

# Business Results

## for the First Half of FY2016/3

November 4, 2015 (Wed.)  
NH Foods Ltd.

# Contents

- I. Consolidated Business Results for FY2016/3 2Q**
- II. Outlook for FY2016/3**
- III. Consolidated Financial Results for FY2016/3 2Q**

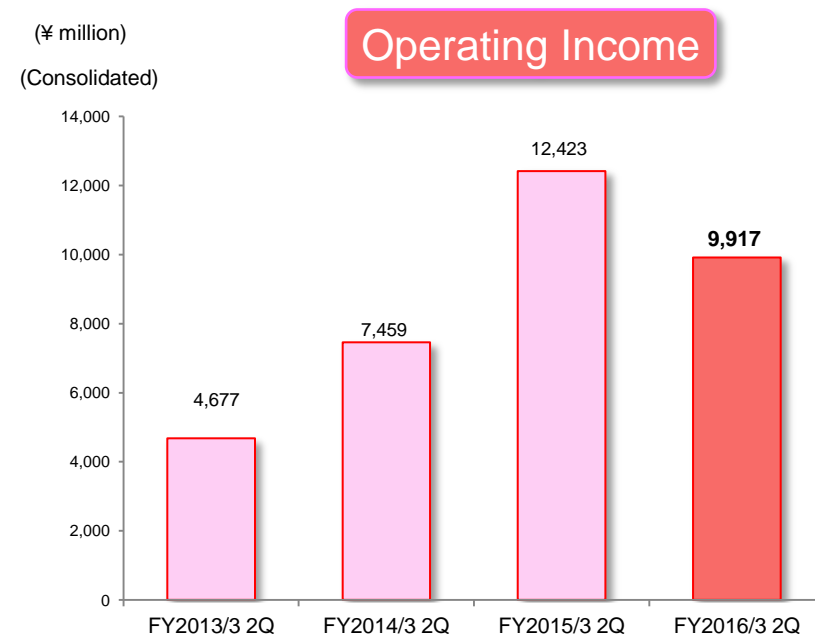
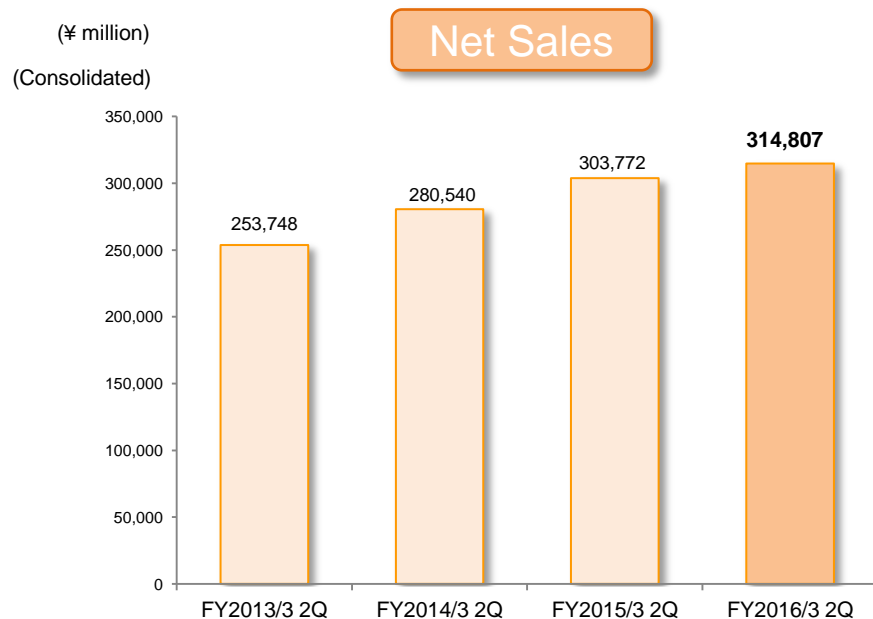
## **I. Consolidated Business Results for FY2016/3 2Q**

- 1. Operating Segment Data: 2Q (Jul.–Sep.)**
- 2. Operating Segment Data: 1st Half (Apr.–Sep.)**
- 3. Operating Segment Data: Processed Foods Business Division**
- 4. Operating Segment Data: Fresh Meats Business Division**
- 5. Operating Segment Data: Affiliated Business Division**
- 6. Business Results in Major Overseas Geographical Areas**
- 7. External Customer Net Sales Results in Major Overseas Geographical Areas**

# 1. Operating Segment Data: 2Q (Jul.–Sep.)

(¥ million)

		FY2013/3 2Q	FY2014/3 2Q	FY2015/3 2Q	<b>FY2016/3 2Q</b>	Variance	Variance (%)
Processed Foods Business Division	Net sales	85,472	89,353	91,696	<b>91,709</b>	13	0.0
	Operating income	1,733	1,231	596	<b>354</b>	(242)	(40.6)
Fresh Meats Business Division	Net sales	164,802	191,278	213,536	<b>222,681</b>	9,145	4.3
	Operating income	2,208	5,656	11,688	<b>9,319</b>	(2,369)	(20.3)
Affiliated Business Division	Net sales	34,529	36,889	39,283	<b>40,384</b>	1,101	2.8
	Operating income	243	201	(19)	<b>250</b>	269	-
Eliminations, adjustments and others	Net sales	(31,055)	(36,980)	(40,743)	<b>(39,967)</b>	776	-
	Operating income	493	371	158	<b>(6)</b>	(164)	-
Consolidated	Net sales	253,748	280,540	303,772	<b>314,807</b>	11,035	3.6
	Operating income	4,677	7,459	12,423	<b>9,917</b>	(2,506)	(20.2)

