozen, and freeze-dried foods; and Nippon Luna, Inc., which offers yogurt and other dairy products.

In the year ended March 31, 2016, the Affiliated Business Division posted sales of ¥158.7 billion and operating income of ¥2.2 billion. These numbers exceeded targets in a solid start to New Medium-Term Management Plan Part 5.

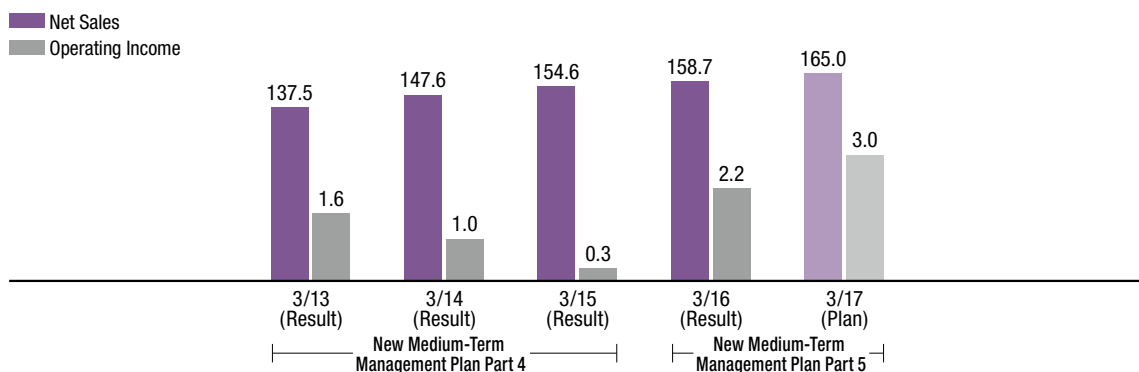
Marine Foods overcame the challenges of boosting profitability, improving profit margins by revising prices while expanding sales of highly profitable in-house manufactured

goods and prioritizing internal production.

Hoko relocated two older plants, launching the cheese-producing *ROLF* Yamato Factory in August 2015 and the Chikusei Factory in October that year to make frozen foods. Hoko focused on expanding sales to swiftly recoup those investments. In room temperature storage foods, Hoko expanded to ports beyond the one in Hachinohe, where it has a factory for procuring mackerel for canning. It thereby stabilized raw materials procurement and boosted factory capacity utilization, helping to boost earnings.

Nippon Luna steadily increased sales of its mainstay *Vanilla Yogurt* and expanded sales of the new *TOPCUP* series, which packages yogurt with cereal. Demand was favorable for yogurt beverages and the *Tokimeki Café* line of lactic acid probiotic beverages. The diverse product range enabled comprehensive proposals in shops.

/// Affiliated Business Division Net Sales and Operating Income (Billions of yen)



Reinforcing Consumer Products and Drawing on Comprehensive Group Strengths to Expand Business Scale

The division seeks to enhance profitability by increasing the in-house manufacturing ratio while expanding its business scale to reinforce its consumer product lineup. Nippon Luna boosted sales of *Vanilla Yogurt* by more than 40% in markets in which it advertised the product on television. Hoko ran region-specific television commercials for its canned mackerel, greatly increasing sales in those areas. Marine Foods is itself looking into running television commercials. It will step up sales promotion initiatives and develop more new offerings to reinforce its consumer product lineup.

We will also endeavor to expand sales channels that effectively harness Group assets. For example, Marine Foods is selling offerings from the Processed Foods Business Division to self-service sushi restaurant channels, which are an important focus for that company. Units are focusing on employing the sales channels of other divisions, offering products to fast food and other restaurant channels that are strengths of the Processed Foods Business Division and Fresh Meats Business Division. These offerings include steamed meat dumplings and cheeses from Hoko, yogurt from Nippon Luna, and processed salmon and shrimp offerings from Marine Foods. On the product development and sales promotion fronts, we will collaborate with other divisions and formulate measures to optimally leverage Group synergies.

● Initiatives at Marine Foods Corporation

In product development, the company is focusing even more on market-driven ideas that reflect consumer needs while looking at strong-selling products from fresh angles and creating offerings that incorporate unused fish species. Marine Foods is using ultrahigh-pressure processing equipment to cultivate new sales routes and expand exports of raw fish products for sushi and other products to take advantage of a global boom in demand for Japanese food, and will continue to promote internal production at its Mie Plant. Kushiro Marusui Co., Ltd., which joined the Group in 2013, aims to expand its sales through several initiatives, including bolstering its lineup of products incorporating ingredients from Hokkaido and stepping up proposals to volume retailers for Hokkaido-themed fairs.

● Activities at Hoko Co., Ltd.

This company will optimize production at the Yamato and Nishinomiya factories to build a structure to boost production of baby and smoked cheeses and other consumer items which demonstrate steady sales growth.

In frozen foods, Hoko aims to effectively leverage Group assets to enhance sales and earnings. It will take advantage of favorable sales of steamed dumplings incorporating our *Dolce Porco*® and *Sakurahime*® branded fresh meats to boost production capacity. Hoko looks to competitively differentiate its dumplings by offering, among other condiments, sachets of western sauces.

In room temperature storage foods, Hoko will deploy a new production line at the Hachinohe Factory in summer 2016, boosting production of canned mackerel and crab and other existing products. It will also evolve its canned range to include foods based on concepts different from those of existing products as part of efforts to develop offerings that broaden the Group's product categories.

● Progress at Nippon Luna, Inc.

The *Vanilla Yogurt* series accounts for almost 40% of Nippon Luna's sales. In recent years, there has been a growing focus in the United States on healthy diets that entail snacking appropriately between meals and reducing regular meal portions. The new *TOPCUP* series caters for such diets. The company's healthy chilled beverage cup lineup now includes offerings employing chia seeds and other popular superfoods and green smoothies. Nippon Luna will propose and cultivate offerings for new lifestyles and healthy diet trends to create second and third mainstays that complement its *Vanilla Yogurt* range.

In terms of new product categories, the company will develop processed yogurt products for use in seasonings, cakes, and other dessert items. Nippon Luna will collaborate with the NH Foods Ltd. Research and Development Center to create its own lactic acid probiotic to help drive sales of yogurts with new functionality.



Nipponham Group aims to deliver the pleasures of good eating to people worldwide by making its overseas operations more transparent and developing businesses that match local tastes

We established an Overseas Business Division in April 2016. Our corporate philosophies encourage every company to cultivate businesses that are deeply rooted in each country or region's culinary culture and enable us to become a truly global company.

Share of net sales

17.1%

Net sales

3/2016 result		3/2017 plan
¥256.1 billion	▶	¥255.0 billion

Operating income

3/2016 result		3/2017 plan
¥0.6 billion	▶	¥2.3 billion

Operating income ratio

3/2016 result		3/2017 plan
0.2%	▶	0.9%

Places of operation

18



Hiroji Okoso

Director and Senior Managing Executive Officer,
General Manager of Overseas Business Division

Main Strategies and Initiatives

Accelerate to a Global Company

Measures at Australian operations

Maintain profits by boosting production and sales of distinctive branded beef and pursuing efficiency.

Measures at U.S. operations

Reinforce sales on the West Coast and explore entering the East Coast.

Measures at Asian operations

Increase sales to volume retailers and restaurants, and strengthen branding to leverage our technologies.

Measures at European operations

Establish production bases while expanding sales to such politically stable Middle Eastern countries as the United Arab Emirates and Saudi Arabia.

Launching the Overseas Business Division to Achieve Long-Term Goals

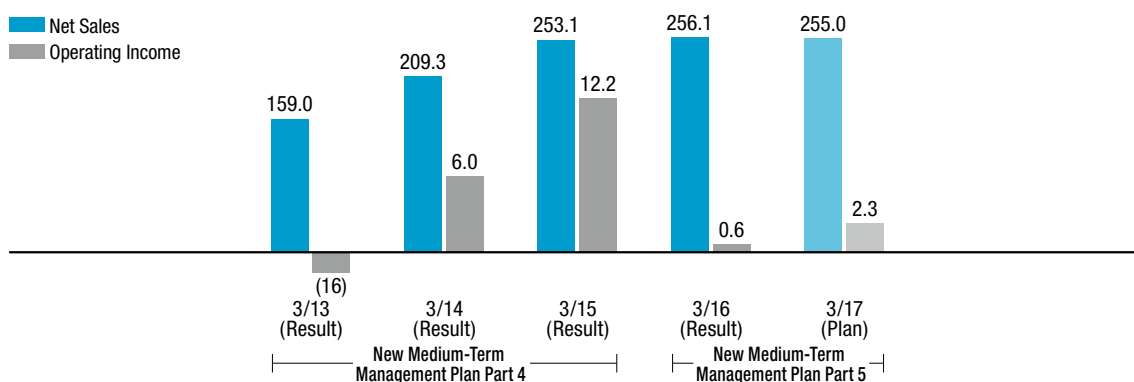
One of the management policies under New Medium-Term Management Plan Part 5, which we initiated last fiscal year, is to accelerate to a global company. We therefore established the Overseas Business Division in April 2016.

We will accelerate business expansion by making our overseas operations more transparent. To this end, we will integrate overseas businesses and affiliated companies that were previously part of other business divisions into the Overseas Business Division.

In the fiscal year ended March 31, 2016, the first year of Part 5, net sales for overseas businesses were ¥256.1 billion. Net sales to companies outside the Group were ¥127.7 billion. We posted an operating loss of ¥600 million, as the Australian and U.S. business environments deteriorated.

The Overseas Business Division operates Group companies in 18 countries and regions. We will build a management structure so each company can cater to local culinary cultures. We look for these companies to align with our corporate philosophies and maintain appropriate governance structures based on local decision making. While food is universally necessary, culinary cultures are diverse. We must therefore undertake initiatives to better accommodate local markets and progress toward accomplishing our aim of spreading the “Joy of Eating.” At the same time, we recognize that nations maintain their own food policies. As such, we need to understand relevant policies in markets worldwide to manage our overseas companies successfully. We believe that each of these companies should grow in tandem with national or regional progress.

Overseas Business Division Net Sales and Operating Income (Billions of yen)



Enhancing Synergies among Group Companies as a Headquarters

The division first seeks solid results from each Group company to optimize overseas operations.

The Group companies have three prime sales channels: selling to Japan, locally, and to third countries. These companies offer our own products, those from other Group companies, and OEM goods. We will construct a business strategy matrix in which sales channel policies are in columns and product policies are in rows. This approach will help us to verify which products go with which sales channels and confirm the product development strategies we should pursue.

As a headquarters, the Overseas Business Division has many important functions. It supports the creation of each Group company's governance structure, verifies sales channel and product policies, and coordinates collaboration between Group companies. At the same time, the division helps enhance Groupwide synergies while assessing each company's businesses and operating areas.

● Initiatives in Australia

We constructed a vertical integration system in Australia for beef production. This setup is a major strength for the Group. Under our integration system, we control grain blends, feeding periods, and methods at feedlots. By doing so, we can produce our unique branded beef, our high-quality *Omugi-Gyu* being an example. We can leverage our competitive advantages to produce beef matching market

needs and national culinary cultures. At the same time, we aim to build a business model that is generally impervious to market changes.

● Initiatives in the United States

In the United States, Day-Lee Foods, Inc., produces and sells the Crazy Cuizine and DayLeePride frozen food product brands. We aim to increase the number of items and production volumes while broadening supply areas. The company's local sales division seeks to sell directly to restaurants, expand its sales offices, and better leverage Group resources. This approach should expand markets by reinforcing channels for procuring top-class fresh fish, Japanese beef, and other goods.

● Initiatives in Asia

In Asia, we produce and sell hams and sausages and processed foods in Thailand, Vietnam, and Malaysia. We look to further reinforce manufacturing and sales in local countries while expanding exports to third countries by leveraging the capabilities of each company. We look for Asia to become a global production hub for the Group.

● Initiatives in Europe

In Europe, we sell Group goods and OEM goods. Going forward, we will assess market scales and needs with a view to building a regional production base. Having sales offices alongside a regional production base will enhance our European presence as a food producer.



TOPICS

Pursuing Group Synergies to Leap Further Ahead

Nipponham Group will optimize its synergies by employing its assets to build a unique business model. These assets include the Fresh Meats Business Division's procurement and sales capabilities, which are the greatest in Japan, and the product development capabilities of the Processed Foods Business Division.

From 1940s to 1960s

Started Producing Hams and Sausages

1942

Established the Tokushima Meat Processing Plant (the predecessor of Tokushima Ham Co., Ltd., and the current Nipponham Group)



1963

Tokushima Ham merged with Torisei Ham Co., Ltd., to establish Nippon Meat Packers, Inc. (now NH Foods Ltd.)



From 1960s to 1970s

Launched Chicken and Hog Farming Businesses

1968

Fully entered the farming and meat marketing business/ Nippon Broiler Co., Ltd. (now Nippon White Farm Co., Ltd.)



1973

Implemented an integration system for fresh meats with the establishment of Nippon Pork Co., Ltd. (now Nippon Food Packer Kagoshima, Inc.)



From 1970s to 1980s

Started Processed Foods and Marine Products Businesses

1972

Began processed foods business/Isahaya plant



1981

Entered the marine products business/ Marine Foods Corporation



Food Product Category Expansions over the Years

The Group started out in 1942 as a ham and sausage manufacturer called the Tokushima Meat Processing Plant. We have since grown to handle everything from fresh meats, processed foods, marine products and dairy products to natural flavorings. The Fresh Meats Business Division, Processed Foods Business Division and Affiliated Business Division developed their own business models over the decades. In April 2016, we established the Overseas Business Division to drive further growth. These four divisions will endeavor to optimize synergies by drawing on their strengths.

From 1980s to 2000s

Diversified Businesses throughout Japan

1984

Started freeze-dried foods business/Nippon Dry Foods Co., Ltd.



1992

Launched yogurt and lactic acid probiotic beverages business/
Kansai Luna, Inc. (now. Nippon Luna, Inc.)



1995

Started natural flavoring business/Nippon Pure Food, Inc.



2003

Entered dairy products (cheese) business/
Hoko Suisan Co., Ltd. (now Hoko Co., Ltd.)



From 1980s to 2016s

Accelerated Expansion of Overseas Businesses

1988

Established integration system in overseas operations/
Whyalla Feedlot in Australia



1989

Entered processed foods business overseas/
Thai Nippon Foods Co., Ltd. (Thailand)



1995

Began hog farming business
in the USA/Texas Farm, LLC



2015

Entered chicken farming business in Turkey/
Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi



2016

Established NHF Manufacturing (Malaysia) Sdn. Bhd.

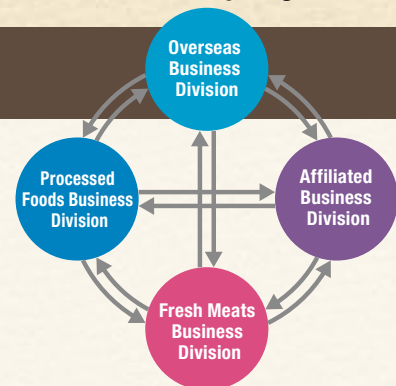
Key Group Strengths

- A vertical integration system handling all processes in-house, from fresh meat production to sales
- Procurement capabilities from top market shares in three livestock species
- Ability to develop category-leading products, among others

Vertical Integration System



Divisional Synergies



Leap 1

Cross-Division Projects to Maximize Combined Strengths

The Fresh Meats Business Division operates under a vertical integration system, managing everything from production to sales within Group facilities. *SCHAU ESSEN*® is one of the Processed Foods Business Division's many category leaders. The assets of the Affiliated Business Division include *Vanilla Yogurt* from Nippon Luna, Inc., and the fish market purchasing rights of Hoko Co., Ltd., at Hachinohe Port. These are just some of the Group's strengths. We launched cross-division projects to leverage Group strengths and maximize synergies.

Products Incorporating Branded Fresh Meats: *Sakurahime*® domestic chicken

We have introduced products that combine the development capabilities of the Processed Foods Business Division and branded fresh meats from the Fresh Meats Business Division. Good examples are *Sakurahime*® domestically produced chicken and *Dolce Porco*®, from slowly fattened Italian hogs.

Sakurahime® large deep-fried chicken pieces has benefited from having a reputation for quality and safety that



Sakurahime® earned through television commercials run last year. This offering proved very popular among business partners at Nipponham Group's exhibition in January 2016. Other products incorporating *Sakurahime*® include *Sakurahime*® Wiener, and *Shumai* Chinese steamed dumplings and a canned product called *Aomori-no-Shojiki Sakurahime*® Chicken *Sutaminagen Tareshio Aji*, both of which were jointly developed by the Affiliated Business Division and Hoko Co., Ltd.

Products Incorporating Branded Fresh Meats: *Dolce Porco*® and other brands

We have commercialized a range of products that incorporate *Dolce Porco*® from slowly fattened Italian hogs. Bacon toppings from these hogs feature in three varieties of the *Ishigama Kobo*® chilled pizza series, such as *Dolce Porco*® Bacon Pizza, adding value to help expand our market lead in this consumer segment.



We will leverage Group assets by commercializing products across divisions. Examples to date include Chinese-style barbecued *Dolce Porco*® pork, *Menchikatsu* commercial minced meat cutlets employing *Omugi-Gyu* beef from our own feedlot in Australia, and *MugiKomachi*® Pork Curry using *MugiKomachi*® domestically produced pork in retort pouches.



Toshiya Tsutsumi Tohoku Production Department, Nippon White Farm Co., Ltd.

In 2001, we started selling *Sakurahime*®: domestic chicken raised chiefly on vegetable feed. The pink meat, hence the brand name (*sakura* is Japanese for cherry blossom), complements the tender and juicy texture and lack of smell. That's why I think this brand has such great potential as a processed food ingredient. It is a pleasure to see our chicken brand in butcher shops and in processed foods. We will continue producing safe and tasty chicken in the years ahead.

Message
from a
Sakurahime®
Farmer



Products Incorporating Branded Fresh Meats





Mr. Pini (left)
Vice President,
BRESAOLE PINI S.r.l.

Koji Mimura (right)
NH Foods U.K. Ltd.

Message
from
Dolce Porco[®]
Purchasers

We have imported *Dolce Porco*[®] from Italy's BRESAOLE PINI since May 2014. The hogs are fattened for three months longer than usual, for a distinctively rich flavor. We concluded a contract with that company to ensure stable supplies of *Dolce Porco*[®] for Japan because we were confident that this carefully crafted offering would satisfy consumers here. We will continue seeking products that meet customers' needs, delivering them to consumers through the Group.

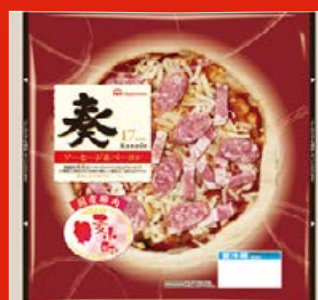


Masayuki Osada
Hams and Sausages Division, NH Foods Ltd.

Quality, taste, manufacturing processes, and raw ingredient selections are vital in developing products. It is a great advantage to have stable access to branded fresh meats like *Sakurahime*[®] and *Dolce Porco*[®], which enhance the added value of our products.

We will continue to deliver the "Joy of Eating" to consumers by procuring branded fresh meats, which are Group assets.

Message
from
a Product
Developer



Leap 2

Reciprocally Using Divisional Distribution Channels to Expand Sales

We are augmenting our efforts to boost Group assets across business divisions beyond products to also encompass optimizing Group synergies in our marketing activities.

Comprehensive Proposals across Business Divisions

One successful initiative has been to organize business meetings that are attended by sales personnel from the Processed Foods Business Division and the Fresh Meats Business Division. We can draw on the manufacturing and product expertise of personnel from the Processed Foods Business Division. At the same time, personnel from the Fresh Meats Business Division share information on current and prospective market conditions for fresh meats. We can thus create proposals that better combine our strong procurement and product development capabilities. These proposals are not only for products, but also for ingredient selections and optimal procurement techniques and timing. This initiative has enabled us to reinforce ties with business partners.

Reciprocally Using Distribution Channels

We will engage in other initiatives that share strong divisional sales channels. For example, we will promote frozen and dairy foods from the Affiliated Business Division by drawing on the sales channels—strengths—of the Processed Foods Business Division, namely, convenience stores and fast food restaurants. We will harness the route sales of food companies in the Fresh Meats Business Division to sell sausages from the Processed Foods Business Division and yogurt and yogurt beverages from Nippon Luna, Inc. in the Affiliated Business Division to restaurant channels. We will expand sales by marketing the Fresh Meats Business Division's *Sakurahime*[®] and the Processed Foods Business Division's bacon to school catering channels, a forte of the Affiliated Business Division. We are looking at how the sales forces of the Processed Foods Business Division and the Affiliated Business Division can exploit the 116 sales bases and nationwide distribution network of the Fresh Meats Business Division, optimizing the assets of the Group and helping it to leap further ahead.

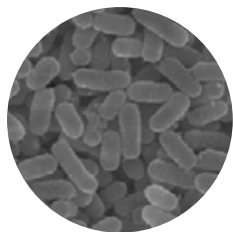
We are committed to research and development in order to contribute to safety and security, good health, and good eating.

As the core research facility of Nipponham Group, the Research and Development Center (RDC) conducts “research into food safety and security,” “research and development of foods and ingredients that support good health,” and “development of production technologies for tasty and high-quality fresh meats and other foods.” We aim to realize the Group’s brand statement, “The Brilliance of People for the Future of Food.”

Product Development with Functional Food Ingredients

The number of people with pollen allergies is on the rise every year. The RDC of NH Foods Ltd. has isolated the lactic acid bacterium (HSK201), which can highly alleviate allergy symptoms, from approximately 2,000 strains of lactic acid bacteria. HSK201 is used to produce lactic acid probiotic beverages by Nippon Luna, Inc. It has also been commercialized as part of health foods such as supplements.

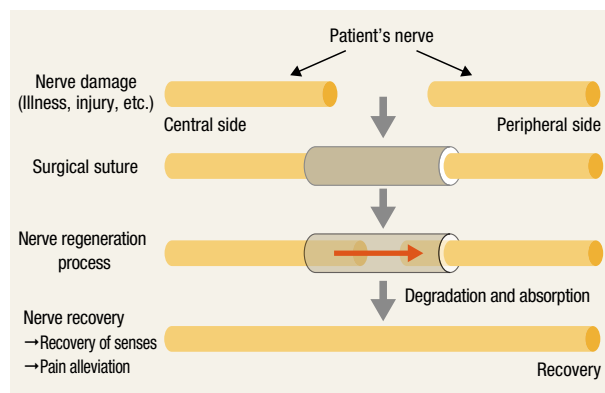
In addition, the RDC has established procedures to extract type II collagen peptide from chicken cartilage and chondroitin sulfate from pig cartilage. While such compounds are found in the human body, they decrease with age. For this reason, we have developed supplements to make it easier to take these compounds. We are conducting research to develop products with high added-value by making good use of the bounty of nature.



Application in Regenerative Medicine

The RDC has applied collagen research to develop the medical use collagen material NMP Collagen PS. It is well recognized for its quality and performance and it is used as a key material for nerve regeneration inducing tubes. Attaching such tubes to nerves that have been damaged by an illness or injury enhances regeneration and recovery of the cut nerve.

Schematic depiction of nerve regeneration with a nerve regeneration inducing tube using NMP Collagen PS



Research and Development of Food Testing Kit

HACCP* has become increasingly important with the heightened demand for food safety and hygiene among consumers in recent years.

* HACCP (pronounced “hasep”) is an abbreviation for “hazard analysis and critical control point,” a preventive approach to various hazards in production processes. It is a management method that aims to prevent sanitation risks that can occur at every stage of food production for the entire production process rather than just the final product.



For this reason, testing tools and information that facilitate management in the food production process are required in the food industry.

In order to protect food safety and security, the RDC develops and sells testing kits for testing foodborne pathogens, mycotoxin, and food allergens in food products. These kits are broadly used by food manufacturers, the distribution industry, the restaurant industry, administrative organizations and other collective entities.



Testing kit for foodborne pathogens NH Immunochromato



Testing kit for foodborne mycotoxin MycoJudge® Total Aflatoxin

In September 2014, the NH Immunochromato O157, a testing kit for foodborne pathogens, was granted PTM status AOAC-RI PTM, an international certification for performance of testing kits. The certification attests the high reliability of the kit.

Then in fiscal 2015, we published the information magazine FAST NEWS in order to deliver the latest information on food testing and technology. As every issue includes features on food testing we hope that it serves as a source of useful information for people involved in quality assurance and production in the food industry.



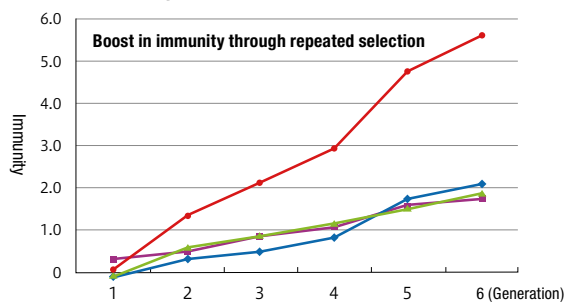
Inaugural issue of FAST NEWS

Research and Development of Novel Breeding Technologies through Joint Research

In cooperation with Japanese research institutes, prefectural laboratories, and universities, the RDC has conducted research and development of novel breeding technologies since 2007 to improve the production efficiency of hogs. As a result of selecting parent hogs and repeatedly conducting breed improvements through six generations with multiple levels of immunity serving as a benchmark, we developed a group of highly immune hogs. By pursuing research further, we confirmed that this group of hogs is also resistant to contagious diseases.

In 2015, we identified a conserved genetic sequence in this highly immune group. The sequence was located in the genes related to immunity, suggesting it may increase the immunity of hogs. A patent is pending for this sequence. We are currently conducting research and development on testing methods to check for the presence of this sequence to enable the accurate selection of hogs with high levels of immunity.