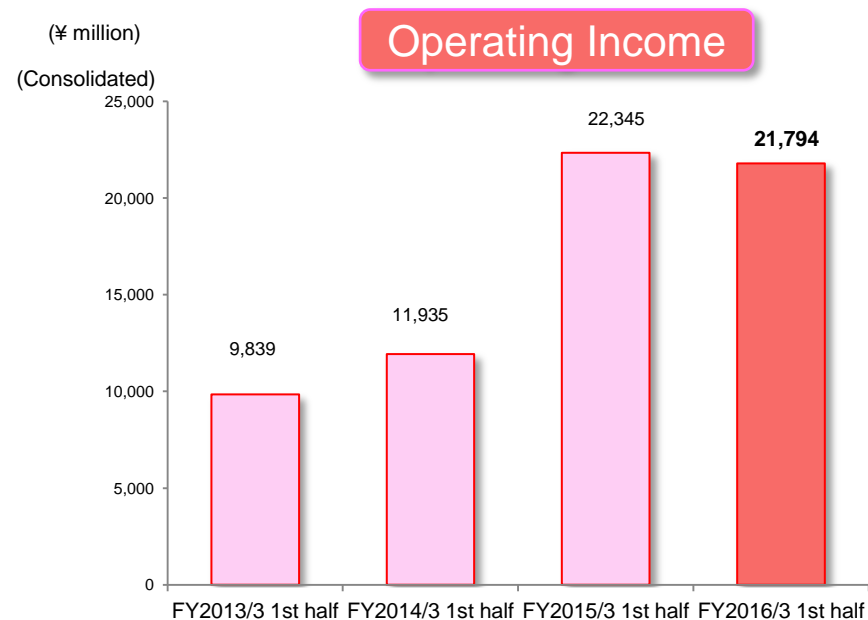
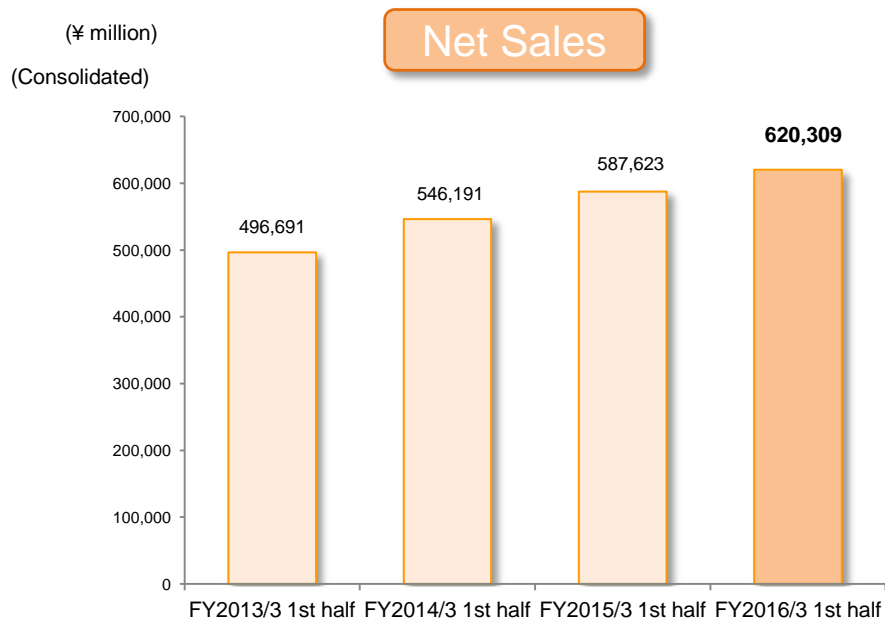


- Net sales by operating segment and net sales (by category) on page 21 of this presentation do not necessarily correspond (due to intersegment transactions).
- Net sales for each segment include intersegment sales.

## 2. Operating Segment Data: 1st Half (Apr.–Sep.)

(¥ million)

		FY2013/3 1st half	FY2014/3 1st half	FY2015/3 1st half	FY2016/3 1st half	Variance	Variance (%)
Processed Foods Business Division	Net sales	164,247	171,594	177,767	<b>175,833</b>	(1,934)	(1.1)
	Operating income	3,552	1,744	1,502	<b>476</b>	(1,026)	(68.3)
Fresh Meats Business Division	Net sales	327,363	376,561	413,454	<b>446,318</b>	32,864	7.9
	Operating income	5,113	9,050	20,486	<b>20,912</b>	426	2.1
Affiliated Business Division	Net sales	67,043	70,754	74,825	<b>77,461</b>	2,636	3.5
	Operating income	489	170	(65)	<b>446</b>	511	-
Eliminations, adjustments and others	Net sales	(61,962)	(72,718)	(78,423)	<b>(79,303)</b>	(880)	-
	Operating income	685	971	422	<b>(40)</b>	(462)	-
Consolidated	Net sales	496,691	546,191	587,623	<b>620,309</b>	32,686	5.6
	Operating income	9,839	11,935	22,345	<b>21,794</b>	(551)	(2.5)



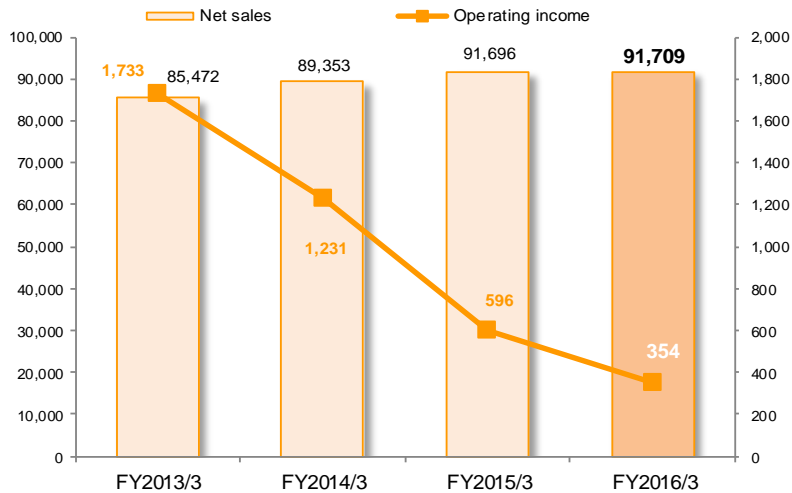
- Net sales by operating segment and net sales (by category) on page 21 of this presentation do not necessarily correspond (due to intersegment transactions).
- Net sales for each segment include intersegment sales.

### 3. Operating Segment Data: Processed Foods Business Division (1)

#### 2Q Results (Jul.–Sep.)

(Net sales: ¥ million)

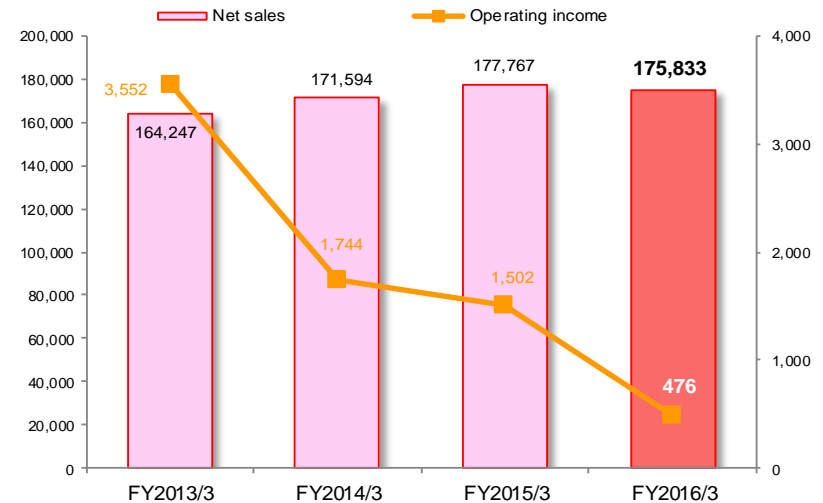
(Operating income: ¥ million)



#### 1st Half Results (Apr.–Sep.)

(Net sales: ¥ million)

(Operating income: ¥ million)



(¥ million)

	FY2015/3 2Q	FY2016/3 2Q	Variance	Variance (%)
Net sales	91,696	91,709	13	0.0
Operating income	596	354	(242)	(40.6)
Operating income ratio	0.6%	0.4%	-	-

(¥ million)

	FY2015/3 1st half	FY2016/3 1st half	Variance	Variance (%)
Net sales	177,767	175,833	(1,934)	(1.1)
Operating income	1,502	476	(1,026)	(68.3)
Operating income ratio	0.8%	0.3%	-	-

#### FY2016/3 2Q (Jul.–Sep.)

(Net sales)

- Revenues remained in almost the same level as that of last year due to the delayed recovery in sales volume of commercial-use products, despite a recovery in consumer products from the expansion of sales due mainly to the sales with increased volume of *Mori-no-Kaori wieners* and the launch of new products of *Ishigama Kobo*.