Trend of immunity



Delivering Safe, High-Quality Food That Customers Trust and Expect

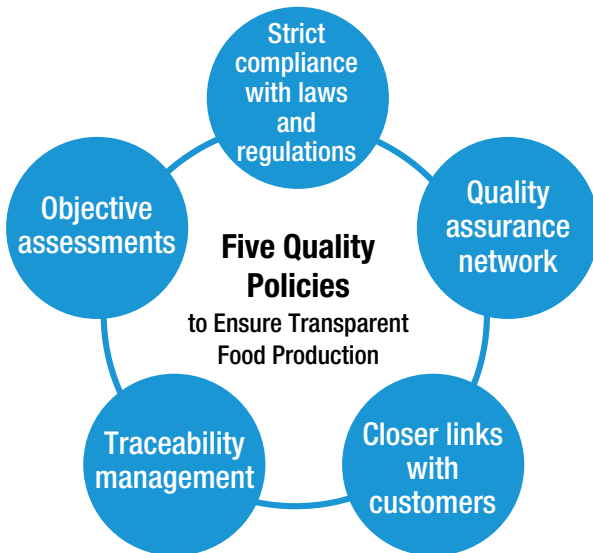
The Group pursues Open Quality—transparent food production—by delivering safe, quality food and providing as much as possible the information customers need to know. We therefore established, and are constantly improving, a quality assurance framework based on our Five Quality Policies.

Five Quality Policies

The Group manages the history of each process in its proprietary “vertical integration system,” which not only covers all stages from procurement and production to sales but also enables information sharing and cooperation among all businesses to bolster its overall quality assurance standards.

We draw on customer feedback through our Listening, Knowing and Using activities, and third-party evaluations to realize our aim of delivering quality that satisfies the needs of customers and society.

More open food manufacturing **OPEN Quality**



Quality Assurance Framework

We deliver safe, quality food by conducting safety assessments and safety inspections of ingredients and products before and during commercialization and carrying out quality audits of product manufacturing environments. Human-resource development underpins these three activities.

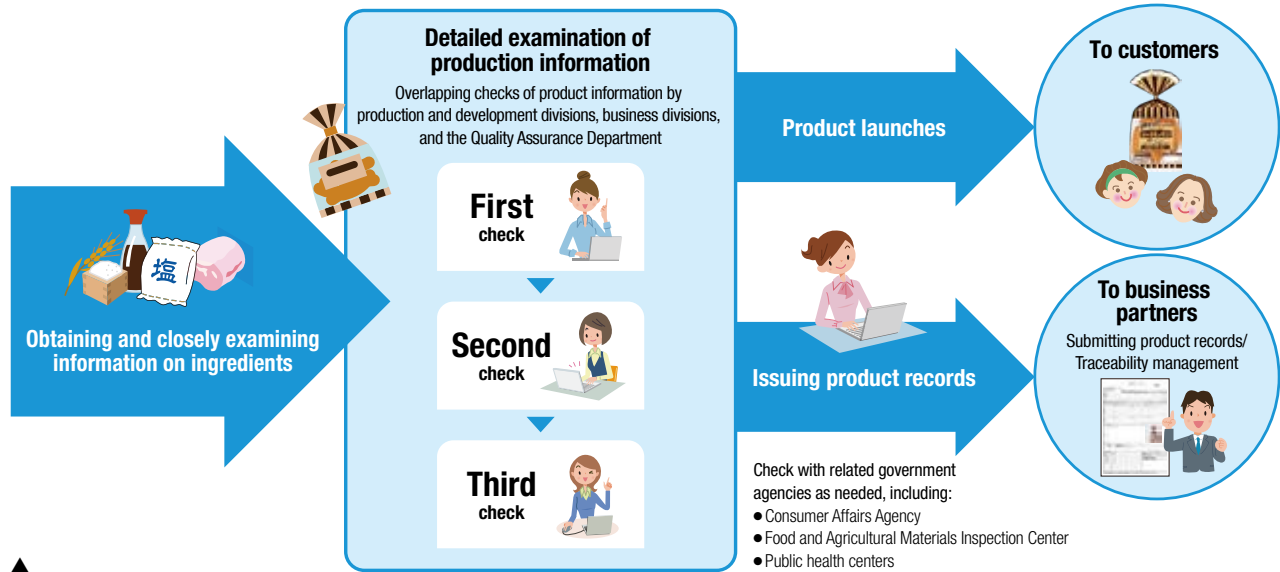
As of March 2016, the Group maintains a quality assurance framework with 962 officers (762 in Japan and 200 overseas).



Safety Assessments

We deliver safe products to customers by assessing the safety of ingredients and by reviewing the compliance of labeling and specifications with statutory requirements and by maintaining product labels and records.

Safety Assessment Flow



▲ Product information comprises data compiled from ingredients, which is the first and most important stage of information acquisition.

▲ We combine information on ingredients whose safety we have confirmed to formulate product quality specifications. Our offerings are commercialized only after safety has been confirmed by conducting checks at all stages.

▲ We deliver accurate product information to customers.

Assessment Details



Through *Seijitsu-kun*, the Group's proprietary and comprehensive product information management system, we confirm that all of our products are suitable by checking quality specification warranties for ingredients, product specification contents, production methods, quality labeling for ingredients, allergens, and best-before dates, among other information. We also check product explanations, food preparation methods, and other information from customer perspectives and conduct safety assessments to ensure safety and legal compliance. Overlapping product safety assessment checks are carried out by production and development divisions, business divisions, and the Quality Assurance Department.

*1. FT-CCP (Fresh & Tasty Critical Control Point): Nipponham Group's own initiative for prioritizing the management of freshness and taste.

*2. Misrepresentations of quality and benefits:
 Misrepresentations of quality include using advertisements to falsely claim that the quality of a product or service is better than it actually is, and falsely advertising that an offering is superior to those of rivals despite it not being the case.
 Misrepresentations of benefits include falsely advertising that product or service terms are more advantageous than they really are, and falsely claiming that products or services are much cheaper than rival offerings when it is not true.

Quality Audits

To ensure that our products offer solid quality, we confirm that the manufacturing environments of and quality assurance framework for ingredients and products function properly, both in Japan and overseas.

Stance on Quality

We deliver safe products to customers by continuously improving manufacturing environments.



Flow of Quality Audits

We repeatedly audit quality at our domestic and overseas plants and suppliers.



Production site audits

Our safety checks start with food origins, including farms and aquaculture ponds.



Production sites

Checks of product ingredients at local level



Manufacturing plants

Hygiene checks at domestic and overseas manufacturing plants



Manufacturing plant audits

We confirm quality and safety management at meat and processing plants and other facilities.



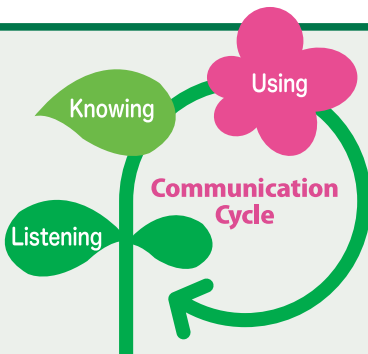
Sales sites

Checks of product management conditions, etc.



Traceability

Product recall training checks



Listening

We heed customer feedback and endeavor to identify their underlying intentions and expectations so we can quickly and sincerely address them. Our employees who handle calls from customers take it upon themselves to cook and try new and upgraded products to fully appreciate customer perspectives.

Knowing

We create information databases on customer feedback and share it within the Group. We conduct customer feedback sessions in morning assemblies and training sessions at headquarters, branch offices, and Group companies, including manufacturing plants. These activities help enhance workplace motivation. The president and all other executives participate in these efforts to hear customer opinions directly, expanding initiatives to share information.

Safety Inspections

We implement safety inspections in line with Group quality assurance regulations for all of our ingredients and products to ensure safe products.

Safety Inspections

We conduct safety inspections of ingredients and products in line with Group quality assurance regulations.

Ingredients



Residue testing

We check for pesticide residues in vegetables and fresh meats.



Microorganism testing

We check that ingredients match hygiene standards.



Radiological testing

We check that water used in ingredients and plants is free of radioactive materials.

Products



Microorganism testing

We check that products meet hygiene standards and have not passed best-before dates.



Food allergen testing

We check that products do not include food allergens that are not shown on labeling.



Food additive testing

We check that foods are free of improper additives and are not contaminated.



Foreign body testing

We use foreign body testing equipment to check that products are not contaminated with bone or metals.



Nutrient testing

We measure product nutrition content and check that salt and other ingredients match specifications.



Sensory testing

Before shipping, we check for product taste, aroma, or other abnormalities.

Global Inspection Structure

Overseas, we collect information on pesticide residues, veterinary drugs, and other items incorporated in ingredients while conducting safety inspections and importing safe products.



China

Following the example of our safety laboratories in Japan and under their guidance, the Tianjin Longtai laboratory conducts inspections of pesticide residues and other residues and carries out food additive testing.



Thailand and Mexico

In Thailand and Mexico, we use our own plants and outside contractors to build safety inspection systems that match those of Japan.



Ingredients

In addition to local check and audit, we inspect ingredients in Japan after importing them.

1. Microorganism testing
2. Pesticide residue and veterinary drug testing



Products

We inspect ingredients before manufacturing and products before importing them.

1. Microorganism testing
2. Pesticide residue and veterinary drug testing
3. Food additives
4. Allergens

Managing the Precision of Group Plant Inspectors

We ensure the accuracy of daily inspections at all Group plants by annually testing the skills of all plant inspectors, checking their accuracy, and providing guidance.

Cooking checks by employees fielding calls from customers

Such employees ensure that they themselves cook and try new and upgraded products to fully appreciate customer perspectives.

1



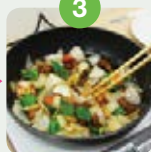
Checking food preparation methods

2



Checking ingredient sizes and sauce color

3



Cooking

4



Trying and appreciating

Utilizing knowledge in customer communication



Using

We use customer feedback as a basis to improve our products and services and hold weekly meetings with participation from employees of the product, sales, and customer service departments, as well as the Quality Assurance Department. Participating employees exchange their views and discuss ways to improve products and services. We have instituted improvements to make allergy information and cooking methods easier to comprehend, ensuring safer and delicious dining experiences.

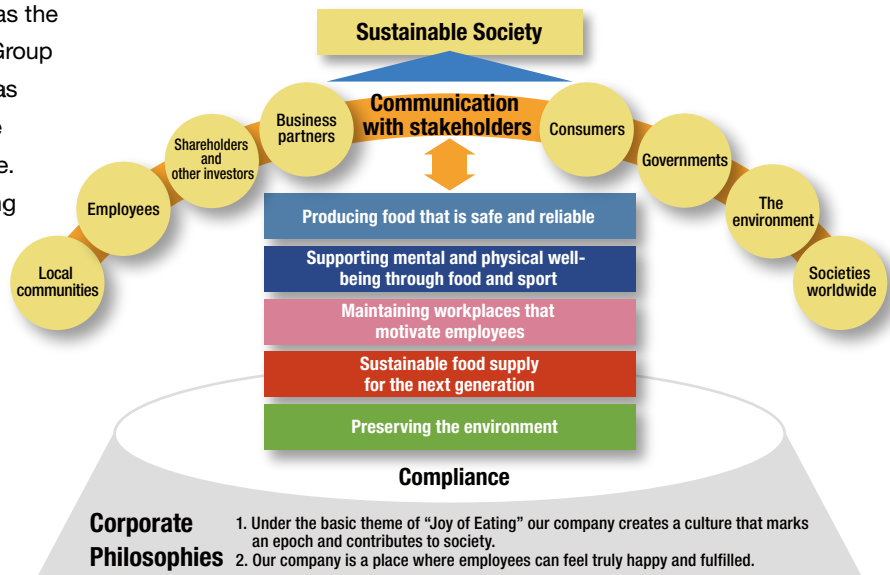
Delivering the “Joy of Eating” to People Everywhere

Nipponham Group contributes to happy and healthy lives by delivering the “Joy of Eating” to people around the world through the breeding of animals such as cattle, hogs, and chickens. In addition, we promote initiatives befitting our position as a food business to contribute to the development of the next generation and the realization of a sustainable society, with the aim of living up to the expectations of stakeholders.

（ We focus on five CSR material issues as we value communication with stakeholders ）

With the Corporate Philosophies serving as the foundation of management, Nipponham Group values communication with stakeholders as it conducts CSR activities focused on five CSR material issues based on compliance.

Furthermore, we believe that addressing these issues together with stakeholders will realize the establishment of a sustainable society.



Food Education Initiatives

Fostering the Ideas of Enjoying Food, Eating Properly, and Esteeming Food

At Nipponham Group, we believe that fostering a feeling of gratitude for the bounty of nature is our mission as a company involved with food.

We endeavor in our food education activities to teach the children leading the next generation about the importance of enjoying food as well as eating properly and esteeming the value of food.

Food Education Seminars

In sports classes such as those for baseball and soccer, we conduct food education seminars for children and their guardians on topics such as the importance of nutrition and points to remember regarding one’s diet during growth periods. We work to raise the awareness of children about food and help with daily diets by distributing recipes to guardians with which they can prepare meals at home.



Wiener Sausage Making

The Group communicates the importance of enjoying food to a variety of people from children to adults through wiener sausage making workshops. In cooperation with the Association of Corporation and Education, a non-profit organization, since 2006, we have held wiener sausage making workshops at elementary and middle schools throughout Japan that allow students to experience what ingredients are used to make the wiener sausages that they are familiar with, and how these sausages are made. 20,758 students from a total of 344 schools have participated in these workshops, as of the fiscal year ended March 31, 2016.

In addition, the Shimodate Kobo (Ibaraki Prefecture) and Nagasaki Roman Kobo (Nagasaki Prefecture) of Nipponham Factory Ltd. conduct wiener sausage making workshops, where customers can create original wieners.



KidZania Tokyo and KidZania Koshien

We have opened “Sausage Workshop” pavilions at KidZania Tokyo and KidZania Koshien as occupational and social experience facilities that allow children to experience what it’s really like to work as master sausage makers. Participants can experience our dedication to taste and the importance of hygiene control when handling food through sausage making. The pavilions also have shops where people can eat products including hot dogs using freshly boiled *SCHAU ESSEN*®, allowing people to not only make Nipponham Group products but also experience the fun of eating.



Out of KidZania Work Experience Program in Hokkaido

A three-day work experience program in Hokkaido called “Out of KidZania” was held from July 30 to August 1, 2015. Twenty-five elementary school students living in western Japan participated as employees of the Group to experience how to make sausages, prepare feed for hogs, interact with animals including cattle, and work at the Sapporo Dome, home of the Hokkaido Nippon-Ham Fighters.

We received the following types of feedback from elementary school students who participated: “I enjoyed having my own business card and being able to exchange it with people from Nipponham. It made me feel a bit like an adult.” “Mixing up the hog feed with a variety of ingredients made me realize that we also have to think about the balance of nutrients in what we eat.” “I learned that cattle skins were used in products such as baseballs and bags, and realized how important this was for our daily lives.”

Nipponham Group will also continue such activities going forward to provide the children leading the next generation with the opportunity to think about food and working.



Day 1

Learning about the history of the sausage and the manufacturing process at Carl Raymon (Hakodate)



Day 2

Learning about how to breed animals at Hokkaido University, Hokkaido Industry-Academia-Government Collaboration Center (Sapporo)



Day 3

Learning about work that supports professional baseball at Sapporo Dome (Sapporo)

Food Allergy Initiatives

Striving to Deliver the “Joy of Eating” to People with Food Allergies

The number of people who suffer from food allergies has more than doubled in recent years, as it has now become a social issue. Based on our desire to share the “Joy of Eating” with all family members around the dining table regardless of whether they have food allergies or not, we conduct a broad range of activities that include the development, manufacture, and sale of allergen-free products, as well as R&D and communications related to allergen testing technologies.

Development of Allergen-Free Products

According to research,*1 there have been reports that the number of three-year-olds with food allergies has nearly doubled compared with 1999 over a period of 15 years, and food allergies are becoming an important social issue. NH Foods Ltd. developed and released sausages free of raw materials such as milk constituents and egg whites in 1997, and ham and sausages not using specific allergens as raw materials in 2004.

For these products, we conduct strict management at dedicated allergen-free product factories of Nipponham Northeast Ltd. so that seven specific raw materials*2 are not carried in. Thorough inspections of these specific raw materials are also conducted on purchased raw materials. We will work to continue to expand our product lineup going forward so that people with food allergies can enjoy a variety of delicious foods.



Plant for allergen-free products



Product and allergen labeling



Processed foods not using egg whites, etc., and “rice flour bread” that does not use wheat

Development of Food Testing Kit

In 2002, the RDC released the FASTKIT® ELISA series as a testing kit that can measure the amount of food allergens contained in processed foods. This kit has been renewed as the FASTKIT® ELISA Ver. III series, and currently conforms to the “Guidelines on Inspection Methods for Food Product Containing Allergens” issued by the Consumer Affairs Agency.

Then in 2009, we developed and released the FASTKIT SLIM® series that enables inspection of the presence of allergens in about 15 minutes.

Currently, the number of companies handling food in addition to the Group that have adopted day-to-day allergen inspection is on the rise. In particular, allergen testing is used

in applications such as confirmation of cleanliness levels and wiping inspections in the manufacturing process. Effectively combining these testing kits makes optimal food allergen management best suited to the situation possible.



FASTKIT® ELISA Ver. III series



FASTKIT SLIM® series

*1 Research in Tokyo: “Survey on Three-year-olds Related to Allergies across Tokyo (Fiscal 2014)” by Tokyo Metropolitan Institute of Public Health.

*2 Seven specific raw materials: Milk, eggs, flour, buckwheat, peanuts, prawns, and crabs.

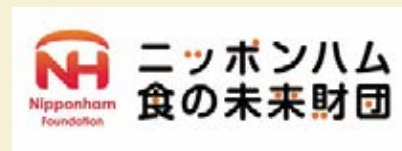
Providing Information on Food Allergies

NH Foods Ltd. manages Food Allergy Net, which is an information website concerning food allergies. In addition to descriptions of allergens and allergy symptoms from the perspective of food manufacturers, the website also introduces seasonal recipes, allergen-free products, and the like. The website was awarded with the Asakawa Grand Prix Award*³ of the Third Web Grand Prix in December 2015. In addition, the website was redesigned in March 2016 to make it easier to view on smartphones. We will continue to provide information that serves society going forward.



Establishment of the “Nipponham Foundation”

NH Foods Ltd. established the “Nipponham Foundation” in January 2015 with the desire to deliver the “Joy of Eating” to people everywhere. The foundation aims to respond to the needs of society including educational activities and research assistance in the field of food allergies from the position of pursuing public interest. The foundation also aims to contribute to society by leveraging the research resources and experience that have been accumulated up until now in a manner that is differentiated from the business activities of NH Foods Ltd.



■ Food Allergy Seminars

Seminars were conducted for national registered dietitians and other people involved with food in five prefectures in Japan. Through these seminars, participants cooperate together to resolve issues related to food allergies.

■ Holding a Cooking Contest

The contest aims to help pass on cooking techniques developed for children who have allergies to the eating habits of people with food allergies and their family members. In the “First Allergen-Free Food Cooking Contest” that was held in 2015, 20 award-winning dishes were selected from a total of 923 applications and introduced through our website and other media.



General section: Grand Prize
Delicious cake sale



Student section: Grand Prize
Fried shrimp that will surprise everyone!

■ Publication of an Educational Book

An educational book called “Learning about Food Allergies” was produced for elementary school students to promote self-discipline regarding food allergies and encourage understanding among other students about allergies. A total of 25,500 books were donated to both elementary schools and public libraries across Japan in March 2016. A PDF version of “10 Q&As on Learning about Food Allergies” is also available from the foundation’s website.



*³ Asakawa Grand Prix Award: Awarded by the Web Advertising Bureau, host of the Web Grand Prix, to companies and people who have made outstanding contributions to web advertising and marketing in Japan.

Efforts in Food and Sports

Contributing to a Healthy Body and Mind by Supporting Food Products and Sports

The “Joy of Eating” that is set forth as one of the Corporate Philosophies of Nipponham Group represents the pleasures of good eating and the joys of health.

We contribute to a healthy body and mind by supporting food products and sports in the hope that we can share an understanding of the pleasures of good eating and the joys of health with everyone.

Functional Food Products That Support Athletes

The RDC develops functional food products that leverage the research results on imidazole dipeptide.

Imidazole dipeptide is said to be effective in alleviating fatigue, and it has also gained popularity among top athletes, including athletes from the J League’s Cerezo OSAKA and Toyo University’s track & field club.



Imidazole Dipeptide
Sparcopro Powder



Imida No Chikara

What is Imidazole Dipeptide?

It is a collective name for carnosine and anserine, and animal muscles contain high quantities of this substance. It has been confirmed that when it is consumed as a food product, it is stored in the body and improves athletic ability.

The RDC has extracted imidazole dipeptide from chicken meat and conducted research on this compound for a period of 15 years. This compound has gained much attention in advance of the 2020 Tokyo Olympic Games.

Holding Sports Lessons

Nipponham Group holds lessons on sports including baseball and soccer across the country with professional athletes serving as coaches. These lessons communicate the importance of enjoying sports, taking on challenges and eating properly.

In addition, national registered dietitians from the RDC communicate points to note regarding one’s diet during

growth periods to children, their guardians, and instructors.

Recipes are also distributed to guardians to help them prepare meals at home.



Reading Promotion Campaign “Take a Book Instead of a Glove” in Hokkaido Prefecture

Since 2014, the Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. has conducted the reading promotion campaign “Take a Book Instead of a Glove” in Hokkaido Prefecture. In 2015, an illustrated book for young children called “Fighters of the Baseball Team in the Forest” was produced with the involvement of the players association that helped make the draft, and a reading of it was held during the off-season. We will continue supporting the healthy growth of children by instilling the habit of reading at home and at library facilities.



Environmental Activities

Contributions to the Environment and Sustainability

Nipponham Group operates businesses that nurtures life in irreplaceable nature and makes good use of the bounty of nature. We believe that it is our corporate responsibility to conserve nature that nurtures life and make good use of the bounty of nature.

Environmental Targets for New Medium-Term Management Plan Part 5

Nipponham Group has formulated environmental targets related to the mitigation of climate change, resource saving, and resource recycling in New Medium-Term Management Plan

Part 5 that started in April 2015. The progress over the past year is displayed in the table below.

		Indicators		Progress in fiscal 2015
		Targets (Average between fiscal 2015 and fiscal 2017)	Baseline (Average between fiscal 2005 and fiscal 2010)	
Mitigation of climate change	CO ₂ emissions per unit of production	18.5% reduction (665.2kg-CO ₂ /t)	816.2kg-CO ₂ /t	13.0% reduction (709.9kg-CO ₂ /t)
Resource saving	Energy efficiency per unit of production	16.0% reduction (11.4GJ/t)	13.6GJ/t	12.5% reduction (11.9GJ/t)
	Water consumption per unit of production	4.0% reduction (17.2m ³ /t)	17.9m ³ /t	0.6% reduction (17.8m ³ /t)
	Waste per unit of production*	6.0% reduction (231.1kg/t)	245.8kg/t	0.04% increase (245.9kg/t)
Resource recycling	Waste recycling rate	More than 98.0%	95.8%	94.9%

*Excluding farms

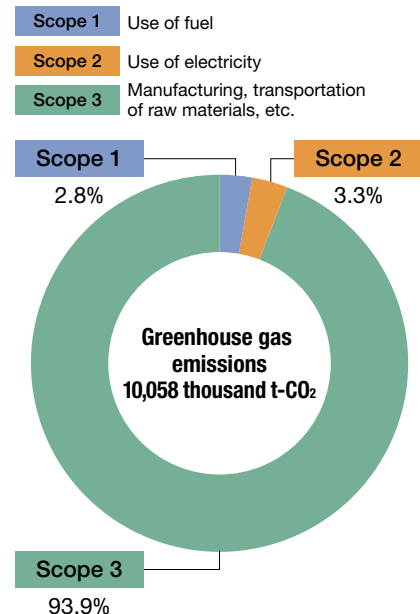
Assessment of Product Life Cycle and Supply Chain

Since 2010, Nipponham Group has sold the *Mori-no-Kaori*[®] series displaying the carbon footprint mark in an effort to assess the volume of CO₂ emissions at various stages in the product life cycle, including the procurement of raw materials (meat, wheat, etc.), production, and the processing of product packages, as well as to share information with customers.

Since fiscal 2013, we have worked to assess CO₂ emissions throughout our supply chain including the use, disposal, and transportation of products, and business trips and commuting by employees, rather than just energy- and resource-use by the Group in Japan. The Group's total CO₂ emissions in fiscal 2015 were 10,058 thousand tons.



Carbon footprint mark



Seeking to Increase Management Transparency and Efficiency and Raise Corporate Value

In November 2015, Nipponham Group established the “Nipponham Group Fundamental Policy on Corporate Governance,”* setting forth its basic views and framework for the corporate governance of the Group. In order to establish the corporate governance system considered most appropriate by the Group, and to make such a system functional so that the Group is able to fulfill its social responsibilities and realize its long-term goal of becoming the world leader in delivering the “Joy of Eating,” we will continue to strive to enhance corporate governance.

*For more information, see the Company website. ⇨ <http://www.nipponham.co.jp/eng/ir/policy/governance.html>

Basic Policy on Corporate Governance

The Group’s basic approach to corporate governance is to clarify responsibility and authority for monitoring by the Board of Directors and business implementation by executive officers. We limited the Board of Directors to less than 12 members to ensure prompt decision making and minimize the scope of liability of that body, which is responsible for monitoring management. Thus, our headquarters’ departments and committees, which support the Board of Directors, have been enhanced.

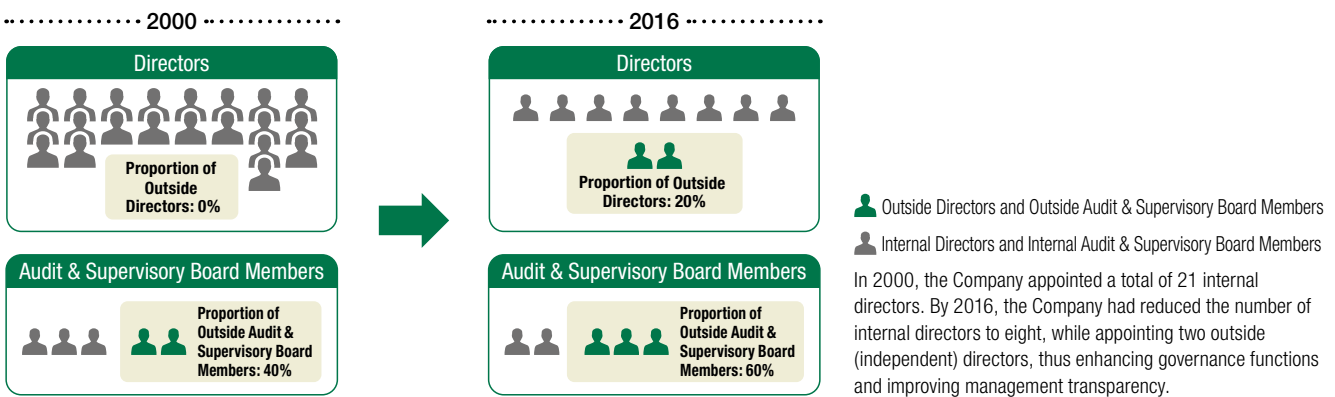
As a general rule, we appoint more than one outside director to ensure the transparency of the Board of Directors. The term of each director is set at one year for the purposes of facilitating annual accountability and clarifying each director’s management responsibilities on a fiscal yearly basis.