(Operating income)

- Operating income decreased due to the delayed recovery in sales volume of commercial-use products, despite efforts to cut costs and launch new products.

#### FY2016/3 1st half (Apr.–Sep.)

(Net sales)

- Revenues decreased since commercial-use products had a tough time, despite a recovery trend from 2Q in mainstay consumer products of both hams and sausages and deli and processed foods mainly due to revisions of product specifications.

(Operating income)

- Although an increase in raw material costs was covered by revising the product mix and cost-cutting effect, operating income decreased due to a decline in sales volume.

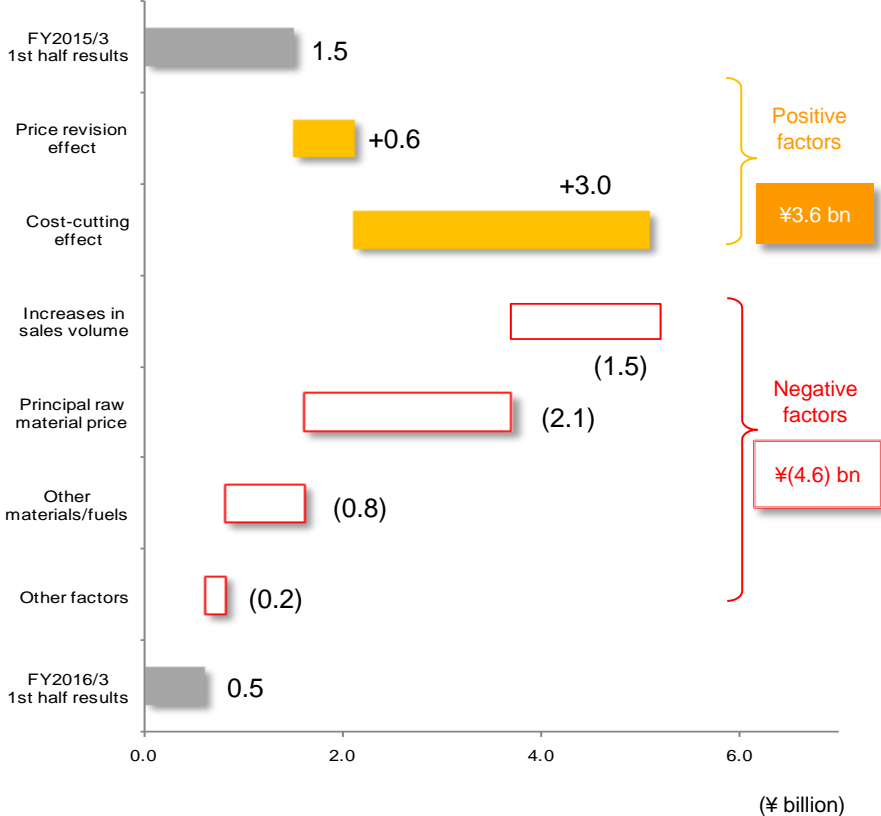
## Factor Analysis: Changes in operating income

(¥ billion)

	FY2016/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Price revision effect	0.6	0.0	0.6	0.6	0.0
Cost-cutting effect	1.7	1.2	3.1	3.0	(0.1)
Increases in sales volume	(0.8)	(0.7)	(0.9)	(1.5)	(0.6)
Principal raw/other material prices	(2.3)	(0.6)	(3.4)	(2.9)	0.5
Principal raw material price	(1.8)	(0.3)	(2.5)	(2.1)	0.4
Other materials/fuels	(0.5)	(0.3)	(0.8)	(0.8)	0.0
Other factors	0.0	(0.2)	0.0	(0.2)	(0.2)
<b>Total</b>	<b>(0.8)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(1.0)</b>	<b>(0.4)</b>

\* Due to rounding, item tallies in each division may not match totals.

## Factor Analysis Graph: Changes in operating income results (1st half)



### ● Forecasts Variation Factor Analysis (FY2016/3 1st half)

[Cost-cutting effect] ⇒ Effects of our continuous cost-cutting efforts were almost the same as the forecast.

[Principal raw/other material prices] ⇒ Raw material prices settled in 2Q and the actual decline was less than forecasted.

[Increases in sales volume] ⇒ Sales volume recovery in commercial-use products was delayed and fell below the forecast.

#### ● Summer gift product sales results

- FY2016/3 results:  
year on year, unit basis: 98%
- “*Utsukushi-no-Kuni*” gifts:  
year on year, unit basis: 118%  
(Sales ratio at 24%)

(Unit: thousands)

		FY2015/3 results	FY2016/3 results	
		Units	Units	Variance
Summer gift-giving season (results)	Overall unit sales	2,116	2,070	98%
	( <i>Utsukushi-no-Kuni</i> )	431	507	118%

#### ● Major brands sales results

Reference: Year-on-year sales comparison of major brand products



*Mori-no-Kaori wieners*



*croissant pizza*

Hams and sausages	FY2016/3 Results			Deli and processed foods	FY2016/3 Results		
	1Q	2Q	1st half		1Q	2Q	1st half
<i>SCHAU ESSEN</i>	103%	105%	104%	<i>Ishigama Kobo</i>	110%	105%	107%
<i>Mori-no-Kaori wieners</i>	92%	129%	107%	<i>Chuka Meisai</i>	100%	101%	100%
Hams	100%	100%	100%	Prefried	95%	108%	101%
Bacons	94%	83%	89%	Hamburg and meatball	98%	100%	99%
Yakibutas	93%	92%	92%	Curries	91%	111%	101%

#### ● Sales results by channel

##### 1) Consumer-use products

- Although growth continued in *SCHAU ESSEN* and *Mori-no-Kaori wieners*, for which strengthened sales promotions were carried out, the growth could not cover the decline in other products and therefore sales of hams and sausages fell below those of last year.
- In deli and processed foods, sales were in line with those of the previous year due to our focus on core products such as *Ishigama Kobo*.

##### 2) Commercial-use products

- Under severe market conditions such as rising prices of raw materials and fuels, competition with other companies in the same industry was harsh and thus hams and sausages as well as deli and processed foods had a tough time, and their sales fell below those of last year.

Reference: FY2016/3 1st half (year-on-year growth in sales by channel)

		Volume	Amount
Hams and sausages	Consumer-use	95%	98%
	Commercial-use	74%	81%
	Total	89%	95%
Deli and processed foods	Consumer-use	100%	100%
	Commercial-use	83%	87%
	Total	91%	94%

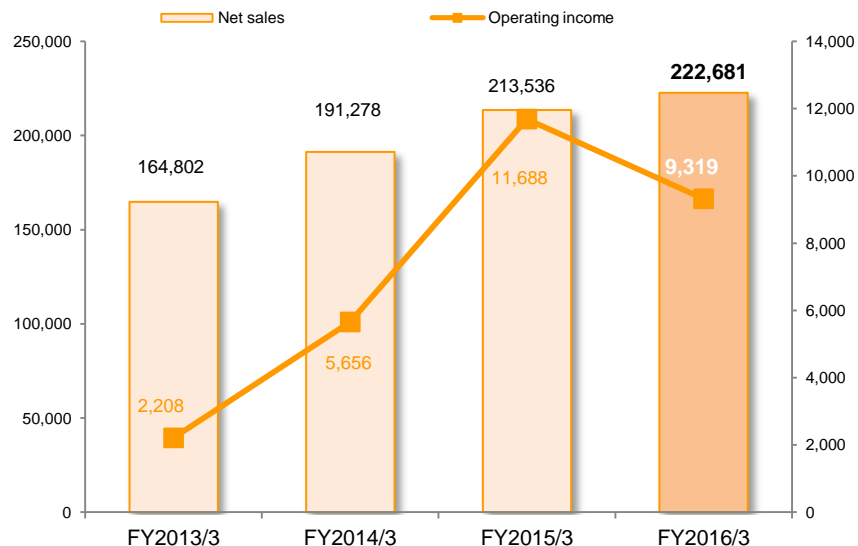


# 4. Operating Segment Data: Fresh Meats Business Division (1)

(Net sales: ¥ million)

## 2Q Results (Jul.–Sep.)

(Operating income: ¥ million)



(¥ million)

	FY2015/3 2Q	FY2016/3 2Q	Variance	Variance (%)
Net sales	213,536	222,681	9,145	4.3
Operating income	11,688	9,319	(2,369)	(20.3)
Operating income ratio	5.5%	4.2%	-	-

### FY2016/3 2Q (Jul.–Sep.)

(Net sales)

- Revenues increased due to the high levels of sales prices in each type of livestock continuing from 1Q.

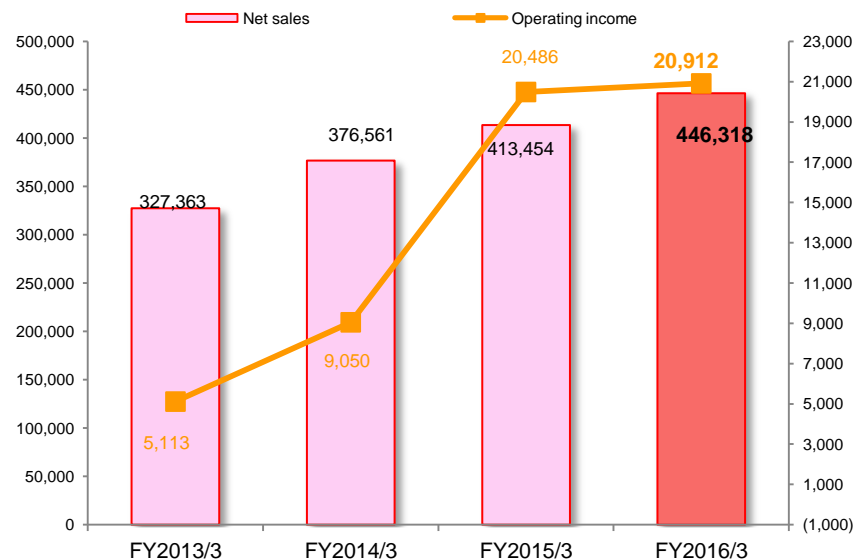
(Operating income)

- Operating income decreased, reflecting difficult situations in overseas business, despite strong performance in Japan due to high levels of fresh meat prices.

(Net sales: ¥ million)

## 1st Half Results (Apr.–Sep.)

(Operating income: ¥ million)



(¥ million)

	FY2015/3 1st half	FY2016/3 1st half	Variance	Variance (%)
Net sales	413,454	446,318	32,864	7.9
Operating income	20,486	20,912	426	2.1
Operating income ratio	5.0%	4.7%	-	-

### FY2016/3 1st half (Apr.–Sep.)

(Net sales)

- Revenues increased, reflecting growth in sales volume in food companies, in addition to high levels of sales prices for each type of livestock.

(Operating income)

- Increase in operating income for the 1st half was ensured by high levels of fresh meat prices in Japan and strong performances in domestic farms.

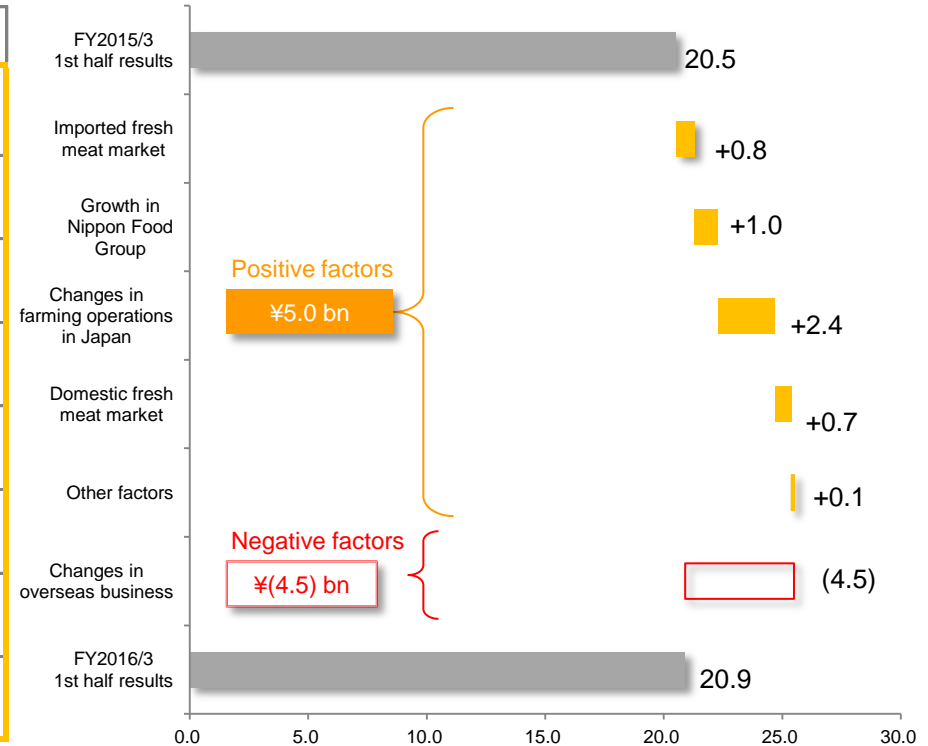
## 4. Operating Segment Data: Fresh Meats Business Division (2)

### Factor Analysis: Changes in operating income

(¥ billion)

	FY2016/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Imported fresh meat market	0.7	0.1	(0.5)	0.8	1.3
Domestic fresh meat market	1.0	(0.3)	0.5	0.7	0.2
Changes in farming operations in Japan	0.8	1.6	1.7	2.4	0.7
Growth in Nippon Food Group	0.4	0.5	0.4	1.0	0.5
Changes in overseas business	0.1	(4.6)	(3.6)	(4.5)	(0.9)
Other factors	(0.2)	0.3	(0.2)	0.1	0.3
<b>Total</b>	<b>2.8</b>	<b>(2.4)</b>	<b>(1.7)</b>	<b>0.4</b>	<b>2.1</b>

### Factor Analysis Graph: Changes in operating income results (1st half)



\* Due to rounding, item tallies in each division may not match totals.