In addition, we established a monitoring framework comprising Audit & Supervisory Board Members and the Audit & Supervisory Board. Generally, the number of Audit & Supervisory Board Members is five, of whom at least three are outside members, to ensure proper monitoring. In principle, the Board of Directors and the Audit & Supervisory Board both comprise one or more members with a background in finance, and one or more with legal expertise, such as a lawyer, in addition to directors in charge of accounting.

Furthermore, in recognition of the importance of cumulative efforts in the workplace, we strengthen our corporate governance by not only reinforcing our management framework but also enhancing internal controls at both our sites and Group companies.

Efforts to Strengthen Corporate Governance

- | | | | |
|------------|--|------------|--|
| April 2003 | Established Investment & Finance Committee | April 2008 | Established JSOX Committee |
| April 2003 | Established Compensation Committee | April 2009 | Renamed JSOX Committee the Internal Control/JSOX Committee |
| April 2004 | Established Corporate Governance Committee | April 2011 | Established Executive Appointments Committee |
| May 2006 | Established Corporate Value Evaluation Committee | April 2016 | Established Board of Independent Officers and Representative Directors and Board of Independent Officers |
| April 2007 | Established Risk Management Committee | | |



Corporate Governance System

◆ Directors and Board of Directors

The Company has clarified responsibility and authority for monitoring by the Board of Directors and business implementation by executive officers. We limited the Board of Directors to less than 12 members to ensure prompt decision making and minimize the scope of liability of that body, with more than one outside director also being appointed, in principle, to ensure the transparency of the Board of Directors. The term of each director is set at one year to facilitate annual accountability. A meeting of the Board of Directors is held once a month, at which the president and representative director serves as chairman. As the supreme decision-making body, the Board of Directors decides on matters set forth in laws and regulations and the Articles of Incorporation, as well as other important matters.

The Management Strategy Committee holds meetings twice a month and comprises directors (excluding outside directors) and executive officers appointed by the president. It makes decisions on important matters (excluding matters that require the Board of Directors' approval under laws and regulations as well as important management matters set forth in the Rules of the Board of Directors)

and facilitates communication and coordination within the Group.

The matters to be submitted to the Board of Directors and the Management Strategy Committee are discussed in advance at semimonthly meetings of the Investment & Finance Committee and the Corporate Governance Committee.

◆ Audit & Supervisory Board Members and the Audit & Supervisory Board

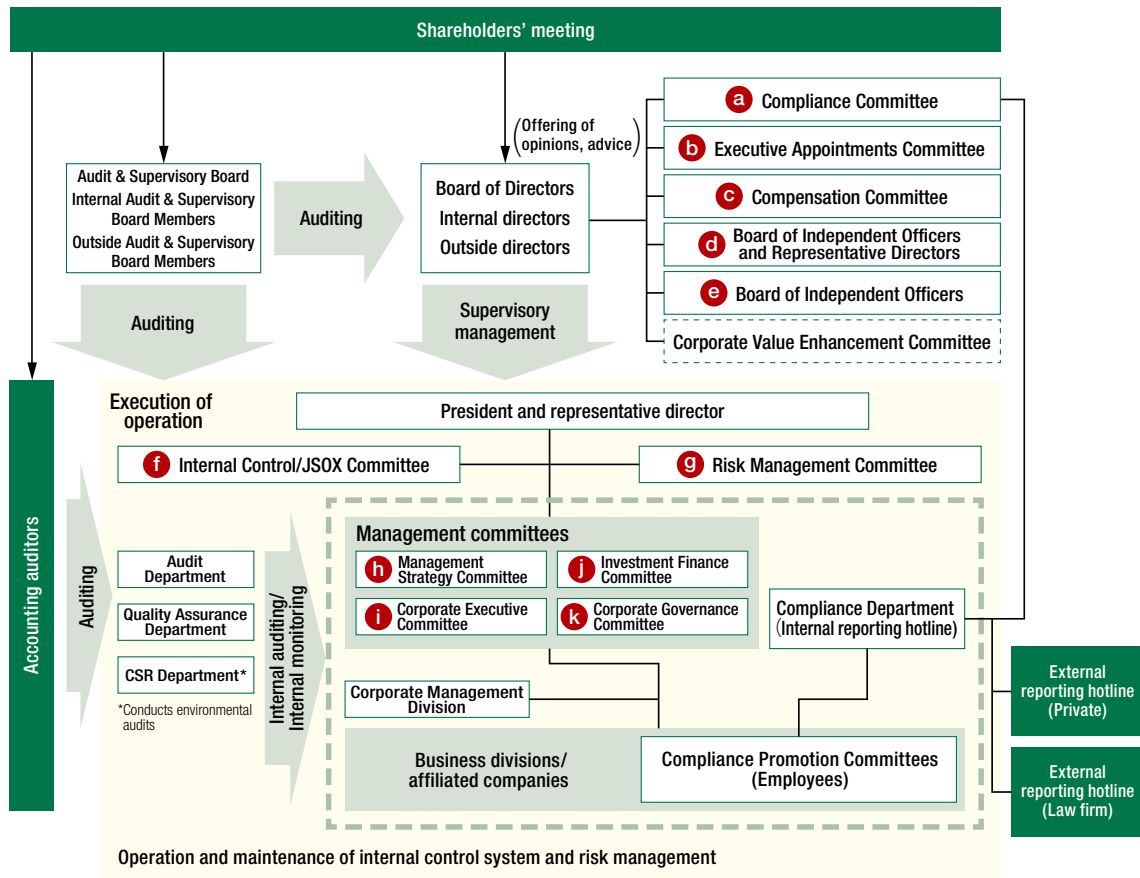
In collaboration with the Board of Directors, the Audit & Supervisory Board's function is to supervise the Company and is an independent body entrusted by shareholders with the duty of auditing the execution of duties by directors. To ensure proper monitoring of directors and the execution of their duties, in principle, the number of Audit & Supervisory Board Members is five, of whom three or more are outside Audit & Supervisory Board Members.

Audit & Supervisory Board Members consist of one or more persons who have considerable expertise and knowledge of finance and accounting, as well as one or more with legal expertise, such as a lawyer. The Audit & Supervisory Board holds a meeting once a month and makes decisions on important matters concerning auditing.

◆ Reasons for Appointment of Outside Directors and Audit & Supervisory Board Members and Meeting Attendance Record

Category	Name	Reasons for Appointment	Attendance Record at Meetings of the Board of Directors and Audit & Supervisory Board
Outside Directors	Toshiko Katayama	We consider Ms. Katayama suitable as an outside director because she has outstanding experience and knowledge of consumer issues, having dealt with them for many years as an attorney. As an entity whose core business is to produce and market foods, we recognize that engaging in consumer-oriented management is vital to our business progress, and we believe that Ms. Katayama will accordingly be of great benefit to shareholders.	Attended 19 of 19 Board of Directors' meetings
	Iwao Taka	Mr. Taka has researched corporate ethics and corporate social responsibility for many years, and has broad perspectives about international economics. We believe that these qualities have made Mr. Taka a suitable outside director. He chaired the Group Corporate Ethics Committee from 2002 to 2004, and was thereafter a member of our Corporate Value Evaluation Committee (currently the Corporate Value Enhancement Committee), helping to set up our compliance management system and enhance corporate value. As an entity whose core business is to produce and market foods, we recognize that engaging in consumer-oriented management is vital to our business progress, and we believe that Mr. Taka will accordingly be of great benefit to shareholders.	Attended 18 of 19 Board of Directors' meetings
Outside Audit & Supervisory Board Members	Akira Otsuka	We believe that Mr. Otsuka will contribute to the sound business development of the Group as an outside Audit & Supervisory Board Member due to his extensive knowledge in a wide range of fields gained from his long career as a lawyer. We recognize that responding to societal demands and engaging in compliance-oriented management are a foundation which is vital to the business development of the Group. As such, Mr. Otsuka's contributions will greatly benefit shareholders.	Attended 19 of 19 Board of Directors' meetings Attended 15 of 15 Audit & Supervisory Board meetings
	Akihiko Shiba	We consider Mr. Shiba suitable as an outside Audit & Supervisory Board Member because he has wide-ranging perspectives and experience, among other attributes, as an attorney who primarily specializes in compliance in organizational operations and risk management. We recognize that responding to societal demands and engaging in compliance-oriented management are a foundation which is vital to the business development of the Group. As such, Mr. Shiba's contributions will greatly benefit shareholders.	Attended 13 of 14 Board of Directors' meetings Attended 10 of 10 Audit & Supervisory Board meetings
	Atsushi Iwasaki	We consider Mr. Iwasaki suitable as an outside Audit & Supervisory Board Member, as he has extensive knowledge about corporate finance and accounting through his years of service as a certified public accountant. We believe that Mr. Iwasaki's timely advice to management from finance and accounting perspectives will contribute to the soundness of our financial and accounting practices and systems, thereby greatly benefiting shareholders.	Attended 14 of 14 Board of Directors' meetings Attended 10 of 10 Audit & Supervisory Board meetings

Note: Meeting attendance of Audit & Supervisory Board Members Mr. Akihiko Shiba and Mr. Atsushi Iwasaki is only for meetings of the Board of Directors and the Audit & Supervisory Board held after their assuming office on June 25, 2015.



Director and Audit & Supervisory Board Member Compensation

We maintain a very transparent, just, and rational compensation system that is designed to attract talented executives who can optimize corporate value in performing their duties as directors and Audit & Supervisory Board Members.

We ensure that the compensation of directors and Audit & Supervisory Board Members is indeed transparent, just, and rational by having the Compensation Committee, whose outside director acts as chairman, deliberate on these matters, with the final decision made by the Board of Directors.

The compensation of each director (outside director) comprises a basic salary, based on his or her position, and stock acquisition-based compensation.

The compensation of each outside director is limited to just basic compensation, as determined by his or her position.

The compensation of each Audit & Supervisory Board Member is limited to just basic compensation, taking into consideration his or her position. No retirement gratuity or stock acquisition-based compensation are paid.

◆ Total Compensation by Director and Audit & Supervisory Board Member, Total for All Types of Compensation, and Number of Directors and Audit & Supervisory Board Members

	Total for All Types of Compensation (Millions of yen)	Total Compensation (Millions of yen)			Number of Directors and Audit & Supervisory Board Members
		Basic Compensation	Performance-based Compensation	Stock Acquisition-based Compensation	
Directors (excluding outside directors)	318	215	50	53	11
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	49	49	–	–	3
Outside directors and Audit & Supervisory Board Members	55	55	–	–	7

Note: The basic compensation of directors (excluding outside directors) includes performance- and stock acquisition-based compensation.

◆ Profiles of Key Committees

	Objectives	Members (Definition)	When convened
a Compliance Committee	To accomplish the Group's goal of becoming the most trustworthy corporate group in Japan, the committee comprehensively reviews Groupwide compliance and makes proposals to the Board of Directors and Management Strategy Committee.	Members are directors appointed by the president, executive officers, full-time advisors, the Compliance Department manager, union representatives, and a compliance leader representative.	Meets quarterly and otherwise as needed.
b Executive Appointments Committee	Aims to enhance the transparency and objectivity of decisions regarding appointments of directors and Audit & Supervisory Board Members and improve supervision of the Board of Directors.	Chaired by an outside (independent) director who is appointed and elected by the Board of Directors, and members are appointed and elected by the Board of Directors from among directors. Members are mostly outside (independent) directors.	In principle, meets twice a year and otherwise as needed.
c Compensation Committee	Enhances the transparency and objectivity of decisions on compensation for corporate officers (including executive officers) and improves supervision of the Board of Directors.	Chaired by an outside (independent) director who is appointed and elected by the Board of Directors, and members are appointed and elected by the Board of Directors and the Audit & Supervisory Board. Members are mostly outside (independent) directors.	In principle, meets twice a year and otherwise as needed.
d Board of Independent Officers and Representative Directors	To improve the Group's corporate value and provide a venue for proposing reformation of corporate culture, the board facilitates free and open discussions among Independent Officers and Representative Directors.	Members are from the Board of Independent Officers and Representative Directors.	Meets at least once annually
e Board of Independent Officers	Exchanges information and shares knowledge from an independent and objective perspective.	Members are all Independent Officers.	Meets at least once annually
f Internal Control/JSOX Committee	Discusses and decides on substantive matters concerning internal control evaluations and reports within the Group.	In addition to a committee chairperson appointed by the president and those appointed by the committee chairperson from among directors, corporate auditors, and executive officers, members are appointed by the committee chairperson, including from among heads of the Accounting & Finance Department, Human Resources Department, Compliance Department, General Affairs Department, Corporate Planning Department, IT Strategy Department, Legal Affairs Department, Audit Department, Overseas Business Strategy Department, and executives in each business division.	In principle, meets at least twice annually and otherwise as needed.
g Risk Management Committee	Contributes to Group management by discussing issues and measures relating to Group risk management (risk prevention and emergency responses in management crises).	In addition to a committee chairperson appointed by the president and vice committee chairpersons who are a manager of the Quality Assurance Department and a manager of the Compliance Department, members are appointed by the committee chairperson from among directors, heads of directly managed departments, the Corporate Management Division, headquarters' administrative departments, and executives in each business division.	In principle, meets once every three months and otherwise as needed. A specialized committee is also held as necessary.
h Management Strategy Committee	Discusses and decides on substantive matters concerning management and streamlining business operations by liaising and coordinating among consolidated Group companies.	The members are executive officers appointed by directors (excluding outside directors) and the president.	Meets twice a month and otherwise as needed.
i Corporate Executive Committee	Informs divisional executive officers of decisions from Board of Directors' meetings, Management Strategy Committee, and other occasions, and shares information among these officers.	Members are all executive officers, directors appointed by the president and director, the president and director, and chairman and director.	Meets quarterly and otherwise as needed.
j Investment & Finance Committee	Conducts preliminary reviews or makes decisions on management policies relating to significant investment and finance matters and helps streamline business operations among consolidated Group companies.	Members are directors appointed by the president, heads of directly managed departments, the Corporate Management Division, and headquarters' administrative departments.	Meets twice a month and otherwise as needed.
k Corporate Governance Committee	Conducts preliminary reviews and reaches a consensus on matters to be brought up for discussion by the Board of Directors and Management Strategy Committee, dealing with substantive matters concerning policies, organizations, and systems among consolidated Group companies. Also reinforces corporate governance by liaising between consolidated Group companies, and preparing drafts and alternative proposals.	Members are directors appointed by the president, heads of directly managed departments, the Corporate Management Division, headquarters' administrative departments, and general managers of each business division.	Meets twice a month and otherwise as needed.

Auditing System

◆ Internal Audits and Audits by Audit & Supervisory Board Members

Internal audits (assigned by 23 auditing staff in the Audit Department) are carried out jointly by Audit & Supervisory Board Members and accounting auditors. Such audits are conducted at plants, business offices and other facilities, as well as at both domestic and overseas subsidiaries to assess their accounts and operations. The results of internal audits are reported at executive meetings, and are carefully considered to ensure both thorough compliance and improvement of business conduct.

To assess the effectiveness of internal controls, accounting auditors hold discussions with the Audit Department to obtain an understanding of the status of internal audits. They also exchange information concerning audit results to increase the efficiency of audits.

With regard to audits by Audit & Supervisory Board

Members (five appointed members), these members attend meetings of the Board of Directors and Management Strategy Committee, as well as other relevant meetings to confirm proper business execution by directors. Audit & Supervisory Board Members also monitor the effectiveness of internal controls. To implement highly effective internal controls, they seek detailed information regarding matters they judge to be important in the performance of their duties (including matters concerning accounting auditors' audit plans, their judgments on accounting treatment and presentation, and audit results, among others), and set up opportunities for discussions with accounting auditors, on a timely basis, to determine the presence of actual or potential problems that the Audit & Supervisory Board has identified while performing its duties.

Accounting Audits

◆ Accounting Audits

The Company has concluded an auditing contract with Deloitte Touche Tohmatsu LLC, to carry out audits in accordance with the Companies Act of Japan and the Financial Instruments and Exchange Act. In addition, the department

in charge of accounting holds discussions with accounting auditors, as necessary, with the aim of improving the transparency and correctness of accounting procedures.

Names of CPAs who performed audits	Name of independent auditor
Seiichiro Azuma	Deloitte Touche Tohmatsu LLC
Koichi Sekiguchi	Deloitte Touche Tohmatsu LLC
Takashige Ikeda	Deloitte Touche Tohmatsu LLC

Notes: 1. Assistants who helped with accounting audits included 26 CPAs, 19 CPA-certified individuals and 13 other individuals.
2. As the number of consecutive years that audits have been performed does not exceed seven years, this information is not stated.

Internal Control Functions

In recognition of the importance of cumulative efforts in the workplace, we strengthen our corporate governance by not only reinforcing our management framework but also enhancing internal controls at both our sites and Group companies.

◆ Compliance

Recognizing compliance as the foundation of corporate management, the Group continues to take steps to ensure a thorough understanding of compliance.

To strengthen compliance throughout the Group, we have defined clear guidelines for compliance management policy in, among others, Nipponham Group's action standards. In line with these guidelines, we engage in publicity campaigns, provide training sessions, and stage events, all aimed at promoting compliance awareness—and the effectiveness of such activities is carefully monitored. Central to this effort is the Plan-Do-Check-Act (PDCA) cycle, which is repeated continuously with the aim of firmly establishing the concept of compliance as an essential component of management.

The Compliance Committee, established by NH Foods Ltd., is charged with evaluating the compliance policies and

implementation measures of Group companies and offering opinions to the Board of Directors, among others. Compliance Promotion Committees have been established within individual Group companies and divisions, which are responsible for devising compliance-related strategies and promoting compliance awareness.

We have also established compliance consultation desks in four locations, two within the Group and two outside. These desks enable any employee to report violations or confer on compliance-related issues freely without concern for organizational restrictions. In addition to contributing to the prompt resolution of problems, these desks provide valuable information that is analyzed and used in the formulation of subsequent proposals for activities to reinforce compliance awareness.

◆ Risk Management

The Risk Management Team was established within the General Affairs Department to comprehensively manage the risks that face the entire Group. Through close cooperation with the Compliance Department and other relevant departments, the team—acting in line with risk management guidelines—has put systems in place for conveying information

promptly and accurately and for establishing a quick response in the event that any of the anticipated risks should materialize. The Risk Management Committee is responsible for discussing and deciding on issues and countermeasures pertaining to the promotion of risk management throughout the Group.

Establishment of clear guidelines for compliance

- Nipponham Group's action standards
- Manuals for Group company action standards



Execution of publicity campaigns

- Compliance training
- Compliance meetings
- Office study groups



Compliance training

Monitoring

- Compliance questionnaires/surveys
- Consultation system
- Centralized management of critical information in accordance with the Company's rules for information processing and management

Audit Department Functions

The Audit Department, which answers directly to the president, has formulated a mechanism for conducting effective audits and promotes the operation thereof throughout the Group, in cooperation with the departments in charge of monitoring activities and the auditing departments of affiliated companies.

Quality-related audits are conducted by the Quality Assurance Department, while environmental audits are conducted by the Environmental & Social Responsibility Office.



Outside Director **Toshiko Katayama**

What is your main focus as an outside director?

As an independent outside director, the important function I am required to perform is to give advice on management policy and improvements based on my own knowledge, with a view to achieving sustainable growth for the Company and improved corporate value over the medium to long term. In my case, I have many years of experience working as an attorney dealing with consumer issues, and I have also been involved in two-way communication activities between business operators and consumers (activities based on the concept that it is cooperation between business owners and consumers that enables the creation of safe, secure, fair and sustainable markets). From this perspective, I provide various kinds of advice with the aim of enabling Nipponham Group to continue increasing its corporate value by practicing consumer-oriented management from the customer's perspective.

Furthermore, lively discussion is what is most necessary to ensure that decision making by the Board of Directors is fair and appropriate, taking into account diverse stakeholders' opinions. For this reason, we have discussions with the Board of Independent Officers, whose members comprise outside directors and outside Audit & Supervisory Board Members. During these discussions, we focus on how to improve the Board of Directors' operations to ensure that we can actively give our own opinions and hold frank discussions at meetings of the Board of Directors.

When I was initially appointed, I felt reluctant to speak my mind since I didn't have a full understanding of the entire Group's operations. However, the internal directors encouraged me to ask them anything, as that would lead to discussion. So I began to ask questions freely. Actually, simple questions from an external perspective have proven to be surprisingly effective at sparking discussion, and I have really been able to feel the importance of asking questions.

What is your assessment of the Group's corporate governance?

Overall, I would say that plenty of thought has gone into constructing the governance system so that it functions appropriately. For example, in regard to compliance, the system for promptly sending important information generated inside the Group to internal and outside officers is working effectively. In addition, Compliance Promotion Committees have been established in every business unit and affiliated company to ensure that compliance is thoroughly inculcated among frontline employees, and employees are continuing various activities as compliance leaders.

Looking ahead, the Group intends to develop its businesses globally, thus making it even more necessary for Group employees to share consumer and social needs with one another as quickly as possible, and respond rapidly and appropriately. To achieve this, the Group must enhance its internal communication and make its governance even more effective. I believe this will help increase corporate value.

What are the Group's strengths?

NH Foods Ltd.'s greatest strength is in food. The Company provides products that invigorate people in all kinds of situations around the world, and aims to be the world leader in delivering the "Joy of Eating." Moreover, to realize this long-term goal, it has a philosophy of taking the consumer's perspective and upholding society's trust with sincerity. Another strength of the Company is that this philosophy has steadily penetrated daily operations in all areas, from production and manufacturing to logistics and sales.

However difficult and diverse the demands of consumers become with regard to food, the Group will surely be able to meet them! I will continue working with employees to ensure that people will come to trust us in this.



What is your assessment of Nipponham Group's corporate governance?

I would like to answer that by describing simply the current state of the Company's Board of Directors. To start from my conclusion, I believe that the Company's Board of Directors is functioning adequately. The evidence for this is in the way that Board of Directors' meetings are held based on clear and detailed materials and data, and that outside directors are given sufficient prior explanation before Board of Directors' meetings take place. Other signs that show governance is functioning adequately include the lively discussions between members of the Board of Directors and the active voicing of opinions by Audit & Supervisory Board Members.

As the Company has an Audit & Supervisory Board, it is natural that there are many statutory items that require deliberation, and the better part of our time is spent on that. However, highly risky matters are given even more time for discussion.

For example, among matters that we decided in the past, there have been problems, such as those that do not proceed as planned due to unanticipated environmental changes. It is frankly pointed out at Board of Directors' meetings that we should conduct a thorough review with regard to these.

I can't say what the situation is like at other companies' board of directors' meetings, but generally I am told that one director (general manager) in charge of a business division is not likely to say to a director (general manager) in charge of another business division, "we should conduct a thorough

review" (apparently, the basic stance at these board of directors' meetings is to avoid interfering with one another). The Company appears to be well advanced in this area by comparison.

I think this is because the Company has cultivated a strongly rooted attitude between both outside and internal corporate officers that requiring other business divisions to analyze the causes of issues that arise and investigate them comprehensively will provide experience that the entire Group can use in the future.

However, I think that when investigating issues, it is important that there should not be any element of the investigation that causes management's judgment to atrophy, and I think that the other directors understand this very well. Lecturing one another with the benefit of hindsight or spending the whole time blaming one another causes the Company to become risk averse, and business activities themselves could wither. For this reason, reviews are conducted with the objective of making use of negative experiences for the sake of the future and the entire Group.

What is your role as an outside director?

Naturally, as an outside director, my job is to monitor the Board of Directors and management in general from the perspective of not being satisfied with the current situation, but continuing to pursue shareholders' mutual benefit and the Company's sustainability. Of course I myself participate actively in discussions at Board of Directors' meetings, and I check rigorously to ensure that the matters discussed are followed up properly.

Board Members and Executive Officers

(As of June 28, 2016)



Juichi Suezawa
President and Representative Director
(President and CEO)

April 1976 Joined Nippon Meat Packers, Inc.
April 2011 Executive Officer, General Manager of Overseas Fresh Meats Operations Division, Fresh Meats Business Division, General Manager of Operations Management Office, Overseas Fresh Meats Operation Division, and General Manager of Operations Management, Asia and EU of Nippon Meat Packers, Inc.
April 2012 Managing Executive Officer, General Manager of Fresh Meats Business Division of Nippon Meat Packers, Inc.
June 2012 Director and Managing Executive Officer, General Manager of Fresh Meats Business Division of Nippon Meat Packers, Inc.
April 2014 Director and Senior Managing Executive Officer, General Manager of Fresh Meats Business Division of Nippon Meat Packers, Inc.
April 2015 President and Representative Director (President and CEO) of NH Foods Ltd., to date



Katsumi Inoue
Director and Senior Managing Executive Officer

April 1978 Joined Nippon Meat Packers, Inc.
April 2003 Executive Officer of Nippon Meat Packers, Inc., Vice President and Director, General Manager of Production Management of Nippon Meat Packers Australia Pty. Ltd. (currently NH Foods Australia Pty. Ltd.)
April 2013 Executive Officer, General Manager of Imported Fresh Meats Sales Division, Fresh Meats Business Division of Nippon Meat Packers, Inc.
April 2015 Senior Managing Executive Officer, General Manager of Fresh Meats Business Division of NH Foods Ltd.
June 2015 Director and Executive Officer, General Manager of Fresh Meats Business Division of NH Foods Ltd., to date



Yoshihide Hata
Vice President and Representative Director
(Executive Vice President)

April 1981 Joined Nippon Meat Packers, Inc.
April 2009 Executive Officer, General Manager of Accounting & Finance Department of Nippon Meat Packers, Inc.
June 2011 Director and Executive Officer, General Manager of Accounting & Finance Department and in charge of IT Planning Department of Nippon Meat Packers, Inc.
April 2012 Director and Managing Executive Officer, General Manager of Corporate Management Division, in charge of Accounting & Finance Department and IT Strategy Department of Nippon Meat Packers, Inc.
April 2015 Vice President and Representative Director (Executive Vice President), General Manager of Corporate Management Division of NH Foods Ltd., to date



Kazunori Shinohara
Director and Managing Executive Officer

April 1979 Joined Nippon Meat Packers, Inc.
April 2010 Executive Officer, General Manager of Corporate Planning Department, Corporate Management Division of Nippon Meat Packers, Inc.
April 2012 Executive Officer, General Manager of Administrative Division, Fresh Meats Business Division of Nippon Meat Packers, Inc.
April 2014 Executive Officer, General Manager of Administrative Division and Business Planning Office, Fresh Meats Business Division of Nippon Meat Packers, Inc.
June 2015 Director and Executive Officer, General Manager of Affiliated Business Division of NH Foods Ltd.
April 2016 Director and Managing Executive Officer, General Manager of Affiliated Business Division of NH Foods Ltd., to date



Koji Kawamura
Representative Director and Senior Managing Executive Officer

April 1983 Joined Nippon Meat Packers, Inc.
April 2009 Executive Officer, General Manager of Corporate Planning Department, Corporate Management Division of the Group of Nippon Meat Packers, Inc.
April 2010 Executive Officer, General Manager of Affiliated Business Division of Nippon Meat Packers, Inc.
June 2010 Director and Executive Officer, General Manager of Affiliated Business Division of Nippon Meat Packers, Inc.
April 2015 Representative Director and Senior Managing Executive Officer, General Manager of Processed Foods Business Division of NH Foods Ltd., to date



Tetsuhiro Kito
Director and Executive Officer

April 1982 Joined Nippon Meat Packers, Inc.
April 2011 Executive Officer, General Manager of Food Services Division, Sales & Marketing Division, Processed Foods Business Division of Nippon Meat Packers, Inc.
April 2013 Executive Officer, General Manager of General Merchandising Division, Sales & Marketing Division, Processed Foods Business Division of Nippon Meat Packers, Inc.
April 2015 Executive Officer, General Manager of Sales & Marketing Division, Processed Foods Business Division of NH Foods Ltd.
June 2015 Director and Executive Officer, General Manager of Sales & Marketing Division, Processed Foods Business Division of NH Foods Ltd., to date



Hiroji Okoso
Director and Senior Managing Executive Officer

April 1980 Joined Nippon Meat Packers, Inc.
June 1990 Director, General Manager of Market Development Office, General Manager of Sales Planning Department of Nippon Meat Packers, Inc.
June 1992 Executive Managing Director, General Manager of Sales Planning Department of Nippon Meat Packers, Inc.
June 1994 Senior Executive Managing Director, General Manager of Sales Planning Department of Nippon Meat Packers, Inc.
June 1996 President and Representative Director of Nippon Meat Packers, Inc.
August 2002 Senior Executive Managing Director, General Manager of Tokyo Branch Office of Nippon Meat Packers, Inc.
April 2003 Director and Managing Executive Officer, General Manager of Tokyo Branch Office, General Manager of Affiliated Business Division of Nippon Meat Packers, Inc.
April 2015 Director and Senior Managing Executive Officer, in charge of Quality Assurance Department, Customer Service Department, and General Manager of Tokyo Branch Office of NH Foods Ltd.
April 2016 Director and Senior Managing Executive Officer, General Manager of Overseas Business Division of NH Foods Ltd., to date



Hajime Takamatsu
Director and Executive Officer

April 1981 Joined Nippon Meat Packers, Inc.
April 2012 Executive Officer, General Manager of General Affairs Department, in charge of Human Resources Department and Legal Affairs Department of Nippon Meat Packers, Inc.
April 2013 Executive Officer, in charge of General Affairs Department, Human Resources Department, Legal Affairs Department and Engineering Department of Nippon Meat Packers, Inc.
April 2014 Executive Officer, General Manager of Corporate Planning Department, Corporate Management Division, in charge of Research & Development Center of Nippon Meat Packers, Inc.
April 2015 Executive Officer, General Manager of Corporate Planning Department, in charge of CSR Department and IT Strategy Department, Corporate Management Division, and in charge of Research & Development Center of NH Foods Ltd.
June 2015 Director and Executive Officer, General Manager of Corporate Planning Department, in charge of CSR Department and IT Strategy Department, Corporate Management Division, and in charge of Research & Development Center of NH Foods Ltd.
April 2016 Director and Executive Officer, in charge of Quality Assurance Department and Customer Service Department, in charge of Human Resources Department, Legal Affairs Department, General Affairs Department, Accounting & Finance Department, IT Strategy Department, Corporate Management Division, and General Manager of Tokyo Branch Office of NH Foods Ltd., to date



Toshiko Katayama
Outside Director

August 1977 Appointed as Legal Clerk for Osaka Family Court
 April 1980 Appointed as Legal Secretary for Family Division of Osaka Family Court
 April 1988 Registered with the Osaka Bar Association
 April 1993 Established Katayama Toshiko Law Office
 July 2005 Established Katayama, Kuroki and Hirazumi Law Office (currently Katayama and Hirazumi Law Office), to date
 June 2008 Director of Nippon Meat Packers, Inc., to date



Akira Otsuka
Outside Audit & Supervisory Board Member

April 1973 Registered with Kobe Bar Association (currently Hyogo-ken Bar Association)
 May 1977 Established Kobe Law Office
 June 1977 Registered as Maritime Counselor
 July 1988 Maritime Arbitrator of The Japan Shipping Exchange, Inc., to date
 April 1994 Civil Law Mediator of Kobe Summary Court
 April 2001 President of Hyogo-ken Bar Association
 October 2003 Kobe City Education Board Member, to date
 April 2004 Vice President of the Japan Federation of Bar Associations
 April 2005 Visiting Professor of Kobe Gakuin University, Graduate School of Law Practices
 April 2008 Established Kobe Kyoryuchi Law Firm, to date, Professor of Kobe Gakuin University, Graduate School of Law Practices
 March 2011 Substitute Auditor of Noritz Corporation, to date
 June 2011 Outside Auditor of Kobe Port Terminal Corporation
 June 2011 Audit & Supervisory Board Member of Nippon Meat Packers, Inc., to date



Iwao Taka
Outside Director

September 1991 Fisher-Smith Visiting Fellow of the Wharton School of Business, University of Pennsylvania
 April 1994 Full-time lecturer of Faculty of International Economics, Reitaku University
 April 2001 Professor of Faculty of International Economics (currently Faculty of Economics), Reitaku University, to date
 April 2002 Professor of School of International Economics (currently School of Economics), Graduate School, Reitaku University, to date
 June 2005 Outside Director of Mitsui Sumitomo Insurance Company, Ltd.
 April 2007 Visiting Professor of Business Management Graduate School, Kyoto University
 April 2008 Outside Director of Mitsui Sumitomo Insurance Group Holdings, Inc.
 April 2009 Dean of Faculty of Economics, Reitaku University
 June 2010 Director of Nippon Meat Packers, Inc., to date
 June 2015 Outside Statutory Auditor of Mitsubishi Estate Company, Limited, to date



Akihiko Shiba
Outside Audit & Supervisory Board Member

April 1991 Joined National Police Agency
 January 1993 Associate Professor of National Police Academy
 July 1996 Manager of Foreign Affairs Division, Security Department of Kanagawa Prefectural Police Headquarters
 July 1998 Assistant Manager of Foreign Affairs Division, Security Bureau of National Police Agency
 October 2004 Registered with Dairi Tokyo Bar Association
 Joined T.Kunihiro & Co. Attorneys-at-Law
 April 2010 Representative of Shiba Management Legal Office, to date
 May 2010 Outside Corporate Auditor of Fukuda Denshi Co. Ltd., to date
 June 2010 Outside Director of Veriserve Corporation, to date
 June 2011 Substitute Audit & Supervisory Board Member of Nippon Meat Packers, Inc.
 June 2011 Outside Corporate Auditor of Okamoto Glass Co., Ltd.
 June 2013 Outside Corporate Auditor of AIRPORT FACILITIES CO., LTD., to date
 December 2013 Outside Director of Minnano Wedding Co., Ltd.
 June 2015 Audit & Supervisory Board Member of NH Foods Ltd., to date



Koichi Nishihara
Audit & Supervisory Board Member

April 1975 Joined Nippon Meat Packers, Inc.
 March 2003 General Manager of Public Relations Office of Nippon Meat Packers, Inc.
 April 2003 General Manager of Public Relations Office, Management Division of Nippon Meat Packers, Inc.
 August 2003 General Manager of Public Relations Department, Management Division of Nippon Meat Packers, Inc.
 April 2008 General Manager of Public & Investor Relations Department, Corporate Management Division of Nippon Meat Packers, Inc.
 March 2009 General Manager of General Affairs Department of Nippon Meat Packers, Inc.
 April 2012 Executive Officer, General Manager of Compliance Department, in charge of Environmental & Social Responsibility Office of Nippon Meat Packers, Inc.
 March 2015 Special Advisor of NH Foods Ltd.
 June 2015 Audit & Supervisory Board Member of NH Foods Ltd., to date



Atsushi Iwasaki
Outside Audit & Supervisory Board Member

November 1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
 March 1991 Registered as certified public accountant
 March 1997 Registered as real estate appraiser
 September 2005 Head of Iwasaki Certified Public Accountant Office, to date
 June 2013 Outside Director of ISEKI & CO., LTD., to date
 June 2015 Audit & Supervisory Board Member of NH Foods Ltd., to date



Shunichi Ogata
Audit & Supervisory Board Member

April 1979 Joined Nippon Meat Packers, Inc.
 March 2003 General Manager of Domestic Pork Department, Fresh Meats Business Division of Nippon Meat Packers, Inc.
 August 2003 General Manager of Domestic Business Management Office, Domestic Fresh Meats Sales Division, Fresh Meats Business Division of Nippon Meat Packers, Inc.
 February 2005 General Manager of Administrative Division, Fresh Meats Business Division of Nippon Meat Packers, Inc.
 April 2007 Executive Officer, General Manager of Administrative Division, Fresh Meats Business Division of Nippon Meat Packers, Inc.
 April 2010 Executive Officer, General Manager of Domestic Fresh Meats Sales Division, Fresh Meats Business Division of Nippon Meat Packers, Inc.
 April 2013 Executive Officer, General Manager of Quality Assurance Department and Customer Communications Department of Nippon Meat Packers, Inc.
 April 2015 Managing Executive Officer, General Manager of Quality Assurance Department and Customer Service Department of NH Foods Ltd.
 April 2016 Special Advisor of NH Foods Ltd.
 June 2016 Audit & Supervisory Board Member of NH Foods Ltd., to date

Managing Executive Officers

Sadanori Miyagai Kanji Bando

Executive Officers

Kazuhiro Mikuni	Koichi Oyama	Hiroyuki Yano	Shuji Okoso
Sadakazu Ogawa	Fumio Maeda	Masahito Kataoka	Hideki Fujii
Keiji Maeda	Shigeru Nakajima	Nobuo Oda	Tadaaki Ito
Nobuhisa Ikawa	Kuniharu Hirai	Kenichi Nagai	Takao Seki

Management's Discussion and Analysis

Forward-Looking Statements

This MD&A 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 annual report, the "Group" refers to NH Foods Ltd. and its subsidiaries unless otherwise indicated.

Regarding a Change to Segments

On April 1, 2016, Nipponham Group established an Overseas Business Division as part of a shift to an organizational structure comprising four business divisions. However, this change has not been reflected in the information reported in this section.

Overview of Business Results

The Japanese economic picture remained mixed in the year ended March 31, 2016. On the upside, corporate earnings and the employment environment continued to improve on the strength of the government's economic policies, fueling a mild recovery. On the downside, however, there were concerns about a slowdown in China and sluggishness in emerging nations and elsewhere in the global economy. Personal consumption was again lackluster as consumer sentiment deteriorated amid a share price plunge in early 2016 and an uncertain outlook for the world economy, which overshadowed positives from expanded inbound tourism demand.

The operating climate in the food industry was again adverse. This was because while raw material costs stabilized, the domestic pork and chicken markets weakened, logistics costs rose amid human resource and transportation vehicle shortages, and competition intensified.

It was against this backdrop that 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." 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, relocating and constructing cheese plants, as well as developing and promoting new offerings and cultivating new personnel under a capital and business alliance formed with Lay Hong Berhad, a leading Malaysian chicken farming and processing company.

In July 2015, the Group held its third annual Nipponham Group Fair at supermarkets and other retailers, ran television commercials, and otherwise endeavored to boost brand recognition and sales.

In addition to making progress with efforts to reinforce cost competitiveness and profitability through productivity gains and step up risk management, the Group formulated the Nipponham Group Fundamental Policy on Corporate Governance in November 2015 and further strengthened its management structure.

As a result of these activities, consolidated net sales for the

year increased 2.3%, to ¥1,240,728 million, although operating income declined 4.3%, to ¥46,340 million. Income before income taxes and equity in earnings (losses) of associated companies fell 27.8%, to ¥32,139 million. Net income attributable to NH Foods Ltd. dropped 29.9%, to ¥21,779 million. Foreign exchange losses and impairment losses of goodwill were the principal factors in these downturns.

Note: 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.

Net Sales

In hams and sausages, the Group promoted *SCHAU ESSEN*[®] and other mainstay offerings through television commercials and other vehicles and revamped key brand offerings to drive sales recoveries for consumer lines. In contrast, intensified price competition, particularly for major convenience store and restaurant chains, delayed a recovery in sales of commercial products. The Group increased unit sales of the flagship *Utsukushi-no-Kuni* brand during the year-end gift-giving season, but overall unit sales of gift items were down amid intense overall competition. As such, sales decreased 5.8%, to ¥141,459 million.

In processed foods, the Group performed well with *Ishigama Kobo*[®] and *Kiwami-yaki Hamburg*[®], the latter being launched in spring 2016. Sales of the mainstay *Chuka Meisai*[®] recovered. Accordingly, sales rose 4.2%, to ¥221,308 million.

In fresh meats, domestic food company sales volumes rose, reflecting gains in chicken that offset weaker prices of pork and chicken. The overseas business climate was adverse, a key factor being a U.S. pork market downturn that hampered the hog farming business in that nation. As a result, sales increased 3.7%, to ¥716,899 million.

In marine products, higher sales of mainstay shrimp and squid offerings and in-house manufactured goods through major retail channels offset declines in exports to China of such fish as Alaska pollock and autumn salmon. Sales thus increased 0.3%, to ¥94,704 million.

In dairy products, the Group strengthened sales promotions

to boost sales of yogurt and lactic acid probiotic beverages, particularly of the mainstay *Vanilla Yogurt*, thus increasing sales through convenience store channels and other sales channels. Sales of cheese grew, reflecting gains in bakery and restaurant channels and efforts to reinforce retail channel demand. Sales therefore advanced 9.9%, to ¥31,396 million.

Owing to these factors, consolidated net sales rose 2.3%, to ¥1,240,728 million.

Gross Profit, Income before Income Taxes and Equity in Earnings (Losses) of Associated Companies, and Net Income Attributable to NH Foods Ltd.

The cost of goods sold increased 2.7% year on year, to ¥1,019,504 million. The ratio of the cost of goods sold to net

sales was 82.2%, compared with 81.9% in the previous fiscal year. Gross profit grew 0.7%, to ¥221,224 million. Selling, general and administrative expenses increased 2.1%, to ¥174,884 million, while the ratio of selling, general and administrative expenses to net sales was unchanged from the previous fiscal year, at 14.1%.

Income before income taxes and equity in earnings (losses) of associated companies fell 27.8%, to ¥32,139 million, reflecting a decline in operating income.

As a result, net income attributable to NH Foods Ltd. dropped 29.9% year on year, to ¥21,779 million. Basic earnings per share attributable to NH Foods Ltd. amounted to ¥106.92.

Note: Gross profit represents net sales less cost of goods sold.

Business Results by Segment

The operations of the Group consist of three business divisions. The Processed Foods Business Division primarily manufactures and sells hams and sausages, and processed foods. The Fresh Meats Business Division mainly produces and sells fresh meats. The business of the Affiliated Business Division centers on making and selling marine and dairy products.

● Processed Foods Business Division

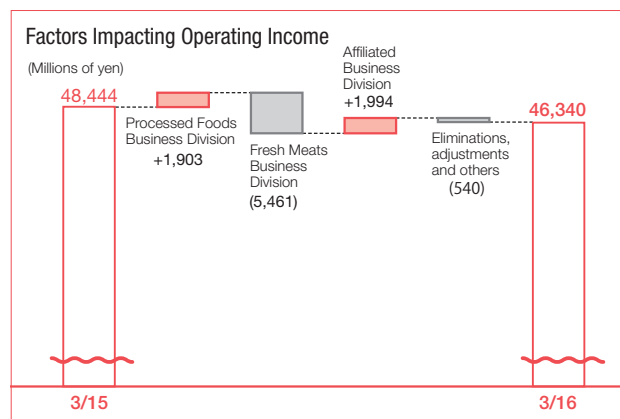
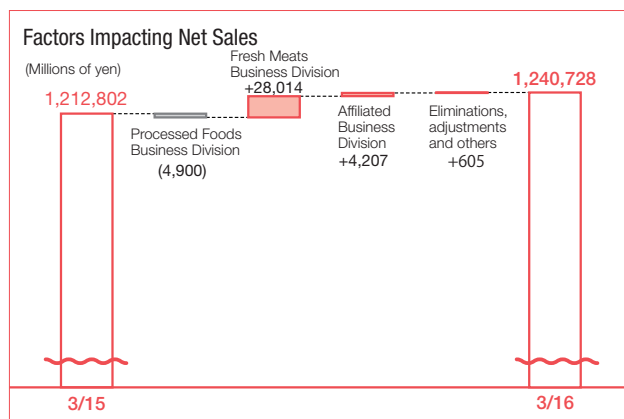
In the hams and sausages business, the division ran television commercials for *SCHAU ESSEN*® and other mainstay products as part of extensive sales promotion activities and revamped key brand offerings in a drive to turn around sales of consumer lines. During the year-end gift-giving season, the division increased unit sales of the flagship *Utsukushi-no-Kuni* brand, but overall unit sales of gifts were down from a year earlier amid intense competition among ham offerings.

In the processed foods business, sales were solid for *Ishigama Kobo*®, new *Kiwami-yaki Hamburg*® launched in spring 2016, and other lines, while sales of the mainstay *Chuka Meisai*®

recovered. In contrast, there were delays in sales recoveries of hams and sausages and processed foods businesses as price competition intensified among commercial products for leading convenience store chains and restaurants. Overall sales of the division were thus down from the previous fiscal year.

The division boosted earnings by continuing to revise the product mix and cut costs by consolidating production lines while streamlining logistics. It also benefited from favorable fuel price trends.

As a result of such factors, segment sales declined 1.4%, to ¥356,581 million, but operating income surged 88.5%, to ¥4,054 million.



● Fresh Meats Business Division

Domestically, prices weakened for chicken and pork, but overall sales rose on sales volume gains of Nippon Food Group. The division ran television commercial campaigns in eastern Japan in spring and fall for the *Sakurahime*® brand. It also rolled out online promotions, engaged in tie-in initiatives with business partners, and also marketed other branded meats as part of comprehensive communication efforts. Although the overseas business climate was adverse owing to lower pork prices at U.S. businesses, overall sales of fresh meats were higher compared with the previous fiscal year.

The profitability of the domestic farm business improved on generally higher sales volumes and enhanced operational productivity, which offset market declines. Earnings overseas were down, reflecting higher cattle procurement costs at Australian businesses and difficulties for the American hog farming business amid lower pork prices.

As a result of these factors, segment sales increased 3.3%, to ¥877,334 million. Operating income, however, decreased 12.1%, to ¥39,660 million.

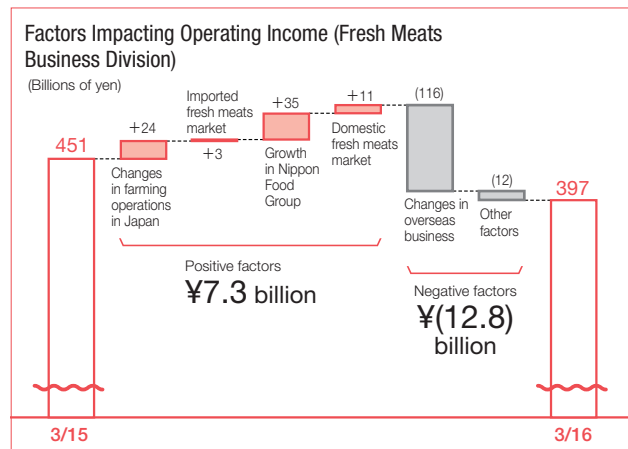
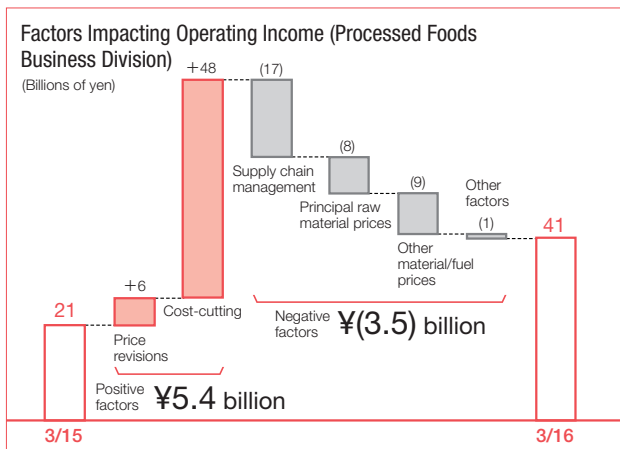
● Affiliated Business Division

Sales in the marine products business were basically unchanged from a year earlier. This was because higher sales of mainstay shrimp and squid offerings as well as in-house manufactured goods through major retail channels offset declines in exports to China of such fish as Alaska pollock and autumn salmon.

In dairy products, the Group strengthened sales promotions to boost sales of yogurt and lactic acid probiotic beverages, particularly of the mainstay *Vanilla Yogurt*, thus increasing sales through convenience store channels and other sales channels.

Earnings of the marine products business improved on the strength of higher sales of in-house manufactured goods and price revisions that boosted margins. In the dairy products business, profits were higher for yogurt and probiotic beverages, owing to higher sales and stabilized raw material costs. Earnings in cheese improved on increased sales, which bolstered plant operational rates and favorable raw material prices, which offset the impact of higher fixed costs from new plant start-ups. Therefore, dairy product earnings increased overall.

Owing to these factors, segment sales advanced 2.7%, to ¥159,371 million, while operating income rocketed 694.8%, to ¥2,281 million.



Outlook for the Year Ending March 31, 2017

The Group expects economic uncertainty to continue in the year ahead, as turmoil in global financial markets and other factors overshadow ongoing benefits from government stimulus measures. The Group will thus drive forward with New Medium-Term Management Plan Part 5, launched in the previous fiscal year, with the aim of “Creating a stable business model through reform.” The two prime policies of this initiative are to “Establish competitive advantages of domestic businesses” and “Accelerate to a global company.”

In the Processed Foods Business Division, the Group expects a slowdown in costs of raw materials and supplies. Notwithstanding signs of a gradual recovery in consumption, the operating climate will most likely remain adverse owing to polarizing patterns and intensifying competition. Production and marketing operations will thus collaborate in moving ahead with growth and efficiency strategies.

Growth strategies will be to reinforce brand clout to ensure the “Category Leader Strategy” and reinforce area sales and marketing capabilities. Such efforts seek to boost market share and profitability by strategically strengthening positions in consumer, commercial, frozen foods, and other specific business areas to reinforce Group collaboration.

The Group will maintain the level of quality that customers have come to expect and will reflect their perspectives in product development to propose new value and build new markets.

Strategies to enhance efficiency will center on installing highly productive lines, making strategic, forward-looking capital expenditures, and centralizing production to reinforce cost competitiveness.

In the Fresh Meats Business Division, the Group expects the operating climate to remain challenging amid changes in the meat and grain markets and the volatility in global supply and demand. The division will therefore reinforce its unique “integration system,” covering everything from its own farms to sales companies, to bolster its position in branded meats and further expand its domestic market share. In addition, the division will bolster its production and procurement structure to accommodate developments stemming from the Trans-Pacific Partnership (TPP), Free

Trade Agreements (FTA), and other factors, as well as expand its efficient sales and delivery systems nationwide.

The Affiliated Business Division will strengthen its manufacturing and sales capabilities, primarily in the marine and dairy products businesses, expanding the scale of domestic operations. The division will invest extensively in manufacturing facilities to boost production and raise efficiency. It will reinforce raw materials procurement to enhance and stabilize profitability amid dramatic swings in raw materials demand and supply. On the sales front, the focus will be on leveraging in-house manufactured goods while strengthening customer-driven marketing and development to produce distinctive products with enhanced value. The division will also draw on Group synergies to increase brand penetration.

The Group launched the Overseas Business Division in the fiscal year ending March 31, 2017, to “Accelerate to a global company,” a key policy of New Medium-Term Management Plan Part 5. The Group seeks to accelerate a transition to a local sales-driven business model through the consolidation of overseas operations that the various business divisions previously oversaw.

By also leveraging a joint venture announced in March 2016 with Lay Hong Berhad and other resources, the Group aims to harness its comprehensive strengths in fresh meats, hams and sausages, processed foods, marine, dairy, and other products to supply an array of products and services in overseas markets and expand international sales.

With the harsh operating climate posing numerous challenges, the Group will make a concerted effort to deploy management policies and strategies with the aim of “Creating a stable business model through reform” under New Medium-Term Management Plan Part 5.

For the year ending March 31, 2017, management targets consolidated net sales of ¥1,270.0 billion, an increase of 2.4% year on year. It also anticipates operating income to rise 5.7%, to ¥49.0 billion, income before income taxes and equity in earnings (losses) of associated companies to increase 36.9%, to ¥44.0 billion, and net income attributable to NH Foods Ltd. to climb 42.3%, to ¥31.0 billion.

Analysis of Financial Position

Assets

At year-end, total assets stood at ¥682,855 million, a rise of 3.2% from a year earlier. Total current assets rose 1.0%, to ¥360,015 million. A contributing factor was a 17.3% increase in cash and cash equivalents, to ¥67,321 million, which was partly offset by a 4.0% decline in inventories, to ¥137,395 million. Property, plant and equipment (less accumulated depreciation) rose 6.2%, to ¥268,172 million, reflecting gains in capital investment.