(¥ billion)

### ● Forecasts Variation Factor Analysis (FY2016/3 1st Half)

[Imported fresh meat market, domestic fresh meat market and growth in Nippon Food Group]

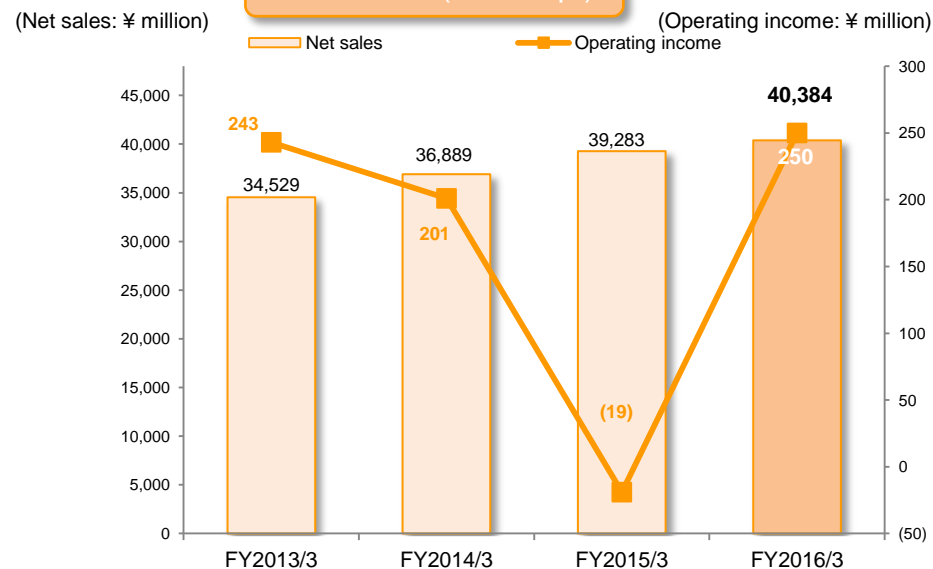
Operating income exceeded the forecast, reflecting growth in Nippon Food Group in addition to high levels of domestic fresh meat prices.

[Changes in overseas business]

Operating income was below the forecast, reflecting the severe environments for businesses in both Australia and the Americas.

# 5. Operating Segment Data: Affiliated Business Division

## 2Q Results (Jul.–Sep.)



(¥ million)

	FY2015/3 2Q	FY2016/3 2Q	Variance	Variance (%)
Net sales	39,283	40,384	1,101	2.8
Operating income	(19)	250	269	-
Operating income ratio	(0.0)%	0.6%	-	-

### FY2016/3 2Q (Jul.–Sep.)

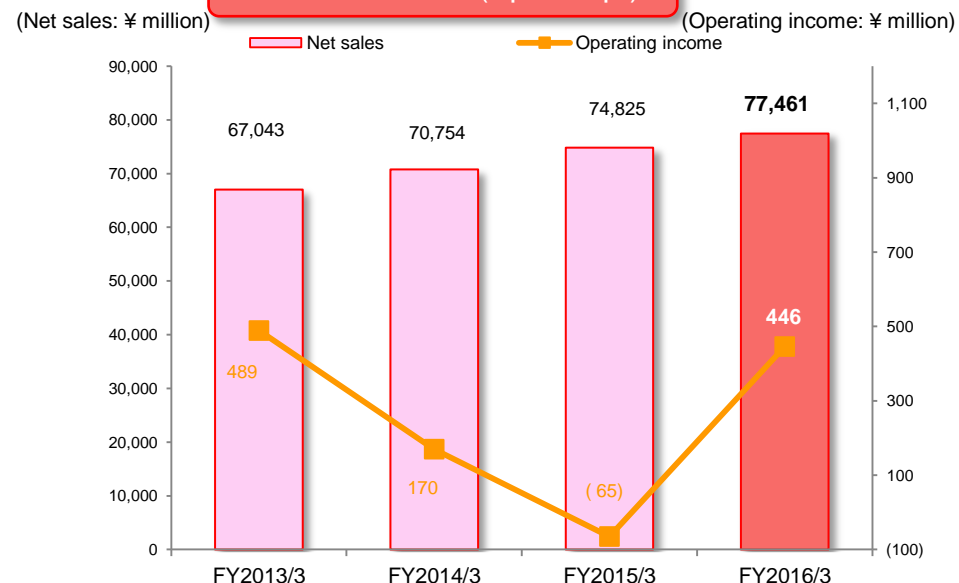
#### (Net sales)

- In marine products business, revenues increased due to sales increases in the mainstay shrimp and squid products.
- In dairy products business, revenues increased due to solid sales of yogurt for CVS channels and *baby cheese*, etc. at volume retailers.

#### (Operating income)

- In marine products business, operating income increased due to efforts to revise prices.
- In dairy products business, operating income increased due to an increase in sales volumes and the stabilization of raw material prices.

## 1st Half Results (Apr.–Sep.)



(¥ million)

	FY2015/3 1st half	FY2016/3 1st half	Variance	Variance (%)
Net sales	74,825	77,461	2,636	3.5
Operating income	(65)	446	511	-
Operating income ratio	(0.1)%	0.6%	-	-

### FY2016/3 1st half (Apr.–Sep.)

#### (Net sales)

- In marine products business, sales recovered to reach the same level as in the previous year mainly in volume retailers.
- In dairy products business, revenues increased due to the solid sales of the mainstay *Vanilla Yogurt* and *Baby Cheese*.

#### (Operating income)

- In marine products business, operating income increased due to increases in sales volumes mainly for eels and squids.
- In dairy products business, operating income increased due to the settlement of raw material prices and increased sales volumes.

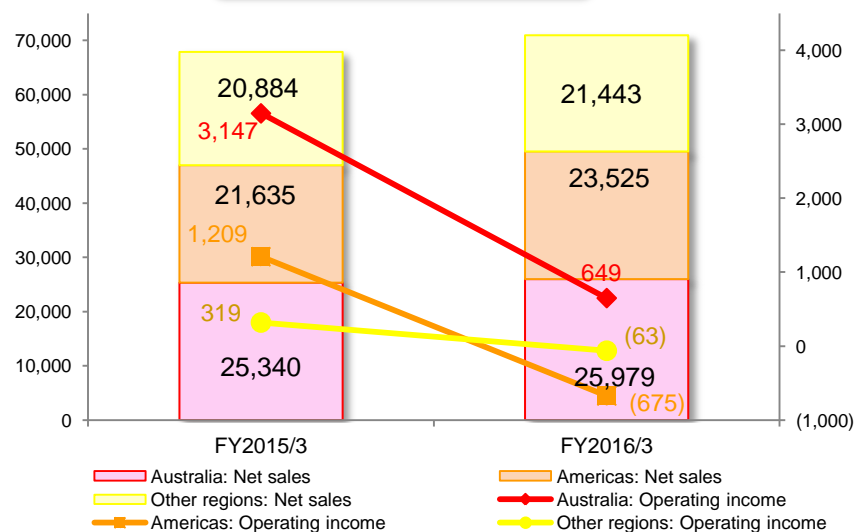
## 6. Business Results in Major Overseas Geographical Areas

- Sales revenues amounts prior to consolidation adjustments. (The figures for all overseas segments do not match the overseas sales total, by reason of the elimination of intersegment transactions.)  
- Other regions are in Asia and Europe.  
- Americas include businesses in North and South America.