Liabilities

At year-end, total liabilities were ¥321,495 million, 5.4% higher than a year earlier. Although other current liabilities declined 10.1%, to ¥23,089 million, long-term debt (less current maturities) climbed 20.9%, to ¥101,771 million, and liability under retirement and severance programs rose 19.5%, to ¥14,426 million.

Total NH Foods Ltd. Shareholders' Equity

Total NH Foods Ltd. shareholders' equity increased 0.8% from the end of the previous year, to ¥356,353 million. Key factors included ¥21,779 million in net income attributable to NH Foods Ltd. shareholders, as well as a ¥9,641 million decrease in accumulated other comprehensive income (loss), reflecting yen appreciation and sluggish stock market conditions. Also, interest-bearing debt rose ¥17,800 million, to ¥154,606 million.

As a result of these factors, the total NH Foods Ltd. shareholders' equity ratio declined 1.3 percentage points, to 52.2%.

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.

Cash Flows

● Cash Flows from Operating Activities

Net cash provided by operating activities was ¥52,535 million, compared with ¥29,681 million a year earlier. This was due largely to the decreases in net income, depreciation and amortization, and impairment losses and inventories, which offset decreases in foreign translation currency adjustments and accrued income taxes.

● Cash Flows from Investing Activities

Net cash used in investing activities was ¥49,139 million, compared with ¥31,517 million a year earlier, reflecting capital expenditures and net decrease in cash and cash equivalents resulting from purchase of business.

● Cash Flows from Financing Activities

Net cash provided by financing activities was ¥8,182 million, compared with net cash used in financing activities of ¥17,187 million a year earlier. Key factors included an increase in short-term bank loans as well as proceeds from debt, which offset cash dividends and repayments of debt.

As a result, cash and cash equivalents at year-end increased ¥9,917 million, to ¥67,321 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 ¥36.8 billion (including software) for the fiscal year. The principal investments are as described below.

● Processed Foods Business Division

The division, primarily Nipponham Factory Ltd., Premium Kitchen Co., Ltd., and other subsidiaries, used approximately ¥10.0 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 ¥15.3 billion. This spending included approximately ¥6.6 billion by Nippon White Farm Co., Ltd., Interfarm Co., Ltd., and other subsidiaries to upgrade and refurbish breeding facilities; approximately ¥3.5 billion by Higashi Nippon Food, Inc., Kanto Nippon Food, Inc., and other subsidiaries to improve operational facilities; and approximately ¥3.9 billion by Nippon Food Packer, Inc. and other subsidiaries to upgrade processing and packing facilities.

● Affiliated Business Division

Capital expenditures totaling ¥7.1 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.

Shareholder Returns Policy

The Group prioritizes returns to shareholders as one of its most important management issues and aims to pay dividends that are commensurate with results as a basic policy. Management seeks to use retained earnings to fund investments to enhance corporate value over the long term and to further strengthen the Group's financial position.

In keeping with this basic policy, management targets a consolidated payout ratio of 30%, although it plans a lower dividend limit of ¥16.00 per share for the time being. Management will flexibly acquire treasury stock, taking into account growth investments and financial position, to enhance shareholder value per share and return on equity.

As stated in Notice of Adjustment to the Forecasts of Business Results and Dividends, announced on May 2, 2016, management paid a year-end dividend of ¥33.00 per share of common stock (for a consolidated payout ratio of 30.9%) for the year ended March 31, 2016. Based on a projection of ¥31.0 billion in net income attributable to NH Foods Ltd. for the year ending March 31, 2017, management targets a year-end dividend of ¥46.00 per share of common stock on a consolidated payout ratio of 30%.

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, 2016.

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 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 security 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 security. 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—¥154.6 billion as of March 31, 2016—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, 2016, 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				
	2016	2015	2014	2013	2012
Net Sales	¥1,240,728	¥1,212,802	¥1,122,097	¥1,022,839	¥1,017,784
Income before Income Taxes and Equity in Earnings (Losses) of Associated Companies	32,139	44,544	35,303	28,031	26,766
Net Income Attributable to NH Foods Ltd.	21,779	31,048	24,524	16,459	11,655
Total Assets	682,855	661,567	627,220	610,293	589,125
Total NH Foods Ltd. Shareholders' Equity	356,353	353,664	320,984	293,414	290,020
Interest-Bearing Debt	154,606	136,806	144,963	149,821	139,187
Net Cash Provided by Operating Activities	52,535	29,681	32,952	37,407	26,432
Net Cash Used in Investing Activities	(49,139)	(31,517)	(27,021)	(22,384)	(19,098)
Free Cash Flow	3,396	(1,836)	5,931	15,023	7,334
Net Cash Provided by (Used in) Financing Activities	8,182	(17,187)	(9,373)	(10,964)	(23,745)
Capital Expenditures	36,799	35,694	29,152	33,285	19,487
Depreciation and Amortization	19,445	18,951	18,649	19,323	23,756

Per Share Amounts:	Yen				
Basic Earnings per Share Attributable to NH Foods Ltd. Shareholders	¥ 106.92	¥ 152.43	¥ 122.11	¥ 79.42	¥ 54.79
Diluted Earnings per Share Attributable to NH Foods Ltd. Shareholders	¥ 100.44	¥ 143.11	¥ 110.92	¥ 71.44	¥ 49.40
Total NH Foods Ltd. Shareholders' Equity	¥1,749.36	¥1,736.18	¥1,575.97	¥1,474.60	¥1,363.34
Cash Dividends	¥ 33.00	¥ 46.00	¥ 37.00	¥ 24.00	¥ 18.00

Financial Indicators:	Percent				
Return on Equity (ROE)	6.1%	9.2%	8.0%	5.6%	4.1%
Return on Assets (ROA)	4.8%	6.9%	5.7%	4.7%	4.5%
NH Foods Ltd. Shareholders' Equity Ratio	52.2%	53.5%	51.2%	48.1%	49.2%

	Times				
Debt/Equity Ratio	0.43	0.39	0.45	0.51	0.48
Interest Coverage Ratio	35.10	24.20	21.30	22.80	14.50

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.
- 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
ROA = (Income before income taxes and equity in earnings (losses) of Associated Companies / Average total assets) × 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

Consolidated Balance Sheets

NH Foods Ltd. and Subsidiaries
March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Assets:			
Current Assets:			
Cash and cash equivalents (Note 1)	¥ 67,321	¥ 57,404	\$ 595,761
Time deposits	10,354	11,514	91,628
Marketable securities (Notes 1, 3 and 15)		190	
Trade notes and accounts receivable (Note 1)	128,352	127,273	1,135,858
Allowance for doubtful accounts	(382)	(289)	(3,381)
Inventories (Notes 1, 2 and 7)	137,395	143,107	1,215,885
Deferred income taxes (Notes 1 and 8)	6,041	6,295	53,460
Other current assets (Note 16)	10,934	10,960	96,761
Total current assets	360,015	356,454	3,185,972
Property, Plant and Equipment – At Cost, Less Accumulated Depreciation (Notes 1, 4, 6, 7, 13 and 15)	268,172	252,537	2,373,204
Intangible Assets, Less Accumulated Amortization (Notes 1, 5, 6 and 15)	4,832	4,339	42,761
Investment and Other Assets:			
Investments in associated companies (Notes 1 and 3)	4,737	3,213	41,920
Other investment securities (Notes 1, 3 and 15)	24,978	23,355	221,044
Other assets (Notes 9 and 16)	10,800	14,602	95,575
Total investments and other assets	40,515	41,170	358,539
Deferred Income Taxes – Non-current (Notes 1 and 8)	9,321	7,067	82,487
Total Assets	¥682,855	¥661,567	\$6,042,963

See notes to consolidated financial statements.

Liabilities and Equity:	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Current Liabilities:			
Short-term bank loans (Note 7)	¥ 41,374	¥ 43,579	\$ 366,142
Current maturities of long-term debt (Notes 7, 13 and 15)	11,461	9,058	101,425
Trade notes and accounts payable	94,420	94,212	835,575
Accrued income taxes (Notes 1 and 8)	7,122	7,729	63,027
Deferred income taxes (Notes 1 and 8)	1,584	1,187	14,018
Accrued expenses (Note 9)	21,858	22,193	193,434
Other current liabilities (Note 16)	23,089	25,669	204,325
Total current liabilities	200,908	203,627	1,777,946
Liability under Retirement and Severance Programs (Notes 1 and 9)	14,426	12,075	127,664
Long-term Debt, Less Current Maturities (Notes 7, 13 and 15)	101,771	84,169	900,628
Deferred Income Taxes – Non-current (Notes 1 and 8)	2,632	2,467	23,292
Other Long-term Liabilities	1,758	2,805	15,556
Total Liabilities	321,495	305,143	2,845,086
Commitments and Contingent Liabilities (Notes 1, 9, 13 and 19)			
NH Foods Ltd. Shareholders' Equity:			
Common stock, no par value – authorized, 570,000,000 shares; issued: 2016 – 204,000,000 shares 2015 – 204,000,000 shares (Note 11)	24,166	24,166	213,858
Capital surplus (Notes 7, 10 and 11)	50,958	51,038	450,956
Retained earnings:			
Appropriated for legal reserve (Note 11)	8,150	7,905	72,124
Unappropriated (Notes 11 and 20)	275,051	262,887	2,434,080
Accumulated other comprehensive income (loss) (Note 12)	(1,515)	8,126	(13,407)
Treasury stock, at cost: 2016 – 295,049 shares 2015 – 298,412 shares (Note 11)	(457)	(458)	(4,044)
Total NH Foods Ltd. shareholders' equity	356,353	353,664	3,153,567
Noncontrolling Interests (Note 17)	5,007	2,760	44,310
Total Equity	361,360	356,424	3,197,877
Total Liabilities and Equity	¥682,855	¥661,567	\$6,042,963

Consolidated Statements of Income

NH Foods Ltd. and Subsidiaries

For the Years Ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Net Sales (Notes 1 and 16)	¥1,240,728	¥1,212,802	¥1,122,097	\$10,979,894
Cost of Goods Sold (Notes 2 and 16)	1,019,504	993,023	918,304	9,022,159
Selling, General and Administrative Expenses (Note 1)	174,884	171,335	168,093	1,547,646
Other Operating Costs and Expenses (Income) – Net (Notes 4, 5 and 6)	12,151	4,231	686	107,531
Interest Expense (Note 16)	1,386	1,347	1,502	12,265
Other Income (Expenses) – Net (Note 16)	(664)	1,678	1,791	(5,876)
Income before Income Taxes and Equity in Earnings (Losses) of Associated Companies	32,139	44,544	35,303	284,417
Income Taxes (Notes 1 and 8):				
Current	12,905	12,959	9,944	114,204
Deferred	272	554	1,094	2,407
Total income taxes	13,177	13,513	11,038	116,611
Income before Equity in Earnings (Losses) of Associated Companies	18,962	31,031	24,265	167,806
Equity in Earnings (Losses) of Associated Companies – Net of Applicable Income Taxes (Note 1)	(207)	133	439	(1,832)
Net Income	18,755	31,164	24,704	165,974
Net (Income) Loss Attributable to Noncontrolling Interests	3,024	(116)	(180)	26,761
Net Income Attributable to NH Foods Ltd.	¥ 21,779	¥ 31,048	¥ 24,524	\$ 192,735
Per Share Amounts (Note 1):		Yen		U.S. Dollars
Basic earnings per share attributable to NH Foods Ltd. shareholders: Net Income	¥ 106.92	¥ 152.43	¥ 122.11	\$ 0.95
Diluted earnings per share attributable to NH Foods Ltd. shareholders: Net Income	¥ 100.44	¥ 143.11	¥ 110.92	\$ 0.89

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

NH Foods Ltd. and Subsidiaries

For the Years Ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Net Income	¥18,755	¥31,164	¥24,704	\$165,974
Other Comprehensive Income (Loss) – Net of Applicable Income Taxes (Note 12):				
Net unrealized gains (losses) on securities available-for-sale (Notes 1 and 3)	(677)	2,162	486	(5,991)
Pension liability adjustments (Note 9)	(4,082)	2,318	3,006	(36,124)
Foreign currency translation adjustments	(5,535)	4,778	4,437	(48,982)
Total other comprehensive income (loss)	(10,294)	9,258	7,929	(91,097)
Comprehensive Income	8,461	40,422	32,633	74,877
Net Comprehensive (Income) Loss Attributable to Noncontrolling Interests	3,677	(184)	(400)	32,540
Net Comprehensive Income Attributable to NH Foods Ltd.	¥12,138	¥40,238	¥32,233	\$107,417

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

NH Foods Ltd. and Subsidiaries

For the Years Ended March 31, 2016, 2015 and 2014

	Millions of Yen								
	Common Stock	Capital Surplus	Retained Earnings Appropriated for Legal Reserve	Unappropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total NH Foods Ltd. Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, April 1, 2013	¥24,166	¥50,761	¥7,518	¥252,383	¥(8,773)	¥(32,641)	¥293,414	¥2,670	¥296,084
Net income				24,524			24,524	180	24,704
Other comprehensive income (Note 12)					7,709		7,709	220	7,929
Cash dividends (Note 11)				(4,775)			(4,775)	(79)	(4,854)
Transfer to retained earnings appropriated for legal reserve (Note 11)			230	(230)					
Acquisition of treasury stock (Note 11)						(30,044)	(30,044)		(30,044)
Conversion of convertible bonds		4,581				25,237	29,818		29,818
Disposition of treasury stock (Note 11)		(23)				25	2		2
Equity component of convertible bonds (Note 7)		336					336		336
Balance, March 31, 2014	24,166	55,655	7,748	271,902	(1,064)	(37,423)	320,984	2,991	323,975
Net income				31,048			31,048	116	31,164
Other comprehensive income (Note 12)					9,190		9,190	68	9,258
Cash dividends (Note 11)				(7,536)			(7,536)	(83)	(7,619)
Transfer to retained earnings appropriated for legal reserve (Note 11)			157	(157)					
Acquisition of treasury stock (Note 11)						(21)	(21)		(21)
Disposition of treasury stock (Note 11)		(57)				56	(1)		(1)
Cancellation of treasury stock (Note 11)		(4,560)		(32,370)		36,930			
Sales of subsidiary shares								(332)	(332)
Balance, March 31, 2015	24,166	51,038	7,905	262,887	8,126	(458)	353,664	2,760	356,424
Net income				21,779			21,779	(3,024)	18,755
Other comprehensive loss (Note 12)					(9,641)		(9,641)	(653)	(10,294)
Cash dividends (Note 11)				(9,370)			(9,370)	(41)	(9,411)
Transfer to retained earnings appropriated for legal reserve (Note 11)			245	(245)					
Acquisition of treasury stock (Note 11)						(10)	(10)		(10)
Disposition of treasury stock (Note 11)		(10)				11	1		1
Acquisition and capital increase of subsidiaries (Note 17)								6,094	6,094
Others		(70)					(70)	(129)	(199)
Balance, March 31, 2016	¥24,166	¥50,958	¥8,150	¥275,051	¥(1,515)	¥ (457)	¥356,353	¥5,007	¥361,360

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings Appropriated for Legal Reserve	Unappropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total NH Foods Ltd. Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, March 31, 2015	\$213,858	\$451,663	\$69,956	\$2,326,433	\$ 71,911	\$(4,053)	\$3,129,768	\$24,426	\$3,154,194
Net income				192,735			192,735	(26,761)	165,974
Other comprehensive loss (Note 12)					(85,318)		(85,318)	(5,779)	(91,097)
Cash dividends (Note 11)				(82,920)			(82,920)	(363)	(83,283)
Transfer to retained earnings appropriated for legal reserve (Note 11)			2,168	(2,168)					
Acquisition of treasury stock (Note 11)						(88)	(88)		(88)
Disposition of treasury stock (Note 11)		(88)				97	9		9
Acquisition and capital increase of subsidiaries (Note 17)								53,929	53,929
Others		(619)					(619)	(1,142)	(1,761)
Balance, March 31, 2016	\$213,858	\$450,956	\$72,124	\$2,434,080	\$(13,407)	\$(4,044)	\$3,153,567	\$44,310	\$3,197,877

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NH Foods Ltd. and Subsidiaries

For the Years Ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Operating Activities:				
Net income	¥ 18,755	¥ 31,164	¥ 24,704	\$ 165,974
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	19,926	19,405	19,081	176,336
Impairment losses	11,081	3,047	1,738	98,062
Income taxes deferred	272	554	1,094	2,407
Foreign exchange translation adjustments	(3,193)	(963)	(3,221)	(28,257)
Decrease (increase) in trade notes and accounts receivable	(113)	(8,929)	6,339	(1,000)
Decrease (increase) in inventories	5,894	(20,259)	(8,215)	52,159
Decrease (increase) in other current assets	(34)	(2,260)	2,033	(301)
Decrease in trade notes and accounts payable	(304)	(3,617)	(5,504)	(2,690)
Increase (decrease) in accrued income taxes	(598)	3,294	(1,666)	(5,292)
Increase (decrease) in accrued expenses and other current liabilities	232	8,727	(2,062)	2,053
Others—net	617	(482)	(1,369)	5,461
Net cash provided by operating activities	52,535	29,681	32,952	464,912
Investing Activities:				
Capital expenditures	(37,604)	(34,519)	(22,690)	(332,779)
Proceeds from sales of capital assets	1,839	2,212	2,520	16,274
Increase in time deposits	(202)	(1,027)	(8,383)	(1,788)
Purchases of marketable securities and other investment securities	(2,798)	(308)	(269)	(24,761)
Proceeds from sales and maturities of marketable securities and other investment securities	475	2,185	413	4,204
Investments in associated companies	(1,891)			(16,735)
Net increase (decrease) in cash and cash equivalents resulting from purchase of business	(8,563)		201	(75,779)
Net increase in cash and cash equivalents resulting from sale of business		358	364	
Others—net	(395)	(418)	823	(3,494)
Net cash used in investing activities	(49,139)	(31,517)	(27,021)	(434,858)
Financing Activities:				
Cash dividends	(9,411)	(7,619)	(4,854)	(83,283)
Increase (decrease) in short-term bank loans	18,506	(18,532)	17,104	163,770
Proceeds from debt	30,408	19,631	51,459	269,097
Repayments of debt	(32,614)	(10,646)	(43,010)	(288,619)
Contributions from noncontrolling interests	1,502			13,292
Acquisition of treasury stock	(10)	(21)	(30,044)	(88)
Others—net	(199)	0	(28)	(1,762)
Net cash provided by (used in) financing activities	8,182	(17,187)	(9,373)	72,407
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,661)	1,499	1,365	(14,700)
Net Increase (Decrease) in Cash and Cash Equivalents	9,917	(17,524)	(2,077)	87,761
Cash and Cash Equivalents at Beginning of the Year	57,404	74,928	77,005	508,000
Cash and Cash Equivalents at End of the Year	¥ 67,321	¥ 57,404	¥ 74,928	\$ 595,761
Additional Cash Flow Information:				
Interest paid	¥ 1,496	¥ 1,229	¥ 1,548	\$ 13,239
Income taxes paid	13,165	10,493	11,341	116,504
Capital lease obligations incurred	4,686	2,773	2,776	41,469
Converted amount into stock of convertible bonds			29,818	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NH Foods Ltd. and Subsidiaries
For the Years Ended March 31, 2016, 2015 and 2014

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – The Group (NH Foods Ltd. and its subsidiaries) is engaged in the production and distribution of mainly hams & sausages, processed foods, fresh meats, marine products and dairy products. The Group's operations are located principally in Japan.

Basis of Financial Statements – The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which NH Foods Ltd. is incorporated and operates. The translations of Japanese yen amounts into United States dollar amounts with respect to the year ended March 31, 2016 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113=\$1, the approximate rate of exchange on March 31, 2016. Such translations should not be construed as a representation that Japanese yen amounts could be converted into United States dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. Certain adjustments have been reflected in the accompanying consolidated financial statements while they have not been entered in the general books of account of the Group maintained principally in accordance with Japanese accounting practices.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In order to conform to the current year's presentation, prior years' presentations have been changed.

Summary of Significant Accounting Policies – Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

(1) Consolidation – The consolidated financial statements include the accounts of NH Foods Ltd., all of its majority-owned directly or indirectly subsidiaries, and any variable interest entities of which NH Foods Ltd. and its subsidiaries are the primary beneficiary. Intercompany transactions and balances are eliminated. Investments in associated companies (20% to 50% owned) are accounted for using the equity method of accounting. In preparing the consolidated financial statements, financial statements with reporting periods different from the consolidated reporting period are used for certain subsidiaries. Necessary adjustments are booked when material intervening events occur and affect the financial position or result of operations for the period between the subsidiary's year-end reporting date and the consolidated reporting date.

(2) Cash and Cash Equivalents – “Cash and cash equivalents” consist of cash on hand, demand deposits and highly liquid investments with original maturities of three months or less.

Effective from April 1, 2014, the Group changed the accounting policy for classifying the cash and cash equivalents in the consolidated balance sheets and the consolidated statements of cash flows. The Group had previously defined the cash and cash equivalents as cash on hand and demand deposits. The Group changed its policy to also include time deposits and marketable securities with original maturities of three months or less within the scope of cash and cash equivalents. The new policy is more closely aligned with the Group's cash management and investment strategies, thus the Group believes the change in policy is preferable. Under Accounting Standards Codification (“ASC”) of the U.S. Financial Accounting Standards Board (“FASB”) Topic 250, “Accounting Changes and Error Corrections,” prior years' consolidated financial statements were retrospectively adjusted to reflect this change in accounting principle.

Consolidated Statements of Cash Flows

	Millions of Yen	
	2014	
	As originally reported	As adjusted
Investing Activities:		
Increase in time deposits		¥ (8,383)
Decrease in short-term investments	¥ 855	
Others—net	697	823
Effect of exchange rate changes on cash and cash equivalents	838	1,365
Cash and cash equivalents at beginning of the year	36,475	77,005
Cash and cash equivalents at end of the year	42,983	74,928

(3) Receivables – The Group grants credit to customers who are primarily retailers and wholesalers in Japan.

(4) Inventories – Inventories are stated at the lower of cost or market. Cost is determined by the average cost method.

(5) Marketable Securities and Investments – The Group's investments in debt securities and marketable equity securities (included in marketable securities and other investment securities) are classified as either Available-for-Sale or Held-to-Maturity based on the Group's intent and ability to hold and the nature of the securities. Investments classified as Available-for-Sale are reported at fair value with unrealized holding gains and losses, which are recorded in accumulated other comprehensive income (loss), net of applicable income taxes. Investments classified as Held-to-Maturity are recorded at amortized cost. All other investment securities are stated at cost unless the value is considered to have been impaired.

The Group regularly reviews investments in debt securities and marketable equity securities for impairment based on criteria that include the extent to which the securities' carrying values exceed those related market prices, the duration of the market decline, and the Group's ability and intent to hold the investments. Other investment securities stated at cost are reviewed periodically for impairment.

(6) Depreciation – The straight-line method is used for property, plant and equipment. Depreciation expense includes depreciation related to capital lease assets which are depreciated over the shorter of lease terms or estimated useful lives. The ranges of estimated useful lives used in the computation of depreciation are mainly as follows:

Buildings	20-40 years
Machinery and equipment	5-15 years

(7) Impairment of Long-Lived Assets – The Group applies ASC Topic 360, "Property, Plant, and Equipment" and ASC Topic 205, "Presentation of Financial Statements." ASC Topic 360 provides one accounting model for the impairment or disposal of long-lived assets. ASC Topic 205 provides the criteria for classifying an asset as held for sale, defines the scope of business to be disposed of that qualify for reporting as discontinued operations and the timing of recognizing losses on such operations.

In accordance with ASC Topic 360, management reviews long-lived assets for impairment of value whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. If the Group determines that they are unable to recover the carrying value of the assets, the assets are written down using an appropriate method.

In accordance with ASC Topic 205, the Group presents the results of discontinued operations as a separate line item in the consolidated statements of income under income from discontinued operations – net of applicable income taxes, as it occurs.

(8) Goodwill and Other Intangible Assets – The Group applies ASC Topic 350, "Intangibles—Goodwill and Other." ASC Topic 350 requires that goodwill no longer be amortized, but instead be tested for impairment at least annually. ASC Topic 350 also requires recognized intangible assets be amortized over their respective estimated useful lives and tested for impairment. Any

recognized intangible assets determined to have indefinite useful lives are not to be amortized, but instead are tested for impairment until their lives are determined to no longer be indefinite.

(9) Business Combinations – The Group applies ASC Topic 805, "Business Combinations." In accordance with the provisions of ASC Topic 805, the acquisition of a business is accounted for using the acquisition method of accounting.

(10) Retirement and Severance Programs – The Group applies ASC Topic 715, "Compensation—Retirement Benefits," to account for the Group's employee retirement and severance programs.

As allowed under ASC Topic 715, the Group does not recognize gain or loss on settlement of the pension obligations when the cost of all settlements during a year is less than or equal to the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year.

(11) Fair Value of Financial Instruments – The Group discloses the fair value of financial instruments in the notes to consolidated financial statements. When the fair value approximates the book value, no additional disclosure is made. Fair values are estimated using quoted market prices, estimates obtained from brokers and other appropriate valuation techniques based on information available at March 31, 2016 and 2015.

(12) Fair Value Measurements – The Group applies ASC Topic 820, "Fair Value Measurements and Disclosures." For more information, see Note 15, "Fair Value Measurements."

(13) Income Taxes – The Group applies ASC Topic 740, "Income Taxes." In accordance with the provisions of ASC Topic 740, deferred tax assets and liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities, and tax losses and credits which can be carried forward, using the enacted tax rate applicable to periods in which the differences are expected to affect taxable income. Deferred income tax charges or credits are based on changes in deferred tax assets and liabilities from period to period, subject to an ongoing assessment of realization. ASC Topic 740 also prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

A provision for income taxes is not recorded on undistributed earnings of subsidiaries where NH Foods Ltd. considers that such earnings are permanently invested or where, under the present Japanese tax law, such earnings would not be subject to additional taxation should they be distributed to the Group.

The Group recognizes tax-related interest and penalties in income taxes in the consolidated statements of income.