(Net sales: ¥ million)

2Q Results (Jul.–Sep.)

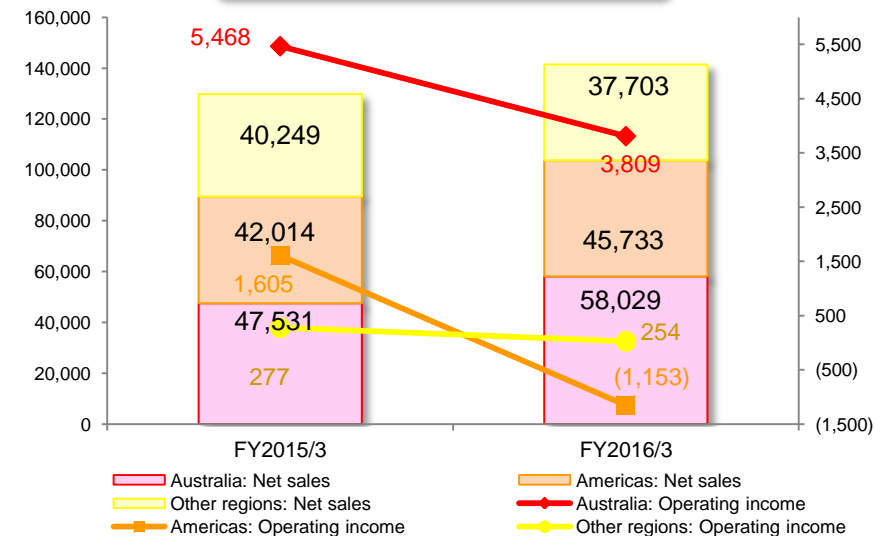
(Operating income ¥ million)



(Net sales: ¥ million)

1st Half Results (Apr.–Sep.)

(Operating income ¥ million)



		FY2015/3 2Q	FY2016/3 2Q	Variance	Variance (%)
Overseas total	Net sales	66,186	67,963	1,777	2.7
	Operating income	4,578	(62)	(4,640)	-
Australia	Net sales	25,340	25,979	639	2.5
	Operating income	3,147	649	(2,498)	(79.4)
Americas	Net sales	21,635	23,525	1,890	8.7
	Operating income	1,209	(675)	(1,884)	-
Other regions	Net sales	20,884	21,443	559	2.7
	Operating income	319	(63)	(382)	-

		FY2015/3 1st half	FY2016/3 1st half	Variance	Variance (%)
Overseas total	Net sales	126,369	136,125	9,756	7.7
	Operating income	7,195	2,965	(4,230)	(58.8)
Australia	Net sales	47,531	58,029	10,498	22.1
	Operating income	5,468	3,809	(1,659)	(30.3)
Americas	Net sales	42,014	45,733	3,719	8.9
	Operating income	1,605	(1,153)	(2,758)	-
Other regions	Net sales	40,249	37,703	(2,546)	(6.3)
	Operating income	277	254	(23)	(8.3)

### FY2016/3 2Q (Jul.–Sep.) (Australia)

- Operating income decreased by the impact of rising procurement costs.

### (Americas)

- Operating income decreased since conditions were tough in the hog-raising business, despite firm internal sales.

### FY2016/3 1st half (Apr.–Sep.) (Australia)

- The growth was firm in 1Q, but operating income decreased in 2Q due to difficulties in collecting cattle livestock and rising procurement costs.

### (Americas)

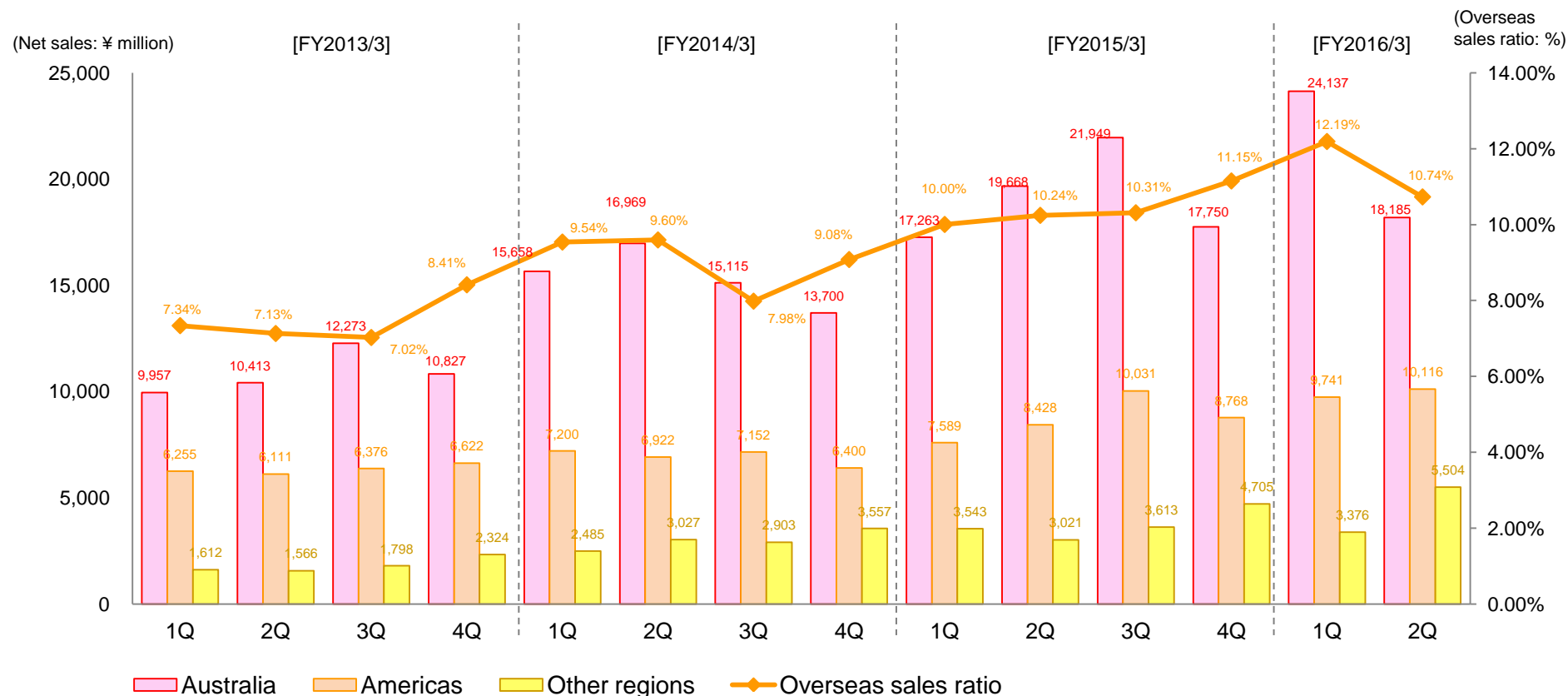
- Operating income decreased since conditions were tough in the hog-raising business due to the fall in pork prices.