(14) Per Share Amounts – Basic Earnings Per Share ("EPS") is computed by dividing net income attributable to NH Foods Ltd. by the weighted-average number of common shares outstanding during the year. Diluted EPS is computed by dividing net income attributable to NH Foods Ltd. by the sum of the weighted-average number of common shares outstanding plus the dilutive effect of shares issuable through stock options and convertible bonds.

The net income attributable to NH Foods Ltd. and shares used for basic EPS and diluted EPS are reconciled below:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Net Income (Numerator):				
Net income attributable to NH Foods Ltd.	¥21,779	¥31,048	¥24,524	\$192,735
Dilutive effect of convertible bonds	59	56	19	522
Diluted net income attributable to NH Foods Ltd. shareholders	¥21,838	¥31,104	¥24,543	\$193,257
Shares (Denominator):				
	Thousands of Shares			
	2016	2015	2014	
Average shares outstanding for basic earnings per share	203,701	203,686	200,828	
Dilutive effect of stock options	173	194	222	
Dilutive effect of convertible bonds	13,538	13,466	20,226	
Average shares outstanding for diluted earnings per share	217,412	217,346	221,276	

(15) Revenue Recognition – The Group recognizes revenue when the product is received by the customer, at which time title and risk of loss pass to the customer. Taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statements of income.

(16) Sales Promotion Expenses and Rebates – The Group accounts for promotion expenses and rebates in accordance with the provisions of ASC Topic 605, “Revenue Recognition.” ASC Topic 605 requires that certain sales promotion expenses and rebates be classified as a reduction of net sales, rather than as selling, general and administrative expenses.

(17) Advertising – Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to ¥11,104 million (\$98,265 thousand), ¥11,187 million and ¥11,221 million for the years ended March 31, 2016, 2015 and 2014, respectively.

(18) Research and Development – Research and development costs are expensed as incurred. Research and development costs amounted to ¥2,689 million (\$23,796 thousand), ¥3,354 million and ¥3,424 million for the years ended March 31, 2016, 2015 and 2014, respectively.

(19) Derivative Instruments and Hedging Activities – The Group accounts for derivative instruments and hedging activities in accordance with ASC Topic 815, “Derivatives and Hedging.” ASC Topic 815 requires that all derivative instruments be recognized as assets or liabilities on the balance sheet and measured at fair value. Changes in the fair value of derivative instruments are recognized in either income or other comprehensive income, depending on the designated purpose of the derivative instruments.

(20) Guarantees – The Group accounts for guarantees in accordance with ASC Topic 460, “Guarantees,” which addresses the disclosure to be made by a guarantor in its financial statements about its obligations under guarantees. ASC Topic 460 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. ASC Topic 460 requires the guarantor to

recognize at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee.

(21) Recent Accounting Pronouncements:

Eliminating the Concept of Extraordinary Items – In January 2015, FASB issued Accounting Standards Update (ASU) 2015-01 which amends ASC 225-20 “Income Statement – Extraordinary and Unusual Items.” This update eliminates the concept of extraordinary items and simplifies income statement presentation. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Amendments to the Consolidation Analysis – In February 2015, FASB issued ASU 2015-02 which amends ASC 810 “Consolidation.” This update changes the consolidation analysis and requires a reporting entity to perform reevaluation whether it should consolidate certain types of legal entities. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs – In April 2015, FASB issued ASU 2015-03 “Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” This update specifies that debt issuance costs related to a recognized debt liability shall be reported in the balance sheet as a direct deduction from the carrying amount of that debt liability and that amortization of debt issuance costs also shall be reported as interest expense. It is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption of the amendments in this update is permitted for financial statements that have not been previously issued. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Amendments to the Fair Value Disclosures of Investments

Using the Practical Expedient – In May 2015, FASB issued ASU 2015-07 which amends ASC 820 “Fair Value Measurement.” This update removes the requirements to categorize within the fair value hierarchy all the investments for which fair value is measured using the net asset value per share practical expedient. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Simplifying the Measurement of Inventory – In July 2015, FASB issued ASU 2015-11 “Simplifying the Measurement of Inventory” which amends ASC 330 “Inventory.” This update requires an entity to measure inventory within the scope of this update at the lower of cost and net realizable value. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and an earlier application is permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Revenue from Contracts with Customers – In May 2014, FASB issued ASU 2014-09 “Revenue from Contracts with Customers.” ASU 2014-09 creates a new Topic 606 “Revenue from Contracts with Customers” and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance of ASC 605 “Revenue Recognition.” An entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires the additional disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It is effective for annual reporting periods, beginning after December 15, 2016, including interim periods within that reporting period and early adoption is not permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Revenue from Contracts with Customers

(Deferral of the Effective Date) – In August 2015, FASB issued ASU 2015-14 “Revenue from Contracts with Customers – Deferral of the Effective Date.” This update defers the effective date of ASU 2014-09 “Revenue from Contracts with Customers” for one year mainly because ASU 2014-09 was issued approximately nine months later than FASB had anticipated when it selected the effective date. With this update, ASU 2014-09 will be effective for annual reporting periods, beginning after December 15, 2017, including interim periods within that reporting period. Early adoption of ASU 2014-09 is still permitted but not before the original effective date for public business entities (annual reporting periods beginning after December 15, 2016). The Group is currently in the process of evaluating the impact of the adoption of ASU 2014-09 on the consolidated financial statements.

Balance Sheet Classification of Deferred Taxes – In November 2015, FASB issued ASU 2015-17 “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” This update requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. It is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities – In January 2016, FASB issued ASU 2016-01 which amends ASC 825-10 “Financial Instruments – Overall.” This update mainly requires equity investments to be measured at fair value with changes in fair value recognized in net income and changes related disclosures. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Except for the early application guidance discussed in this update, early adoption of the amendments is not permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Leases – In February 2016, FASB issued ASU 2016-02 “Leases.” ASU 2016-02 creates a new Topic 842 “Leases” and supersedes ASC 840 “Leases.” This update mainly requires the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

Simplifying the Transition to the Equity

Method of Accounting – In March 2016, FASB issued ASU 2016-07 “Simplifying the Transition to the Equity Method of Accounting” which amends ASC 323 “Investments – Equity Method and Joint Ventures.” This update eliminates the requirement that an entity retrospectively adopt the equity method if an investment qualifies for the equity method as a result of an increase in the level of ownership or degree of influence. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and an earlier adoption is permitted. The Group is currently in the process of evaluating the impact of the adoption on the consolidated financial statements.

2. INVENTORIES

Inventories at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished goods and merchandise	¥ 85,926	¥ 91,040	\$ 760,407
Raw materials and work-in-process	46,403	47,775	410,646
Supplies	5,066	4,292	44,832
Total	¥137,395	¥143,107	\$1,215,885

The Group recognized losses of ¥1,220 million (\$10,796 thousand), ¥1,281 million and ¥689 million from writing inventories down to market, which were included in cost of goods sold in the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014, respectively.

3. MARKETABLE SECURITIES AND INVESTMENTS

The table below presents the aggregate cost, gross unrealized holding gains, gross unrealized holding losses and the aggregate fair value of available-for-sale securities and held-to-maturity securities (included in marketable securities and other investment securities) at March 31, 2016 and 2015:

	Millions of Yen								Thousands of U.S. Dollars			
	2016				2015				2016			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:												
Domestic stocks:												
Retail industry	¥ 4,662	¥4,838	¥ (24)	¥ 9,476	¥4,624	¥4,845	¥(1)	¥ 9,468	\$ 41,257	\$42,814	\$ (212)	\$ 83,859
Others	6,512	4,481	(322)	10,671	4,661	5,128	(1)	9,788	57,628	39,655	(2,850)	94,433
Mutual funds	250	0		250	250	0		250	2,212	0		2,212
Held-to-maturity:												
Japanese government bonds					190		0	190				
Total	¥11,424	¥9,319	¥(346)	¥20,397	¥9,725	¥9,973	¥(2)	¥19,696	\$101,097	\$82,469	\$(3,062)	\$180,504

Fair value and gross unrealized holding losses of available-for-sale securities and held-to-maturity securities, aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position, at March 31, 2016 and 2015 were as follows. There were no investments in a continuous unrealized loss position for 12 months or more at March 31, 2016 and 2015:

	Millions of Yen				Thousands of U.S. Dollars	
	2016		2015		2016	
	Less than 12 Months		Less than 12 Months		Less than 12 Months	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Domestic stocks:						
Retail industry	¥ 148	¥ (24)	¥ 48	¥(1)	\$ 1,310	\$ (212)
Others	2,750	(322)	39	(1)	24,336	(2,850)
Held-to-maturity:						
Japanese government bonds			190	0		
Total	¥2,898	¥(346)	¥277	¥(2)	\$25,646	\$(3,062)

The proceeds from sales of available-for-sale securities were ¥280 million (\$2,478 thousand), ¥1,919 million and ¥204 million for the years ended March 31, 2016, 2015 and 2014, respectively. These sales resulted in gross realized gains and losses as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Realized gains	¥149	¥670	¥86	\$1,319
Realized losses	0	(1)	0	0

In determining realized gains and losses, the cost of securities sold was based on the moving average cost of all shares of such security held at the time of sale.

Non-marketable equity securities, for which there is no practicable method to estimate fair values, were carried at their cost of ¥4,581 million (\$40,540 thousand) and ¥3,849 million at March 31, 2016 and 2015, respectively.

The differences of the carrying value of investments in associated companies and NH Foods Ltd.'s equity in their net assets at March 31, 2016 and 2015 were not monetarily significant.

The carrying values and fair values of marketable securities in investments in associated companies at March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Carrying values of marketable securities	¥1,891		\$16,735
Fair values of marketable securities	3,509		31,053

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥ 83,714	¥ 83,647	\$ 740,832
Buildings	292,717	278,958	2,590,416
Machinery and equipment	241,457	233,807	2,136,788
Construction in progress	3,507	6,854	31,035
Total	621,395	603,266	5,499,071
Less accumulated depreciation	(353,223)	(350,729)	(3,125,867)
Property, plant and equipment – net	¥268,172	¥252,537	\$ 2,373,204

Depreciation expense of property, plant and equipment was ¥18,053 million (\$159,761 thousand), ¥16,973 million and ¥15,735 million for the years ended March 31, 2016, 2015 and 2014, respectively. The Group recorded a net loss of ¥1,067 million (\$9,442 thousand), a net loss of ¥1,328 million and a net gain of ¥1,211 million on dispositions of property, plant and equipment, for the years ended March 31, 2016, 2015 and 2014, respectively. The gains and losses for the years ended March 31, 2016, 2015 and 2014 were included in other operating costs and expenses (income) – net in the consolidated statements of income.

5. INTANGIBLE ASSETS

Intangible assets subject to amortization included in intangible assets in the consolidated balance sheets at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2016		2015		2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Software	¥24,077	¥21,224	¥23,063	¥20,334	\$213,071	\$187,823
Software in progress	346		344		3,062	
Other	870	530	875	464	7,699	4,690
Total	¥25,293	¥21,754	¥24,282	¥20,798	\$223,832	\$192,513

Intangible assets not subject to amortization at March 31, 2016 and 2015 were immaterial.

Amortization expense was ¥1,392 million (\$12,319 thousand), ¥1,978 million and ¥2,914 million for the years ended March 31, 2016, 2015 and 2014, respectively.

The weighted average amortization periods of intangible assets acquired during the years ended March 31, 2016 and 2015 are approximately 10 years and 5 years, respectively.

Estimated amortization expense for the next five years ending March 31 is as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2017	¥1,149	\$10,168
2018	874	7,735
2019	596	5,274
2020	429	3,796
2021	231	2,044

Changes in the carrying amounts of goodwill for the year ended March 31, 2016 were an increase of ¥8,556 million (\$75,717 thousand) as described in Note 17, and a decrease of ¥866 million (\$7,664 thousand) by foreign exchange translation adjustments.

6. IMPAIRMENT OF LONG-LIVED ASSETS

The Group recognized impairment losses of ¥3,391 million (\$30,009 thousand) for the year ended March 31, 2016. The impairment losses relate principally to the Ege-Tav's intangible assets except for goodwill and to idle assets which were related to Processed Foods Business Division and were reported in other operating costs and expenses (income) – net in the consolidated statements of income. The impairment losses related to Ege-Tav are described in Note 5. The impairment losses related to Processed Foods Business Division were incurred mainly due to a decline in market value of the assets.

The Group recognized impairment losses of ¥3,047 million for the year ended March 31, 2015. The impairment losses relate principally to idle assets and to assets used for business related to Processed Foods Business Division and were reported in other operating costs and expenses (income) – net in the consolidated

The Group recognized impairment losses of ¥7,690 million (\$68,053 thousand) and ¥1,889 million (\$16,717 thousand), respectively, of the goodwill and the other intangible assets recognized in connection with the acquisition of Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi ("Ege-Tav") for the year ended March 31, 2016.

The Group revised the business plan for Ege-Tav and evaluated the recoverable amount, as it was expected that the operating result would not achieve the original plan due to the deterioration of external environment such as avian influenza and the heightening of geopolitical risks in Turkey. As a result, the Group reduced the carrying amount of the goodwill and the other intangible assets to the fair value amount.

The impairment losses were reported in other operating costs and expenses (income) – net in the consolidated statements of income. The fair value is measured by using discounted cash flow model.

The carrying amounts of goodwill at March 31, 2016 and 2015 and changes in its carrying amounts for the year ended March 31, 2015 were immaterial to the Group's operations.

statements of income. The impairment losses were incurred mainly due to a decline in market value of the assets and a reorganization of the production base resulting in the future disposal of the assets.

The Group recognized impairment losses of ¥1,738 million for the year ended March 31, 2014. The impairment losses relate principally to idle assets related to Processed Foods Business Division and were reported in other operating costs and expenses (income) – net in the consolidated statements of income. The impairment losses were incurred mainly due to a decline in market value of the assets.

The fair value of assets related to Processed Foods Business Division is calculated based on independent appraisal or market value whichever the management considers the most appropriate.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term bank loans outstanding at March 31, 2016 and 2015 ranged from 0.6% to 4.4% and 0.4% to 6.2%, respectively.

NH Foods Ltd. entered into contracts with financial institutions for committed credit lines.

As of March 31, 2016 and 2015, the amounts of unexercised committed credit lines were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Total committed credit lines	¥75,000	¥75,000	\$663,717
Unexercised committed credit lines	74,090	75,000	655,664

Unexercised committed credit lines were available to immediate borrowings.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Long-term debt with collateral:			
Mainly banks and insurance companies, maturing through 2019, interest rate at 1.5% in 2016 interest rates ranging from 1.5% to 2.1% in 2015	¥ 392	¥ 682	\$ 3,467
Long-term debt without collateral:			
Mainly banks and insurance companies, maturing through 2025, interest rates ranging from 0.2% to 1.0% in 2016 and 0.2% to 1.7% in 2015	42,183	23,452	373,301
2.01% bonds due December 2017	10,000	10,000	88,496
0.551% bonds due September 2019	10,000	10,000	88,496
0.934% bonds due September 2022	10,000	10,000	88,496
Euro yen zero coupon convertible bonds due September 2018			
Conversion price, ¥2,216.0 per share	29,793	29,709	263,655
Capital lease obligations, interest rates ranging from 0.1% to 3.0% in 2016 maturing through 2035, and from 0.2% to 2.2% in 2015 maturing through 2029	10,864	9,384	96,142
Total	113,232	93,227	1,002,053
Less current maturities	(11,461)	(9,058)	(101,425)
Long-term debt, less current maturities	¥101,771	¥84,169	\$ 900,628

The euro yen zero coupon convertible bonds due September 2018 have a conversion limitation clause and a call option clause (cash settlement type). Unconverted portion of these bonds on September 26, 2018 (maturity date) will be redeemed at 100% of the face amount. The conversion price of these stock acquisition

rights is ¥2,216.0 (\$19.61) and ¥2,227.8, and the increasing number of common stock upon exercise of the stock acquisition rights and issuance of new shares is 13,537,906 and 13,466,199 for the years ended March 31, 2016 and 2015, respectively.

As of March 31, 2016 and 2015, the bonds mentioned above were separately accounted for the equity and liabilities as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Component of equity:			
Carrying amount	¥ 336	¥ 336	\$ 2,973
Component of liability:			
Principle amount	30,000	30,000	265,487
Less unamortized discounts	(207)	(291)	(1,832)
Net carrying amount	¥29,793	¥29,709	\$263,655

At March 31, 2016, the aggregate annual maturities of long-term debt are as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 11,461	\$ 101,425
2018	12,296	108,814
2019	31,714	280,655
2020	11,361	100,540
2021	762	6,743
Thereafter	45,638	403,876
Total	¥113,232	\$1,002,053

At March 31, 2016, property, plant and equipment with a net book value of ¥5,585 million (\$49,425 thousand) was pledged as collateral for long-term debt of ¥392 million (\$3,467 thousand), and inventories of ¥637 million (\$5,637 thousand) were pledged as collateral for short-term bank loans of ¥300 million (\$2,655 thousand).

Substantially all the short-term and long-term loans from banks are made under agreements which provide as is customary

8. INCOME TAXES

Through the application of the consolidated tax filing system, the amount of taxable income for national income tax purposes is calculated by combining the taxable income of NH Foods Ltd. and its wholly owned subsidiaries located in Japan. In addition, the realizable amounts of deferred tax assets relating to national income tax as of March 31, 2016 and 2015 were assessed based on the estimated future taxable income of NH Foods Ltd. and its wholly owned subsidiaries located in Japan.

Income taxes in Japan applicable to NH Foods Ltd. and domestic subsidiaries, imposed by the national, prefectural and municipal governments, in the aggregate resulted in a normal effective statutory rate of approximately 33.0% for the year ended March 31, 2016, 36.0% for the year ended 2015 and 38.0% for the year ended 2014. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

In accordance with ASC Topic 740, a change in tax laws and rates requires an adjustment of deferred tax assets and liabilities, and the difference caused by the adjustment shall be included in deferred tax expenses.

As a result of the amendments to the Japanese tax regulations enacted into law on March 29, 2016, the normal Japanese statutory tax rates have been reduced from approximately 33.0%

in Japan that under certain conditions, the banks may require the Group to provide collateral (or additional collateral) or guarantors with respect to the loans, or may treat any collateral, whether furnished as security for short-term and long-term loans or otherwise, as collateral for all indebtedness to such banks. Default provisions of certain agreements grant certain rights of possession to the banks.

to 31.0% on and after April 1, 2016. Deferred tax expense increased by ¥454 million (\$4,018 thousand) by the adjustments of deferred tax assets and liabilities at the date of enactment in comparison with that before the amendments for the year ended March 31, 2016.

As a result of the amendments to the Japanese tax regulations enacted into law on March 31, 2015, the normal Japanese statutory tax rates have been reduced from approximately 36.0% to 33.0% on and after April 1, 2015 and to 32.0% on and after April 1, 2016. Deferred tax expense increased by ¥1,183 million by the adjustments of deferred tax assets and liabilities at the date of enactment in comparison with that before the amendments for the year ended March 31, 2015.

As a result of the amendments to the Japanese tax regulations enacted into law on March 20, 2014, Special Corporation Tax for Reconstruction has been repealed and the normal Japanese statutory tax rates have been reduced from approximately 38.0% to 36.0% on and after April 1, 2014. Deferred tax expense increased by ¥314 million by the adjustments of deferred tax assets and liabilities at the date of enactment in comparison with that before the amendments for the year ended March 31, 2014.

The effective rates of income taxes reflected in the consolidated statements of income differed from the normal Japanese statutory tax rates for the following reasons:

	2016	2015	2014
Normal Japanese statutory tax rates	33.0%	36.0%	38.0%
Increase (decrease) in taxes resulting from:			
Difference in foreign subsidiaries tax rates	(0.9)	(2.1)	(3.0)
Change in the valuation allowance	(1.3)	(6.3)	(6.4)
Permanently non-deductible expenses	2.0	0.9	2.1
Tax credit	(2.9)	(1.3)	(1.2)
Tax rate change	2.6	2.7	0.9
Impairment losses of goodwill	7.9		
Other – net	0.6	0.4	0.9
Effective income tax rates	41.0%	30.3%	31.3%

Financial Section

The approximate effects of temporary differences, net operating loss and tax credit carryforwards that gave rise to deferred tax balances at March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Inventories	¥ 71	¥ 346	\$ 628
Certain accrued prefectural income taxes	657	765	5,814
Accrued bonuses	2,931	3,073	25,938
Liability under retirement and severance programs	7,171	5,589	63,460
Fixed assets	3,891	3,417	34,434
Other temporary differences	3,288	3,292	29,098
Net operating loss and tax credit carryforwards	3,756	4,517	33,239
Total	21,765	20,999	192,611
Less valuation allowance	(4,361)	(5,277)	(38,593)
Total deferred tax assets	17,404	15,722	154,018
Deferred tax liabilities:			
Securities	(2,082)	(2,430)	(18,425)
Inventories	(1,431)	(1,119)	(12,664)
Investments in subsidiaries	(2,161)	(2,177)	(19,124)
Fixed assets	(393)	(278)	(3,478)
Other temporary differences	(191)	(10)	(1,690)
Total deferred tax liabilities	(6,258)	(6,014)	(55,381)
Net deferred tax assets	¥11,146	¥ 9,708	\$ 98,637

The net changes in the total valuation allowance for the years ended March 31, 2016 and 2015 were a decrease of ¥916 million (\$8,106 thousand) and a decrease of ¥3,275 million, respectively.

At March 31, 2016, the net operating loss carryforwards of the Group for corporate income tax and local income tax purposes amounted to ¥8,687 million (\$76,876 thousand) and ¥14,339 million (\$126,894 thousand), respectively. The net operating loss carryforwards for corporate income tax and local income tax purposes subject to expiration in the period from 2017 to 2021 are ¥992 million (\$8,779 thousand) and ¥1,418 million (\$12,549 thousand), respectively. The remaining balances for corporate income tax and local income tax purposes, ¥7,695 million (\$68,097 thousand) and ¥12,921 million (\$114,345 thousand), respectively, will expire in years beyond 2021 or have an indefinite carryforward period. At March 31, 2016, the Group also had tax credit carryforwards of ¥417 million (\$3,690 thousand), of which ¥330 million (\$2,920 thousand) will expire within five years while the remaining ¥87 million (\$770 thousand) will expire beyond 2021 or have an indefinite carryforward period.

9. RETIREMENT AND SEVERANCE PROGRAMS

NH Foods Ltd. has a contributory pension plan and a lump-sum severance indemnities plan to establish a formula for determining benefits including "point-based benefits system" under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification, performance and years of service. Market-related interest is added to the benefit of the contributory pension plan. The pension plans

The portion of the undistributed earnings of foreign subsidiaries which is deemed to be permanently invested amounted to ¥32,226 million (\$285,186 thousand) at March 31, 2016.

Provisions are not made for taxes on undistributed earnings and cumulative translation adjustments of foreign subsidiaries whose earnings are deemed to be permanently invested.

The Group recognizes tax-related interest and penalties in income taxes in the consolidated statements of income. Total amounts of tax-related interest and penalties recognized in the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014 were not significant.

The Group files income tax returns in Japan and various foreign tax jurisdictions. NH Foods Ltd. and its major domestic subsidiaries are no longer subject to, with limited exception, income tax examinations by tax authorities for years ended on or before March 31, 2013. Major subsidiaries in the United States, Australia and other foreign countries are no longer subject to, with limited exception, income tax examinations by tax authorities for years ended on or before March 31, 2010.

provide for annuity payments for the periods of 10 to 20 years commencing with mandatory retirement. NH Foods Ltd. also introduced a defined contribution pension plan. Certain of NH Foods Ltd.'s subsidiaries have defined benefit pension plans, lump-sum severance plans and defined contribution plans. Assumptions used for those plans were generally the same as those used for NH Foods Ltd.'s plans.

The Group recognized the defined contribution cost of ¥1,800 million (\$15,929 thousand), ¥1,760 million and ¥1,629 million for the years ended March 31, 2016, 2015 and 2014, respectively.

Net periodic benefit cost under the Group's retirement and severance programs for the years ended March 31, 2016, 2015 and 2014 included the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Service cost	¥2,734	¥2,632	¥2,624	\$24,195
Interest cost	329	457	455	2,912
Expected return on plan assets	(808)	(584)	(527)	(7,150)
Amortization of prior service credit	(160)	(272)	(303)	(1,416)
Recognized actuarial loss	372	623	959	3,292
Settlement loss	79	25	291	699
Net periodic benefit cost	¥2,546	¥2,881	¥3,499	\$22,532

The following table sets forth various information about the Group's plans as of March 31, 2016 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Change in the projected benefit obligations:			
Projected benefit obligations at the beginning of the year	¥ 53,938	¥52,384	\$ 477,327
Service cost	2,734	2,632	24,195
Interest cost	329	457	2,912
Actuarial loss	3,273	1,749	28,965
Benefits paid:			
Settlement paid	(1,534)	(1,774)	(13,575)
Others	(1,445)	(1,510)	(12,788)
Business combinations	77		681
Projected benefit obligations at the end of the year	57,372	53,938	507,717
Change in fair value of plan assets:			
Fair value of plan assets at the beginning of the year	47,479	41,870	420,168
Actual gain (loss) on plan assets	(2,213)	5,578	(19,584)
Employer contribution	1,737	1,777	15,372
Benefits paid:			
Settlement paid	(177)	(236)	(1,566)
Others	(1,445)	(1,510)	(12,788)
Fair value of plan assets at the end of the year	45,381	47,479	401,602
Funded status at the end of the year	¥(11,991)	¥ (6,459)	\$(106,115)

Amounts recognized by the Group in the consolidated balance sheets at March 31, 2016 and 2015 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prepaid benefit cost	¥ 2,358	¥ 5,595	\$ 20,867
Accrued expenses	(566)	(581)	(5,009)
Accrued benefit liability	(13,783)	(11,473)	(121,973)
	¥(11,991)	¥ (6,459)	\$(106,115)

Amounts recognized by the Group in accumulated other comprehensive loss at March 31, 2016 and 2015 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial loss	¥13,317	¥ 7,474	\$117,850
Prior service credit	(1,029)	(1,189)	(9,106)
	¥12,288	¥ 6,285	\$108,744

Financial Section

The Group's accumulated benefit obligations for defined benefit plans at March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Accumulated benefit obligations	¥57,372	¥53,938	\$507,717

The projected benefit obligations and the fair value of the plan assets for the Group's pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of the plan assets for the Group's pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	¥28,725	¥13,592	\$254,203
Fair value of plan assets	14,376	1,538	127,221
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	28,725	13,592	254,203
Fair value of plan assets	14,376	1,538	127,221

Amounts recognized by the Group in the other comprehensive income and reclassification adjustments of the other comprehensive income (loss) for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Current year actuarial (gain) loss	¥6,294	¥(3,287)	¥(3,750)	\$55,699
Current year prior service cost		42		
Recognition of actuarial loss	(451)	(648)	(1,250)	(3,991)
Amortization of prior service credit	160	272	303	1,416

The estimated prior service credit and actuarial loss for the Group's defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service credit	¥(192)	\$(1,699)
Actuarial loss	660	5,841

Assumptions

Weighted-average assumptions used to determine the Group's benefit obligations at March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	0.1%	0.6%

Weighted-average assumptions used to determine the Group's net periodic benefit cost for the years ended March 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Discount rate	0.6%	0.9%	0.9%
Expected long-term rate of return on plan assets	2.7%	2.1%	2.0%

NH Foods Ltd. has a contributory pension plan and a lump-sum severance indemnities plan to establish a formula for determining benefits including point-based benefits system. Accordingly, rate of increase in future compensation levels was not used to determine net periodic benefit cost for the years ended March 31, 2016, 2015 and 2014.