# 7. External Customer Net Sales Results in Major Overseas Geographical Areas

(¥ million)

	FY2013/3	FY2014/3	FY2015/3					FY2016/3	
	Full year	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q
Australia	43,470	61,442	17,263	19,668	21,949	17,750	76,630	24,137	18,185
Americas	25,364	27,674	7,589	8,428	10,031	8,768	34,816	9,741	10,116
Other regions	7,300	11,972	3,543	3,021	3,613	4,705	14,882	3,376	5,504
Overseas total	76,134	101,088	28,395	31,117	35,593	31,223	126,328	37,254	33,805
Overseas sales ratio	7.44%	9.01%	10.00%	10.24%	10.31%	11.15%	10.42%	12.19%	10.74%

\*Net sales figures represent net sales to external customers.

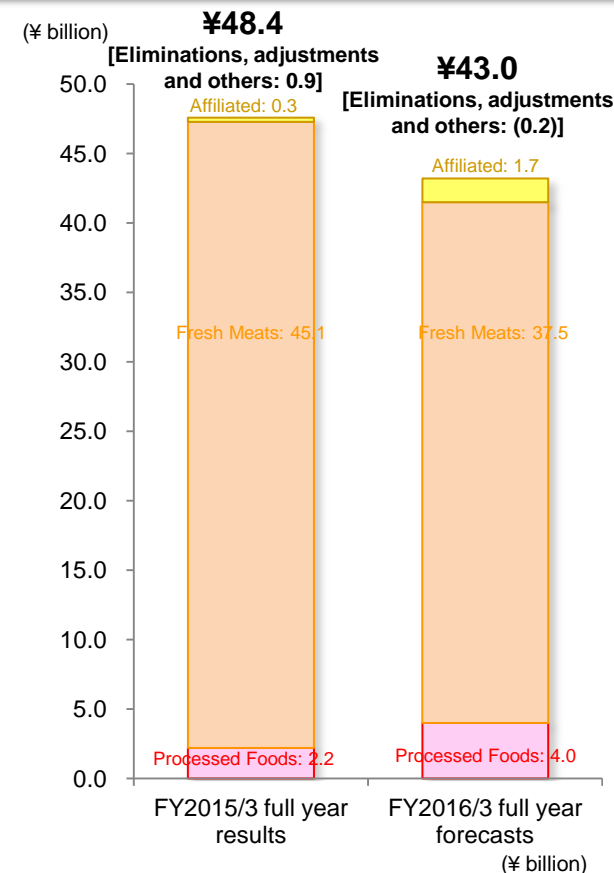
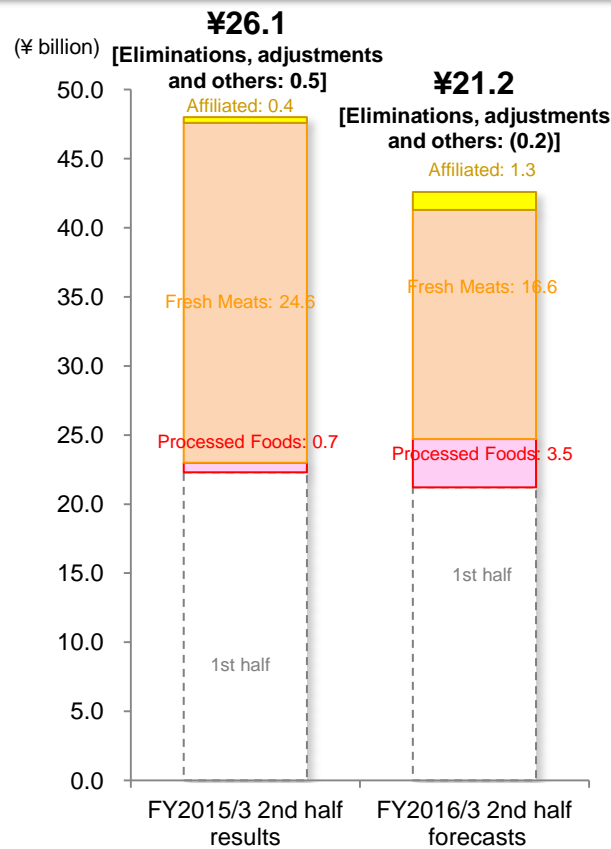
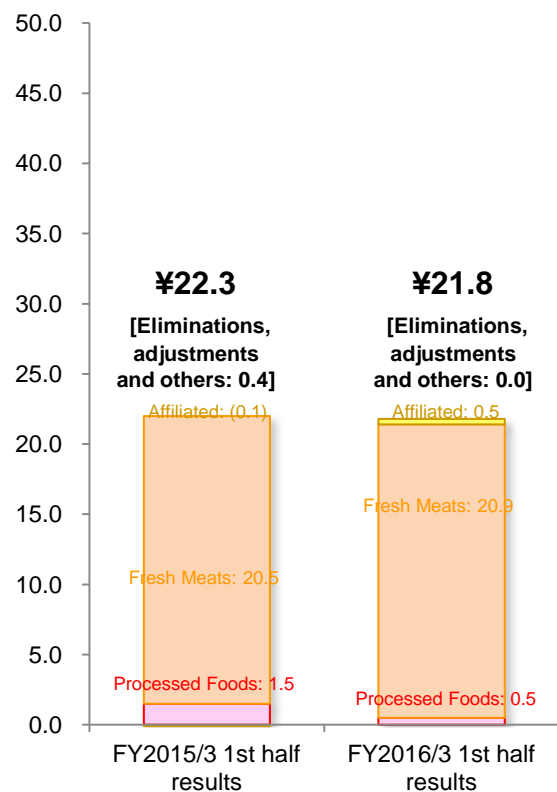


## **II. Outlook for FY2016/3**

- 1. FY2016/3 Operating Income Forecasts**
- 2. Processed Foods Business Division: Outlook**
- 3. Fresh Meats Business Division: Outlook**
- 4. Affiliated Business Division: Outlook**

# 1. FY2016/3 Operating Income Forecasts (1)

(¥ billion)



	FY2016/3 1st half results			FY2016/3 2nd half forecasts			FY2016/3 full year forecasts		
	FY2015/3 1st half results		Variance	FY2015/3 2nd half results		Variance	FY2015/3 full year results		Variance
Processed Foods Business Division	1.5	<b>0.5</b>	(1.0)	0.7	<b>3.5</b>	2.9	2.2	<b>4.0</b>	1.9
Fresh Meats Business Division	20.5	<b>20.9</b>	0.4	24.6	<b>16.6</b>	(8.1)	45.1	<b>37.5</b>	(7.6)
Affiliated Business Division	(0.1)	<b>0.4</b>	0.5	0.4	<b>1.3</b>	0.9	0.3	<b>1.7</b>	1.4
Eliminations, adjustments and others	0.4	<b>0.0</b>	(0.5)	0.5	<b>(0.2)</b>	(0.6)	0.9	<b>(0.2)</b>	(1.1)
<b>Total</b>	<b>22.3</b>	<b>21.8</b>	(0.5)	<b>26.1</b>	<b>21.2</b>	(4.9)	<b>48.4</b>	<b>43.0</b>	(5.4)

# 1. FY2016/3 Operating Income Forecasts (2)

Variance from the forecasts revised at 1Q

\* Forecasts for 3Q, 4Q, and full year are the forecasts revised after the 2nd quarter.