NH Foods Ltd.'s expected long-term rate of return was determined by estimating the future rate of return of each plan asset considering actual historical returns.

Assumptions used for plans of NH Foods Ltd.'s subsidiaries were generally the same as those used for NH Foods Ltd.'s plans.

Plan Assets

The Group's fundamental policy for the investment of plan assets is to secure the necessary profit on a long-term basis to enable the Group to fund the payments for future pension benefits to eligible participants. Plan assets are allocated in accordance with the plan assets allocation policy, which is established for the purpose of achieving a stable rate of return on a medium- to long-term basis, by taking into account the expected rate of return on each plan asset, a standard deviation and a correlation coefficient. The variance between expected long-term return and actual return on invested plan assets is evaluated on an annual basis. The plan assets allocation policy is revised, when considered necessary, to achieve the expected long-term rate of return.

The Group's portfolio consists of four major components: approximately 37% is invested in equity securities, approximately 20% is invested in debt securities, approximately 20% is invested in life insurance company general accounts, and approximately 23% is invested in mutual funds and other investment vehicles.

The equity securities consist primarily of stocks that are listed on the stock exchanges. The Group investigates the business condition of the investee companies and appropriately diversifies investments by industry types and other relevant factors. The

debt securities consist primarily of government bonds, public debt instruments and corporate bonds. The Group investigates the quality of the bonds, including credit rating, interest rate and repayment dates, and appropriately diversifies the investments. Mutual funds are invested using the strategy consistent with the equity and debt securities described above. As for the life insurance general accounts, life insurance companies guarantee certain interest rate and repayment of principal.

The target asset allocation of the Group's defined benefit pension plans by asset class was 23% for equity securities, 33%

for debt securities, 28% for life insurance company general accounts and 16% for others for the year ended March 31, 2016, and the target allocation for the year ending March 31, 2017 is 15% for equity securities, 23% for debt securities, 29% for life insurance company general accounts and 33% for others. Plan assets of the employee retirement benefit trust were included in plan assets, which amounted to ¥15,023 million (\$132,947 thousand) and ¥16,895 million for the years ended March 31, 2016 and 2015, respectively.

The fair values of the Group's pension plans' asset allocations at March 31, 2016 and 2015 by asset class were as follows:

Asset class:	Millions of Yen							
	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities:								
Domestic stocks	¥14,192			¥14,192	¥17,427			¥17,427
Foreign stocks	2,800			2,800	4,037			4,037
Debt securities:								
Japanese government bonds and domestic municipal bonds	3,344			3,344	5,601			5,601
Domestic corporate bonds	2,039			2,039	2,424			2,424
Foreign government bonds and foreign municipal bonds	3,428			3,428	3,526			3,526
Foreign corporate bonds	125			125	96			96
Life insurance company general accounts		¥ 9,026		9,026		¥ 8,822		8,822
Others:								
Mutual funds		6,684		6,684		3,789		3,789
Others	3,710	33		3,743	1,718	36	¥3	1,757
Total	¥29,638	¥15,743		¥45,381	¥34,829	¥12,647	¥3	¥47,479

Asset class:	Thousands of U.S. Dollars			
	2016			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic stocks	\$125,593			\$125,593
Foreign stocks	24,779			24,779
Debt securities:				
Japanese government bonds and domestic municipal bonds	29,593			29,593
Domestic corporate bonds	18,044			18,044
Foreign government bonds and foreign municipal bonds	30,336			30,336
Foreign corporate bonds	1,106			1,106
Life insurance company general accounts		\$ 79,877		79,877
Others:				
Mutual funds		59,150		59,150
Others	32,832	292		33,124
Total	\$262,283	\$139,319		\$401,602

Level 1 assets comprise principally equity securities and government bonds, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets comprise principally mutual funds that invest in equity and debt securities, and investments in life insurance company general accounts. Mutual funds, which are redeemable in the near term, are valued at their net asset values

which are calculated by the investment management companies. Investments in life insurance company general accounts are valued at the sum of original principal and accrued interest. The fair value of Level 3 assets consists of funds that invest principally in unlisted equity securities. Actual returns on, and purchases and sales of, these assets during the years ended March 31, 2016 and 2015 were not significant.

Contributions

The Group expects to contribute ¥1,779 million (\$15,743 thousand) to the defined benefit pension plans in the year ending March 31, 2017.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future services, as appropriate, are expected to be made by the Group:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 2,585	\$ 22,876
2018	2,684	23,752
2019	2,700	23,894
2020	2,829	25,035
2021	2,709	23,973
2022—2026	16,399	145,124

Certain domestic subsidiaries participate in multiemployer plans. This disclosure uses the most recently available information:

Pension Fund:	Zone Status		Contributions of NH Food Ltd.'s subsidiaries			Thousands of U.S. Dollars
	2016	2015	Millions of Yen			
			2016	2015	2014	2016
Japan Ham & Sausage Processors Pension Fund	At least 80% (February 29, 2016)	Less than 65% (March 31, 2014)	¥245	¥330	¥317	\$2,168
Nationwide Dainty Pension Fund		At least 80% (March 31, 2014)	34	214	235	301
Total			¥279	¥544	¥552	\$2,469

The risks of participating in these multiemployer plans are different from single-employer plans primarily in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers.
- If the Group chooses to stop participating in some of those multiemployer plans, the Group may be required to pay those plans an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability.

Plan information for Japan Ham & Sausage Processors Pension Fund is not publicly available. This fund provides monthly retirement payments on the basis of the contributions earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase.

This fund's financial statements for the year ended February 29, 2016 indicated pension plan assets of ¥27,168 million (\$240,425 thousand); underfunded amounts of ¥309 million (\$2,735 thousand); and total contributions of all participating employers of ¥2,114 million (\$18,708 thousand).

This fund's financial statements for the year ended March 31, 2014 indicated pension plan assets of ¥26,273 million; underfunded amounts of ¥18,065 million; and total contributions of all participating employers of ¥2,138 million.

Japan Ham & Sausage Processors Pension Fund resolved a special dissolution of the plan at a conference of representatives on March 24, 2016 based on Act of Partial Revision of Pension of the Employees' Pension Insurance Act which was promulgated on

June 26, 2013. As of March 31, 2016, it was in the process of application for approval of dissolution. The Group does not expect that there are costs borne by participating employers associated with this dissolution.

Plan information for Japan Nationwide Dainty Pension Fund is not publicly available. This fund provides monthly retirement payments on the basis of the contributions earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase.

This fund's financial statements for the year ended March 31, 2014 indicated pension plan assets of ¥13,933 million; overfunded amounts of ¥476 million; and total contributions of all participating employers of ¥1,183 million.

Japan Nationwide Dainty Pension Fund resolved a dissolution of the plan at a conference of representatives on July 16, 2015, and dissolved as a result of approval from the Minister of Health, Labour and Welfare. The Group does not expect that there are costs borne by participating employers associated with this dissolution.

Pension Fund:	Year Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of March 31 of the Plan's Year-End)
Japan Ham & Sausage Processors Pension Fund	2015 and 2014
Nationwide Dainty Pension Fund	2015 and 2014

Additionally, the Group provided for directors' retirement allowances of ¥643 million (\$5,691 thousand) and ¥602 million at March 31, 2016 and 2015, respectively, based on the Group's internal regulations.

10. STOCK-BASED COMPENSATION

On May 9, 2008, the Board of Directors resolved to abolish the stock option plan except for those stock options granted before March 31, 2008.

A summary of option activity under NH Foods Ltd.'s stock option plan at March 31, 2016 and changes during the year then ended were as follows:

	Shares	Yen	Years	Millions of Yen	U.S. Dollars	Thousands of U.S. Dollars
	Number of Options	Exercise Price	Average Remaining Contractual Life	Aggregate Intrinsic Value	Exercise Price	Aggregate Intrinsic Value
Outstanding at March 31, 2015	175,000	¥1			\$0	
Exercised	(7,000)	1			0	
Outstanding at March 31, 2016	168,000	1	6.7	¥416	0	\$3,681
Exercisable at March 31, 2016	6,000	¥1	0.7	¥ 15	\$0	\$ 133

The total intrinsic values of options exercised during the years ended March 31, 2016, 2015 and 2014 were ¥17 million (\$150 thousand), ¥86 million and ¥34 million, respectively.

Cash received from options exercised for the years ended March 31, 2016, 2015 and 2014 was immaterial.

11. EQUITY

Companies in Japan are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies in Japan can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies in Japan that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company prescribed so in its articles of incorporation. NH Foods Ltd. meets all the above criteria.

The Companies Act permits companies in Japan to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount available for dividends under the Companies Act is based on the amount recorded in NH Foods Ltd.'s nonconsolidated books of accounts in accordance with Japanese accounting practices. The amount available for dividends under the Companies Act as of March 31, 2016 was ¥108,799 million (\$962,823 thousand).

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, additional paid-in capital and legal reserve may be reversed upon resolution of the shareholders. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies in Japan to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

On May 20, 1993, NH Foods Ltd. made a stock split by way of a free share distribution at the rate of 0.1 shares for each outstanding share, and 20,703,062 shares were issued to shareholders of record on March 31, 1993, resulting in no change in the balance of common stock or capital surplus. Corporations in the United States issuing shares in similar transactions would be required to account for them by reducing retained earnings and increasing appropriate capital accounts by an amount equal to the fair value of the shares issued. If such United States practice had been applied to the fiscal 1994 free share distribution made by NH Foods Ltd., capital surplus would have increased by ¥33,746 million with a corresponding decrease in unappropriated retained earnings.

12. OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) for the years ended March 31, 2016, 2015 and 2014 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2016	2016	2016	2016	2016	2016
	Before-Tax Amount	Income Tax	After-Tax Amount	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized gains on securities available-for-sale:						
Balance, April 1, 2015	¥ 9,963	¥(3,699)	¥ 6,264	\$ 88,168	\$(32,735)	\$ 55,433
Other comprehensive loss before reclassification	(847)	273	(574)	(7,496)	2,416	(5,080)
Amounts reclassified from accumulated other comprehensive income	(151)	48	(103)	(1,336)	425	(911)
Other comprehensive loss	(998)	321	(677)	(8,832)	2,841	(5,991)
Other comprehensive loss attributable to noncontrolling interests	1	0	1	9	0	9
Balance, March 31, 2016	8,966	(3,378)	5,588	79,345	(29,894)	49,451
Pension liability adjustments:						
Balance, April 1, 2015	(6,286)	4,984	(1,302)	(55,628)	44,106	(11,522)
Other comprehensive loss before reclassification	(6,294)	2,014	(4,280)	(55,699)	17,823	(37,876)
Amounts reclassified from accumulated other comprehensive loss	291	(93)	198	2,575	(823)	1,752
Other comprehensive loss	(6,003)	1,921	(4,082)	(53,124)	17,000	(36,124)
Other comprehensive loss attributable to noncontrolling interests	10	(3)	7	89	(27)	62
Balance, March 31, 2016	(12,279)	6,902	(5,377)	(108,663)	61,079	(47,584)
Foreign currency translation adjustments:						
Balance, April 1, 2015	3,164		3,164	28,000		28,000
Other comprehensive loss before reclassification	(5,391)		(5,391)	(47,708)		(47,708)
Amounts reclassified from accumulated other comprehensive income	(144)		(144)	(1,274)		(1,274)
Other comprehensive loss	(5,535)		(5,535)	(48,982)		(48,982)
Other comprehensive loss attributable to noncontrolling interests	645		645	5,708		5,708
Balance, March 31, 2016	(1,726)		(1,726)	(15,274)		(15,274)
Total, accumulated other comprehensive income (loss):						
Balance, April 1, 2015	6,841	1,285	8,126	60,540	11,371	71,911
Other comprehensive loss before reclassification	(12,532)	2,287	(10,245)	(110,903)	20,239	(90,664)
Amounts reclassified from accumulated other comprehensive income	(4)	(45)	(49)	(35)	(398)	(433)
Other comprehensive loss	(12,536)	2,242	(10,294)	(110,938)	19,841	(91,097)
Other comprehensive loss attributable to noncontrolling interests	656	(3)	653	5,806	(27)	5,779
Balance, March 31, 2016	¥ (5,039)	¥ 3,524	¥ (1,515)	\$ (44,592)	\$ 31,185	\$(13,407)

Reclassification from other comprehensive income and loss (before-tax amount) of net unrealized gains on securities available-for-sale and foreign currency translation adjustments are included in other income (expenses) – net. Reclassification from other comprehensive loss (before-tax amount) of pension liability adjustments is included in net periodic benefit cost.

	Millions of Yen		
	2015		
	Before-Tax Amount	Income Tax	After-Tax Amount
Net unrealized gains on securities available-for-sale:			
Balance, April 1, 2014	¥ 6,584	¥(2,482)	¥ 4,102
Other comprehensive income before reclassification	4,133	(1,489)	2,644
Amounts reclassified from accumulated other comprehensive income	(754)	272	(482)
Other comprehensive income	3,379	(1,217)	2,162
Other comprehensive income attributable to noncontrolling interests	0	0	0
Balance, March 31, 2015	9,963	(3,699)	6,264
Pension liability adjustments:			
Balance, April 1, 2014	(9,909)	6,288	(3,621)
Other comprehensive income before reclassification	3,245	(1,168)	2,077
Amounts reclassified from accumulated other comprehensive loss	376	(135)	241
Other comprehensive income	3,621	(1,303)	2,318
Other comprehensive income attributable to noncontrolling interests	2	(1)	1
Balance, March 31, 2015	(6,286)	4,984	(1,302)
Foreign currency translation adjustments:			
Balance, April 1, 2014	(1,545)		(1,545)
Other comprehensive income before reclassification	4,776		4,776
Amounts reclassified from accumulated other comprehensive loss	2		2
Other comprehensive income	4,778		4,778
Other comprehensive income attributable to noncontrolling interests	(69)		(69)
Balance, March 31, 2015	3,164		3,164
Total, accumulated other comprehensive income (loss):			
Balance, April 1, 2014	(4,870)	3,806	(1,064)
Other comprehensive income before reclassification	12,154	(2,657)	9,497
Amounts reclassified from accumulated other comprehensive loss	(376)	137	(239)
Other comprehensive income	11,778	(2,520)	9,258
Other comprehensive income attributable to noncontrolling interests	(67)	(1)	(68)
Balance, March 31, 2015	¥ 6,841	¥ 1,285	¥ 8,126

	Millions of Yen		
	Before-Tax Amount	2014 Income Tax	After-Tax Amount
Net unrealized gains on securities available-for-sale:			
Balance, April 1, 2013	¥ 5,823	¥(2,207)	¥ 3,616
Other comprehensive income before reclassification	807	(291)	516
Amounts reclassified from accumulated other comprehensive income	(46)	16	(30)
Other comprehensive income	761	(275)	486
Other comprehensive income attributable to noncontrolling interests	0	0	0
Balance, March 31, 2014	6,584	(2,482)	4,102
Pension liability adjustments:			
Balance, April 1, 2013	(14,603)	7,978	(6,625)
Other comprehensive income before reclassification	3,750	(1,350)	2,400
Amounts reclassified from accumulated other comprehensive loss	947	(341)	606
Other comprehensive income	4,697	(1,691)	3,006
Other comprehensive income attributable to noncontrolling interests	(3)	1	(2)
Balance, March 31, 2014	(9,909)	6,288	(3,621)
Foreign currency translation adjustments:			
Balance, April 1, 2013	(5,764)		(5,764)
Other comprehensive income before reclassification	4,077		4,077
Amounts reclassified from accumulated other comprehensive loss	360		360
Other comprehensive income	4,437		4,437
Other comprehensive income attributable to noncontrolling interests	(218)		(218)
Balance, March 31, 2014	(1,545)		(1,545)
Total, accumulated other comprehensive loss:			
Balance, April 1, 2013	(14,544)	5,771	(8,773)
Other comprehensive income before reclassification	8,634	(1,641)	6,993
Amounts reclassified from accumulated other comprehensive loss	1,261	(325)	936
Other comprehensive income	9,895	(1,966)	7,929
Other comprehensive income attributable to noncontrolling interests	(221)	1	(220)
Balance, March 31, 2014	¥ (4,870)	¥ 3,806	¥(1,064)

13. LEASED ASSETS AND RENT EXPENSE

The Group leases certain buildings, machinery and equipment under capital leases. The amounts of these leased assets included in the consolidated balance sheets at March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Buildings	¥ 6,999	¥ 5,300	\$ 61,938
Machinery and equipment	15,851	14,693	140,274
Total	22,850	19,993	202,212
Less accumulated depreciation	(12,247)	(11,185)	(108,381)
Total	¥10,603	¥ 8,808	\$ 93,831

The following is a schedule of the future minimum lease payments under capital leases together with the present value of net minimum lease payments which are included in the consolidated balance sheet at March 31, 2016:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 2,944	\$ 26,053
2018	2,188	19,363
2019	1,801	15,938
2020	1,360	12,035
2021	817	7,230
Thereafter	2,413	21,355
Total minimum lease payments	11,523	101,974
Less amount representing interest	(659)	(5,832)
Present value of net minimum lease payments	10,864	96,142
Less current capital lease obligations	(2,839)	(25,124)
Long-term capital lease obligations	¥ 8,025	\$ 71,018

The Group also leases office space, employee housing and office equipment under operating leases. Rent expense under these leases amounted to ¥10,514 million (\$93,044 thousand), ¥10,177 million and ¥10,264 million for the years ended March 31, 2016, 2015 and 2014, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2016 are as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2017	¥1,438	\$12,726
2018	790	6,991
2019	574	5,080
2020	504	4,460
2021	477	4,221
Thereafter	2,472	21,876
Total minimum lease payments	¥6,255	\$55,354

14. FOREIGN CURRENCY TRANSACTION GAINS AND LOSSES

Foreign currency transaction net loss of ¥468 million (\$4,142 thousand), net loss of ¥7,952 million and net loss of ¥3,773 million were included in the determination of net income for the years ended March 31, 2016, 2015 and 2014, respectively.

15. FAIR VALUE MEASUREMENTS

ASC Topic 820 clarifies fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. ASC Topic 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. Under ASC Topic 820, the Group is required to classify certain assets and liabilities based on the following fair value hierarchy:

- Level 1 Input — Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date
- Level 2 Input — Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3 Input — Unobservable inputs for the assets or liabilities

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2015 were as follows:

Assets:	Millions of Yen							
	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Domestic stocks:								
Retail industry	¥ 9,476			¥ 9,476	¥ 9,468			¥ 9,468
Others	10,671			10,671	9,788			9,788
Mutual funds		¥ 250		250		¥ 250		250
Derivative instruments (see Note 16)		1,502		1,502		2,928		2,928
Total assets	¥20,147	¥1,752		¥21,899	¥19,256	¥3,178		¥22,434

Liabilities:	Millions of Yen							
	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative instruments (see Note 16)	¥74	¥2,855		¥2,929		¥520		¥520
Total liabilities	¥74	¥2,855		¥2,929		¥520		¥520

Assets:	Thousands of U.S. Dollars			
	2016			
	Level 1	Level 2	Level 3	Total
Domestic stocks:				
Retail industry	\$ 83,859			\$ 83,859
Others	94,433			94,433
Mutual funds		\$ 2,212		2,212
Derivative instruments (see Note 16)		13,292		13,292
Total assets	\$178,292	\$15,504		\$193,796

Liabilities:	Thousands of U.S. Dollars			
	2016			
	Level 1	Level 2	Level 3	Total
Derivative instruments (see Note 16)	\$655	\$25,265		\$25,920
Total liabilities	\$655	\$25,265		\$25,920

Valuation processes and techniques used to measure fair value are as follows:

Domestic stocks

Domestic stocks are measured at fair value using quoted prices in active markets for identical assets. These inputs fall within Level 1.

Mutual funds

Mutual funds are measured using observable inputs, such as published prices based on market trends obtained from financial institutions, and classified as Level 2.

Derivative instruments

Derivative instruments consist of commodity futures contracts, foreign currency forward exchange contracts, interest rate swap contracts, and cross-currency swap contracts. Commodity futures contracts are measured at fair value using quoted prices in active markets for identical assets. These inputs fall within Level 1. Foreign currency forward exchange contracts, interest rate swap contracts, and cross-currency swap contracts are measured at fair value using discounted cash flow model matched to the contractual terms with observable market data such as forward exchange rates and market interest rates, which fall within Level 2.

The table below shows assets measured at fair value on a nonrecurring basis during the years ended March 31, 2016 and 2015, of which ¥157 million (\$1,389 thousand) and ¥23 million have already been sold to a third party for the years ended March 31, 2016 and 2015, respectively:

Millions of Yen				
2016				
	Level 1	Level 2	Level 3	Total
Non-marketable equity securities			¥ 0	¥ 0
Long-lived assets			651	651
Goodwill			0	0

Millions of Yen				
2015				
	Level 1	Level 2	Level 3	Total
Non-marketable equity securities			¥ 10	¥ 10
Long-lived assets			548	548

Thousands of U.S. Dollars				
2016				
	Level 1	Level 2	Level 3	Total
Non-marketable equity securities			\$ 0	\$ 0
Long-lived assets			5,761	5,761
Goodwill			0	0

Valuation processes and techniques used to measure fair value are as follows:

Non-marketable equity securities

In accordance with ASC Topic 320, "Investments – Debt and Equity Securities," the Group recognized impairment losses of non-marketable equity securities when their fair values were below the carrying amounts and the decline in fair values was considered to be other than temporary. These non-marketable equity securities were measured at fair value using unobservable inputs based mainly on the valuation by the cost approach, which fell within Level 3.

Long-lived assets

In accordance with ASC Topic 360, the Group recognized impairment losses on long-lived assets when the carrying amounts of the assets were considered to be unrecoverable. These long-lived assets were measured at fair value using unobservable inputs such as future expected cash flows and the prices calculated based upon market data for comparable assets, which fell within Level 3.

Goodwill

In accordance with ASC Topic 350, the Group recognized impairment losses on goodwill when the carrying amounts of the assets were considered to be unrecoverable. Goodwill was measured at fair value using unobservable inputs included in discounted cash flow model, which fell within Level 3.

The carrying amounts and fair values of financial instruments at March 31, 2016 and 2015 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2016		2015		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale securities and held-to-maturity securities (see Note 3)	¥ 20,397	¥ 20,397	¥ 19,696	¥ 19,696	\$ 180,504	\$ 180,504
Derivative instruments:						
Assets	1,502	1,502	2,928	2,928	13,292	13,292
Liabilities	(2,929)	(2,929)	(520)	(520)	(25,921)	(25,921)
Long-term debt	(102,368)	(104,241)	(83,843)	(85,173)	(905,911)	(922,487)

The carrying values of all other financial instruments approximate their estimated fair values. The fair values of long-term debt are estimated using quoted market prices for identical debt or present values of cash flows using borrowing rates currently available to NH Foods Ltd. for bank loans with similar terms, which fall within Level 2.

The Group does not have any significant concentration of business transacted with an individual counter-party or groups of counter-parties that could severely impact their operations.

16. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Group is exposed to certain risks relating to their ongoing business operations. The primary risks managed by using derivative instruments are foreign currency forward exchange rate risk (principally in U.S. dollars), interest rate risk and commodity price risk. The Group uses foreign currency forward exchange contracts, currency swap contracts, currency option contracts and cross-currency swap contracts to mitigate foreign currency forward exchange rate risk. NH Foods Ltd. uses interest rate swap contracts and cross-currency swap contracts to mitigate interest rate risk relating to floating-rate borrowing. Commodity futures contracts are entered into to mitigate commodity price risk.

The Group documents its risk management objectives and strategies for undertaking hedge transactions. All derivative financial instruments are entered into under these objectives and strategies and related rules which regulate transactions.

ASC Topic 815 requires the Group to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with ASC Topic 815, the Group designates certain foreign currency forward exchange contracts as cash flow hedges of forecasted transactions and designates interest rate swap contracts as cash flow hedges of future interest payments.

Derivative instruments which do not qualify for hedge accounting

These derivative instruments are used to mitigate foreign currency forward exchange rate risk, interest rate risk and commodity index risk. The changes in fair value of such derivative instruments are recorded in earnings immediately.

At March 31, 2016 and 2015, contract amounts or notional principal amounts of derivative instruments that do not qualify for hedge accounting are set forth below:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Interest rate swap contracts	¥ 3,000	¥12,586	\$ 26,549
Foreign currency forward exchange contracts	75,954	50,417	672,159
Cross-currency swap contracts	2,000	2,000	17,699
	Millions of Bushels		
	2016	2015	
Commodity futures contracts (corn)	1.0		
	Millions of Pounds		
	2016	2015	
Commodity futures contracts (hog)	24.8		

The Group also has a policy that derivatives are not used for other than hedging activities.

As of March 31, 2016, the Group had no significant concentration of credit risk.

The Group's derivative instruments contained no provisions that require the Group's debt to maintain an investment grade credit rating from each of the major credit rating agencies.

The location and fair value amounts of derivative instruments on the consolidated balance sheets were as follows:

Millions of Yen				
2016				
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under ASC Topic 815:				
Interest rate swap contracts			Other current liabilities	¥ 153
Foreign currency forward exchange contracts	Other current assets	¥ 577	Other current liabilities	2,702
Cross-currency swap contracts	Other current assets	925		
Commodity futures contracts			Other current liabilities	74
Total (see Note 15)		¥1,502		¥2,929

Millions of Yen				
2015				
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under ASC Topic 815:				
Interest rate swap contracts			Other current liabilities	¥ 85
Foreign currency forward exchange contracts	Other current assets	¥1,804	Other current liabilities	435
Cross-currency swap contracts	Other current assets	17		
	Other assets	1,107		
Total (see Note 15)		¥2,928		¥520

Thousands of U.S. Dollars				
2016				
	Derivative assets		Derivative liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under ASC Topic 815:				
Interest rate swap contracts			Other current liabilities	\$ 1,354
Foreign currency forward exchange contracts	Other current assets	\$ 5,106	Other current liabilities	23,912
Cross-currency swap contracts	Other current assets	8,186		
Commodity futures contracts			Other current liabilities	655
Total (see Note 15)		\$13,292		\$25,921

Financial Section

The effects of derivative instruments not designated or qualifying as hedging instruments under ASC Topic 815 on the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Location	Amount of Gain or (Loss) Recognized in Income on Derivative	Location	Amount of Gain or (Loss) Recognized in Income on Derivative
		2016		2016
Interest rate swap contracts	Interest expense	¥ (91)		\$ (805)
Foreign currency forward exchange contracts	Net sales	583		5,159
	Cost of goods sold	(1,358)		(12,018)
Cross-currency swap contracts	Interest expense	11		97
	Other income (expenses) – net	(196)		(1,735)
Commodity futures contracts	Net sales	(45)		(398)
	Cost of goods sold	(46)		(407)
Total		¥(1,142)		\$(10,107)

	Millions of Yen	
	Location	Amount of Gain or (Loss) Recognized in Income on Derivative
		2015
Interest rate swap contracts	Interest expense	¥ (77)
Foreign currency forward exchange contracts	Net sales	(578)
	Cost of goods sold	10,697
Cross-currency swap contracts	Interest expense	5
	Other income (expenses) – net	449
Commodity futures contracts	Net sales	514
	Cost of goods sold	(2)
Total		¥11,008

	Millions of Yen	
	Location	Amount of Gain or (Loss) Recognized in Income on Derivative
		2014
Interest rate swap contracts	Interest expense	¥ (25)
Foreign currency forward exchange contracts and currency swap contracts	Net sales	299
	Cost of goods sold	5,824
	Other income (expenses) – net	89
Cross-currency swap contracts	Interest expense	24
	Other income (expenses) – net	231
Commodity futures contracts	Cost of goods sold	156
Total		¥6,598

17. BUSINESS COMBINATION

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

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

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Fair value of consideration paid (cash)	¥ 8,638	\$ 76,442
Fair value of noncontrolling interests	4,592	40,637
Total	¥13,230	\$117,079

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

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Cash and cash equivalents	¥ 75	\$ 664
Trade notes and accounts receivable	1,527	13,513
Inventories	2,065	18,274
Property, plant and equipment	2,154	19,062
Intangible assets	2,736	24,212
Other assets	228	2,017
Current liabilities	(2,166)	(19,168)
Long-term liabilities	(1,945)	(17,212)
Total net assets acquired	4,674	41,362
Goodwill	8,556	75,717
Total	¥13,230	\$117,079

Intangible assets of ¥2,231 million (\$19,743 thousand) were subject to amortization, which include trade names with a 15 year useful life of ¥873 million (\$7,726 thousand) and customer-related intangible assets with a 13 year useful life of ¥1,349 million (\$11,938 thousand). An intangible asset of ¥505 million (\$4,469 thousand) was not subject to amortization and relates to poultry related licenses.

The goodwill accounted in connection with this acquisition was included in the Fresh Meats Business Division in Note 18 and was not deductible for tax purposes.

18. SEGMENT INFORMATION

ASC Topic 280, "Segment Reporting" requires a public business entity to report information about operating segments in financial statements. Operating segments are defined as components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The operating segments are determined based on the nature of the products and services offered. The Group's operating segments consist of the following three business groups:

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

Fresh Meats Business Division — Production and sales of mainly fresh meats

Affiliated Business Division — Production and sales of mainly marine products and dairy products

Intersegment transactions are made with reference to prevailing market prices.

The operating segment information at March 31, 2015 and 2014, and for the years then ended has been reclassified to conform to the current year presentation.

The following table presents certain information regarding the Group's operating segments at March 31, 2016, 2015 and 2014 and for the years then ended:

Operating segment information

	Millions of Yen					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
	2016					
Net sales:						
External customers	¥328,432	¥776,008	¥156,082	¥1,260,522	¥ (19,794)	¥1,240,728
Intersegment	28,149	101,326	3,289	132,764	(132,764)	
Total	356,581	877,334	159,371	1,393,286	(152,558)	1,240,728
Operating expenses	352,527	837,674	157,090	1,347,291	(152,903)	1,194,388
Segment profit	4,054	39,660	2,281	45,995	345	46,340
Assets	182,186	393,346	68,877	644,409	38,446	682,855
Depreciation and amortization	6,530	9,036	1,648	17,214	2,231	19,445
Capital expenditures	10,040	15,297	7,121	32,458	4,341	36,799

	Millions of Yen					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
	2015					
Net sales:						
External customers	¥333,942	¥744,848	¥152,198	¥1,230,988	¥ (18,186)	¥1,212,802
Intersegment	27,539	104,472	2,966	134,977	(134,977)	
Total	361,481	849,320	155,164	1,365,965	(153,163)	1,212,802
Operating expenses	359,330	804,199	154,877	1,318,406	(154,048)	1,164,358
Segment profit	2,151	45,121	287	47,559	885	48,444
Assets	180,897	389,083	62,521	632,501	29,066	661,567
Depreciation and amortization	6,953	8,610	1,462	17,025	1,926	18,951
Capital expenditures	15,405	11,985	6,803	34,193	1,501	35,694

	Millions of Yen					
	2014					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales:						
External customers	¥326,867	¥666,975	¥145,186	¥1,139,028	¥ (16,931)	¥1,122,097
Intersegment	26,295	98,420	2,952	127,667	(127,667)	
Total	353,162	765,395	148,138	1,266,695	(144,598)	1,122,097
Operating expenses	346,619	738,642	147,140	1,232,401	(146,004)	1,086,397
Segment profit	6,543	26,753	998	34,294	1,406	35,700
Assets	170,374	347,248	54,915	572,537	54,683	627,220
Depreciation and amortization	7,026	8,565	1,280	16,871	1,778	18,649
Capital expenditures	14,784	8,920	3,893	27,597	1,555	29,152

	Thousands of U.S. Dollars					
	2016					
	Processed Foods Business Division	Fresh Meats Business Division	Affiliated Business Division	Total	Eliminations, adjustments and others	Consolidated
Net sales:						
External customers	\$2,906,478	\$6,867,327	\$1,381,257	\$11,155,062	\$ (175,168)	\$10,979,894
Intersegment	249,106	896,690	29,106	1,174,902	(1,174,902)	
Total	3,155,584	7,764,017	1,410,363	12,329,964	(1,350,070)	10,979,894
Operating expenses	3,119,708	7,413,044	1,390,177	11,922,929	(1,353,124)	10,569,805
Segment profit	35,876	350,973	20,186	407,035	3,054	410,089
Assets	1,612,265	3,480,938	609,531	5,702,734	340,229	6,042,963
Depreciation and amortization	57,788	79,965	14,584	152,337	19,743	172,080
Capital expenditures	88,850	135,372	63,018	287,240	38,415	325,655

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 Group included in each reportable operating segment.
3. Segment profit represents net sales less cost of goods sold and selling, general and administrative expenses.
4. Unallocated corporate assets included in "Eliminations, adjustments and others" mainly consist of cash and other investment securities of NH Foods Ltd.
5. Depreciation and amortization consist of depreciation of property, plant and equipment and amortization of intangible assets. Depreciation and amortization related to each reportable segment do not include those which are included in the corporate overhead expenses and profit and loss of certain subsidiaries as describe in 2. above.
6. Capital expenditures represent the additions to property, plant and equipment and intangible assets.

The following table shows reconciliations of the total of the segment profit to income before income taxes and equity in earnings (losses) of associated companies for the years ended March 31, 2016, 2015 and 2014:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Segment profit total	¥45,995	¥47,559	¥34,294	\$407,035
Other operating costs and expenses (income) – net	12,151	4,231	686	107,531
Interest expenses	1,386	1,347	1,502	12,265
Other income (expenses) – net	(664)	1,678	1,791	(5,876)
Eliminations, adjustments and others	345	885	1,406	3,054
Income before income taxes and equity in earnings (losses) of associated companies	¥32,139	¥44,544	¥35,303	\$284,417

Financial Section

Net sales to external customers by products for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Hams and sausages	¥ 141,459	¥ 150,103	¥ 143,490	\$ 1,251,850
Processed foods	221,308	212,413	208,084	1,958,478
Fresh meats	716,899	691,072	619,333	6,344,239
Marine products	94,704	94,396	91,809	838,088
Dairy products	31,396	28,564	26,253	277,841
Others	34,962	36,254	33,128	309,398
Total	¥1,240,728	¥1,212,802	¥1,122,097	\$10,979,894

Certain information by geographic areas at March 31, 2016, 2015 and 2014 and for the years then ended was as follows:

(1) Net sales to external customers

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Japan	¥1,113,226	¥1,086,474	¥1,021,009	\$ 9,851,558
Other countries	127,502	126,328	101,088	1,128,336
Total	¥1,240,728	¥1,212,802	¥1,122,097	\$10,979,894

Net sales to external customers are attributed to geographic areas based on the countries of the Group's domiciles.

(2) Long-lived assets

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Japan	¥253,594	¥242,094	¥224,943	\$2,244,195
Other countries	22,447	20,803	19,350	198,646
Total	¥276,041	¥262,897	¥244,293	\$2,442,841

Long-lived assets mainly consist of property, plant and equipment.

There were no sales to a single major external customer exceeding 10% of net sales for the years ended March 31, 2016, 2015 and 2014.

19. COMMITMENTS AND CONTINGENT LIABILITIES

The Group guarantees certain debt of associated companies and certain suppliers. At March 31, 2016, the maximum potential amount of future payments which the Group could be required to make under these guarantees was ¥486 million (\$4,301 thousand), and the carrying amount of the liability recognized under these guarantees was ¥2 million (\$18 thousand). The guarantees with suppliers are secured by certain properties and real estates.

At March 31, 2016, the Group has entered into non-cancelable lease agreements mainly for the logistics facilities which will commence during the year ending March 31, 2017. Future lease payments under these agreements amount to ¥3,199 million (\$28,310 thousand) with the maximum lease term of 15 years.

Lease payments for the next five years ending March 31 are as follows:

Year Ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2017	¥167	\$1,478
2018	234	2,071
2019	234	2,071
2020	234	2,071
2021	234	2,071

20. EVENTS SUBSEQUENT TO MARCH 31, 2016

On May 9, 2016, the Board of Directors resolved to pay cash dividends to shareholders of record at March 31, 2016 of ¥33 (\$0.29) per share for a total of ¥6,722 million (\$59,487 thousand).

The Group evaluated subsequent events that have occurred

after March 31, 2016 through the date that the Yukashouken-houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) was issued (June 29, 2016).



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of NH Foods Ltd.:

We have audited the accompanying consolidated financial statements of NH Foods Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2016, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NH Foods Ltd. and its subsidiaries as of March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2016

Member of
Deloitte Touche Tohmatsu Limited

Management's Report on Internal Control

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, for the assessment of entity-level internal controls, the companies which represent the top 95% of consolidated net sales and other financial indicators are selected. For the assessment of internal control over business processes, the companies which cover approximately two-thirds of the previous year's consolidated net sales and cost of goods sold (excluding inter-company transactions) are selected. Additional business processes, if any, which could have a significant impact on financial reporting, are also included in the scope.
- In an assessment of ICFR under FIEA, the scope includes ICFR of equity method investees. In an assessment of ICFR under PCAOB, the scope does not include ICFR of equity method investees.

Management's Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Juichi Suezawa, President and Representative Director, and Yoshihide Hata, Vice President and Representative Director, are responsible for designing and operating effective internal control over financial reporting of our company ("the Company") and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2016, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of the assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal control over business processes. Regarding certain consolidated subsidiaries and

equity-method affiliated companies that did not fall within the top 95% in terms of potential financial impact, calculated using net sales and other financial indicators, we concluded that they do not have any material impact on the consolidated financial statements, and thus, did not include them in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales and cost of sales (after elimination of inter-company transactions), and the top eighteen companies whose net sales and cost of sales reach two-thirds of the total sales and cost of sales on a consolidation basis, were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Supplementary information

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5. Other matters warranting special mention

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Juichi Suezawa
President and Representative Director
Yoshihide Hata
Vice President and Representative Director
NH Foods Ltd.

INDEPENDENT AUDITOR'S REPORT

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, for the assessment of entity-level internal controls, the companies which represent the top 95% of consolidated net sales and other financial indicators are selected. For the assessment of internal control over business processes, the companies which cover approximately two-thirds of the previous year's consolidated net sales and cost of goods sold (excluding inter-company transactions) are selected. Additional business processes, if any, which could have a significant impact on financial reporting, are also included in the scope.
- In an audit of ICFR under FIEA, the scope includes ICFR of equity-method investees. In an audit of ICFR under PCAOB, the scope does not include ICFR of equity-method investees.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 23, 2016

To the Board of Directors of NH Foods Ltd.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Seiichiro Azuma

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Koichi Sekiguchi

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Takashige Ikeda

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2016 of NH Foods Ltd. and its consolidated subsidiaries, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2015 to March 31, 2016, and the related notes and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No. 11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NH Foods Ltd. and its consolidated subsidiaries as of March 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

[Audit of Internal Control]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of NH Foods Ltd. as of March 31, 2016.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of NH Foods Ltd. as of March 31, 2016 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in NH Foods Ltd. for which disclosure is required under the provisions of the Certified Public Accountants Act.

Main Companies of the Group

(As of April 1, 2016)

Production and Breeding

- Nippon White Farm Co., Ltd. (Japan)
- Interfarm Co., Ltd. (Japan)
- Nippon Feed Co., Ltd. (Japan)
- Whyalla Beef Pty. Ltd. (Australia)
- Texas Farm, LLC (USA)

Processing and Packing of Fresh Meats

- Nippon Food Packer, Inc. (Japan)
- Nippon Food Packer Kagoshima, Inc. (Japan)
- Nippon Food Packer Shikoku, Inc. (Japan)
- Nippon Pure Food, Inc. (Japan)
- Oakey Beef Exports Pty. Ltd. (Australia)
- Wingham Beef Exports Pty. Ltd. (Australia)
- Thomas Borthwick & Sons (Australia) Pty. Ltd. (Australia)
- Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi (Turkey)

Sales of Fresh Meats

- Higashi Nippon Food, Inc. (Japan)
- Kanto Nippon Food, Inc. (Japan)
- Naka Nippon Food, Inc. (Japan)
- Nishi Nippon Food, Inc. (Japan)
- NH Foods Australia Pty. Ltd. (Australia)
- Beef Producers Australia Pty. Ltd. (Australia)
- Australian Premium Brands, Inc. (USA)
- Day-Lee Foods, Inc. (USA)
- Nippo Food (Shanghai) Co., Ltd. (China)
- Nippo Food (Hong Kong) Co., Ltd. (China)
- NH Foods Brazil (Brazil)

Production and Sales of Hams and Sausages

- Nipponham Factory Ltd. (Japan)
- Nipponham Hokkaido Factory Ltd. (Japan)
- Nipponham Northeast Ltd. (Japan)
- Kyodo Foods Co., Ltd. (Japan)
- Japan Assorted Business Services Co., Ltd. (Japan)
- Nipponham Southwest Ltd. (Japan)
- Hakodate Carl Raymon Co., Ltd. (Japan)
- Kamakura Ham Tomioka Co., Ltd. (Japan)
- Takamatsu Ham Co., Ltd. (Japan)
- NH Foods Vietnam Joint Stock Company (Vietnam)
- Redondo's, LLC (USA)
- Tianjin Longtai Food Co., Ltd. (China)

Production of Processed Foods

- Nipponham Processed Foods Ltd. (Japan)
- Nipponham Delicatessen Ltd. (Japan)
- NH Foods Mexicana S.A. DE C.V. (Mexico)
- Shandong Rilong Foodstuffs Co., Ltd. (China)
- Thai Nippon Foods Co., Ltd. (Thailand)
- NHF Manufacturing (Malaysia) Sdn. Bhd.

Sales of Hams and Sausages, and Processed Foods

- Nipponham Hokkaido Sales Ltd. (Japan)
- Nipponham East Sales Ltd. (Japan)
- Nipponham West Sales Ltd. (Japan)
- Nipponham Customer Communications Ltd. (Japan)

Production and Sales of Processed Marine Products

- Marine Foods Corporation (Japan)
- Hoko Co., Ltd. (Japan)

Production and Sales of Dairy Products and Lactic Acid Probiotic Beverages

- Nippon Luna, Inc. (Japan)
- Hoko Co., Ltd. (ROLF Division) (Japan)

Production and Sales of Natural Seasonings

- Nippon Pure Food, Inc. (Japan)

Production and Sales of Freeze-Dried and Frozen Foods

- Nipponham Frozen Foods Sales Ltd. (Japan)
- Hoko Co., Ltd. (Japan)

Professional Sports

- Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. (Japan)
- Osaka Football Club Co., Ltd. (Cerezo Osaka) (Japan) (associated company)

IT, Services, and Other Businesses

- Nipponham Business Experts Ltd. (Japan)
- Nipponham Life Services Ltd. (Japan)
- Nipponham Career Consulting Ltd. (Japan)
- Nipponham Designing Ltd. (Japan)

Logistics and Trading

- Nippon Chilled Logistics, Inc. (Japan)
- Nippon Logistics Center, Inc. (Japan)
- Nippon Daily Net Co., Ltd. (Japan)
- Nippon Route Service Co., Ltd. (Japan)
- Japan Food Corporation (Japan)
- NH Foods Chile Y Compania Limitada (Chile)
- NH Foods Singapore Pte. Ltd.
- NH Foods (Thailand) Ltd. (Thailand)
- NH Foods Taiwan Ltd. (Taiwan)
- NH Foods U.K. Ltd. (The United Kingdom)

- NH Foods Ltd.

Corporate Data, Stock Information

(As of April 1, 2016)

Corporate Data

Corporate name	NH Foods Ltd.
Established	May 30, 1949
Capital	¥24,166 million
President	Juichi Suezawa
Employees (As of March 31, 2016)	29,404 (consolidated) 2,358 (non-consolidated) (including the average number of temporary employees)
Main businesses	<ul style="list-style-type: none"> • Manufacture and sale of processed meats (hams and sausages, etc.) and cooked foods (retort-packed food, pre-prepared foods, etc.) • Breeding of livestock, and processing and sale of fresh meats • Production and sale of marine and dairy products
Head office	4-9, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan
Telephone	+81-6-7525-3026

Share Data (As of March 31, 2016)

Authorized shares	570,000,000
Issued and outstanding	204,000,000
Shareholders	10,816

Major Shareholders (Leading 10 by Shareholding)

Name of Shareholders	Thousands of Shares
The Master Trust Bank of Japan, Ltd. (Trust account)	22,093
Japan Trustee Services Bank, Ltd. (Trust account)	15,908
The Hyakujushi Bank, Ltd.	7,537
Meiji Yasuda Life Insurance Company	7,354
The Norinchukin Bank	5,926
Nippon Life Insurance Company	5,570
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,494
Sumitomo Mitsui Banking Corporation	4,650
Sompo Japan Nipponkoa Insurance Inc.	3,493
The Kyoei Fire and Marine Insurance Company, Ltd.	3,226

Note: In addition to the list above, NH Foods Ltd. holds 295 thousand shares of common stock.

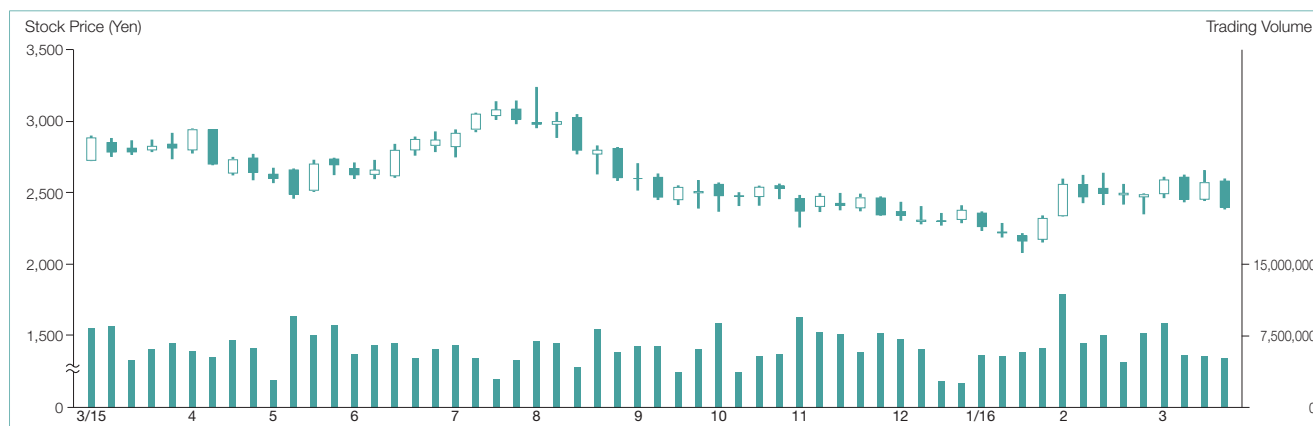
Shareholders by Category

	Thousands of Shares	Shareholders
Financial institutions	114,330	(91)
Foreign investors	54,687	(480)
Individual/Other	16,750	(9,887)
Treasury stock	295	(1)
Other companies	9,907	(324)
Securities firms	8,029	(33)

Shareholders by Holding

	Thousands of Shares	Shareholders
Less than 1,000	245	(1,684)
1,000 – Less than 10,000	12,165	(8,606)
10,000 – Less than 100,000	11,807	(356)
100,000 – Less than 1 million	38,182	(127)
1 million – Less than 5 million	71,715	(36)
5 million or more	69,884	(7)

Stock Price Trend



1942

March Yoshinori Okoso founded the Tokushima Meat Processing Plant located in Terashima-honcho, Tokushima-shi, Japan.

1951

December Reorganized the company to form Tokushima Ham Co., Ltd.



Offices opened in Kobe, Okayama, and Takamatsu

1952

January Osaka office upgraded to branch status. Offices also opened in Kobe, Okayama, and Takamatsu.

1956

May Osaka Plant opened.

1961

October Listed on the 2nd Section of the Osaka Securities Exchange.



Listed on the 2nd Section of the Osaka Securities Exchange

1962

February Listed on the 2nd Section of the Tokyo Stock Exchange.

1963

August Merged with Torisei Ham Co., Ltd., and renamed company Nippon Meat Packers, Inc. (now NH Foods Ltd.).



Merger agreement signing ceremony for Tokushima Ham and Torisei Ham

1966

February Launched *Winny* brand nationwide.

1967

February Established Hokkai Meat (now Nippon Food Packer, Inc., Doto Plant).

December Promoted to the 1st Section of both the Osaka Securities Exchange and Tokyo Stock Exchange.

1968

February Established a consumer service office.

March Entered the farm business with the establishment of Nippon Broiler Co., Ltd. as a joint company.

1969

September Introduced Consumer Delegate Committee System.



The Consumer Delegate Committee System introduced to reflect customer input in product development

1973

November Pro baseball team Nippon-Ham Fighters Baseball Club, established.

1977

March Began development of distribution and sales system of fresh meats with the establishment of Sendai Food, Co., Ltd. (now Higashi Nippon Food, Inc.).

March Began overseas expansion with the acquisition of Day-Lee Meats, Inc., of Los Angeles, USA (now Day-Lee Foods, Inc.).

May Established Yakumo Farm (now Interfarm Co., Ltd., Donan Office).

1978

January Established Nippon Meat Packers Australia Pty. Ltd. in Sydney, Australia (now NH Foods Australia Ltd.).

1979

April Full entry into the processed foods business with the establishment of Nippon Ham Shokuhin Co., Ltd. (now Nipponham Processed Foods Ltd.).

1981

July Entered the marine foods processing business with the acquisition of Marine Foods Corporation.



Taking over the business of Marine Foods Corporation

1984

January Established Research and Development Center.

March Entered freeze-dried foods business.



Whyalla Feedlot (Australia)

1986

April Established Corporate Philosophies.

1988

July Implemented an integrated system from production to marketing of fresh meats overseas with the purchase of Whyalla Feedlot (Australia).



Kansai Luna, Inc. (now Nippon Luna, Inc.)

1992

July Entered the lactic acid probiotic beverages business with the acquisition of Kansai Luna, Inc. (now Nippon Luna, Inc.).

1993

December Participated in the establishment and operation of Osaka Football Club Co., Ltd., team Cerezo Osaka.

1995

February Entered the hog farming business in the USA with the establishment of Texas Farm, LLC in Perryton, Texas.



Established Texas Farm

March Established Nippon Pure Food, Inc. to bolster natural flavoring business.

1998

August Established Environment Charter.

1999

November Ono Plant (now Nipponham Factory Ltd., Ono Plant) is the first in the industry to receive ISO 14001 certification.



Ono Plant received the first ISO 14001 certification in the industry

2003

April Launched New Medium-Term Management Plan Part 1 and established newborn "Group."

July Purchased shares in Hoko Co., Ltd. (formerly Hoko Suisan Co., Ltd.) to strengthen the Company's position in the marine foods and dairy products businesses.

August Established Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd.

2004

August Purchased shares in Maruwa & Co., Inc. to strengthen the Company's position in the health foods business.

2005

January Established the Group brand.

2010

January Introduced carbon footprint labeling on ham and sausage products.

2011

June Established Nippon Golden Pig Joint Stock Company Co., Ltd. in Vietnam (now NH Foods Vietnam Joint Stock Company).

2014

April Changed its the Group brand and corporate brand logos.

2015

April Purchased shares in Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi (Turkey) to bolster global business.

2016

April Established NHF Manufacturing (Malaysia) Sdn. Bhd.



www.nipponham.co.jp/eng/