(¥ billion)

	FY2016/3 1st half results			FY2016/3 3Q forecasts			FY2016/3 4Q forecasts			FY2016/03 full year forecasts		
	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance
Processed Foods Business Division	0.9	<b>0.5</b>	(0.4)	4.8	<b>4.8</b>	0.0	(1.7)	<b>(1.3)</b>	0.4	4.0	<b>4.0</b>	0.0
Fresh Meats Business Division	18.8	<b>20.9</b>	2.1	11.2	<b>10.6</b>	(0.6)	6.0	<b>6.0</b>	0.0	36.0	<b>37.5</b>	1.5
Affiliated Business Division	0.4	<b>0.4</b>	0.0	1.2	<b>1.4</b>	0.2	(0.3)	<b>(0.1)</b>	0.2	1.3	<b>1.7</b>	0.4
Eliminations, adjustments and others	(0.1)	<b>0.0</b>	0.1	(0.1)	<b>(0.2)</b>	(0.1)	(0.1)	<b>0.0</b>	0.1	(0.3)	<b>(0.2)</b>	0.1
Total	20.0	<b>21.8</b>	1.8	17.1	<b>16.6</b>	(0.5)	3.9	<b>4.6</b>	0.7	41.0	<b>43.0</b>	2.0

## Factor Analysis: Changes in operating income

(¥ billion)

\* Due to rounding, item tallies in each division may not match totals.

(¥ billion)

Processed Foods Business	Variance from the forecasts revised at 1Q					
	3Q		4Q		Full year	
	Forecasts	Variance	Forecasts	Variance	Forecasts	Variance
Price revision effect	0.0	0.0	0.0	0.0	0.6	0.0
Cost-cutting effect	0.8	0.1	0.9	0.6	4.7	0.6
Increases in sales volume	0.1	(0.3)	0.4	(0.2)	(1.0)	(1.1)
Principal raw/other material prices	0.5	0.2	0.4	0.2	(2.0)	0.9
Principal raw material price	0.5	0.0	0.5	0.0	(1.1)	0.4
Other materials/fuels	0.0	0.3	(0.1)	0.2	(0.9)	0.5
Other factors	0.0	0.0	(0.2)	(0.2)	(0.4)	(0.4)
Total	1.3	0.0	1.5	0.4	1.9	0.0

Fresh Meats Business	Variance from the forecasts revised at 1Q					
	3Q		4Q		Full year	
	Forecasts	Variance	Forecasts	Variance	Forecasts	Variance
Changes in farming operations in Japan	(0.1)	0.8	(0.5)	0.5	1.7	2.0
Imported fresh meat market	(0.4)	(0.5)	0.3	(0.2)	0.6	0.7
Changes in overseas business	(5.2)	(1.4)	(0.4)	0.1	(10.1)	(2.2)
Growth in Nippon Food Group	0.0	0.1	(0.3)	(0.4)	0.7	0.3
Domestic fresh meat market	(0.4)	0.4	(0.3)	0.2	0.0	0.9
Other factors	(0.3)	(0.1)	(0.4)	(0.3)	(0.6)	(0.1)
Total	(6.4)	(0.6)	(1.7)	0.0	(7.6)	1.5

\* Due to rounding, item tallies in each division may not match totals.



## 2. Processed Foods Business Division: Outlook

### ● Measures to expand sales of gift products

- Further expand sales of year-end gifts through sales promotion activities such as TV commercials of the flagship brand *Utsukushi-no-Kuni* and the launch of new assortment set responding to customer needs.
- Expand sales through the launch of new products using domestic ingredients in the *Authentic* series.

(Reference)

- Aim for 120% year-on-year sales for *Utsukushi-no-Kuni*.

Reference: Unit sales of gift products for FY2015/3 results and FY2016/3 results and forecasts (Unit: thousands)

		FY2015/3 results	FY2016/3 results and forecasts	
		Units	Units	Variance
Summer gift-giving season (results)	Overall unit sales	2,116	2,070	98%
	( <i>Utsukushi-no-Kuni</i> )	431	507	118%
Year-end gift-giving season (forecasts)	Overall unit sales	4,442	4,575	103%
	( <i>Utsukushi-no-Kuni</i> )	826	991	120%
Total (forecasts)	Overall unit sales	6,558	6,645	101%
	( <i>Utsukushi-no-Kuni</i> )	1,257	1,498	119%
	(Sales ratio)	19%	23%	

### ● Measures to expand sales of major brands

#### 1) Hams and sausages

- Strengthen sales through further share expansion of *SCHAU ESSEN* and brushing up core brands such as *Mori-no-Kaori*.

#### 2) Deli and processed foods

- Accelerate sales promotion activities for priority category products of *Chuka Meisai* and *Ishigama Kobo* and launch of new products to new eating occasions.

Reference: Year-on-year sales comparison of major brand products and forecasts

Hams and sausages	FY2016/3 full year forecasts	Deli and processed foods	FY2016/3 full year forecasts
<i>SCHAU ESSEN</i>	105%	<i>Ishigama Kobo</i>	105%
<i>Mori-no-Kaori</i> <i>coarse-ground wieners</i>	129%	<i>Chuka Meisai</i>	102%
Hams	100%	Prefried	103%
Bacon	100%	Hamburg and meatball	102%
Yakibutas	100%	Curries	105%

### ● Measures to expand sales by channel

#### 1) Consumer-use products

- Boost sales of both hams and sausages and deli and processed foods through aggressive sales promotion activities and early sales of new products.

#### 2) Commercial-use products

- Increase sales volume by making new product proposals utilizing the characteristics of production line.

Reference: Year-on-year sales forecasts by channel

FY2016/3 full year forecasts		Amount
Hams and sausages	Consumer-use	101%
	Commercial-use	92%
	Total	100%
Deli and processed foods	Consumer	103%
	Commercial-use	96%
	Total	100%

## 3. Fresh Meats Business Division: Outlook

### ● Production businesses in Japan

#### 1) Feed prices

- Feed prices are expected to remain stable, given that overseas grain prices have stabilized, despite the effects of the weakening yen.

#### 2) Domestic farm businesses

- Pork prices are on a downward trend from the high levels in the first half.
- Chicken prices remained high even in the summer season and are expected to remain high towards the demand season in the end of the year.

### ● Overseas businesses

#### 1) Australia

- Secure livestock using backgrounds, when the situation continues to be difficult with regard to collecting cattle livestock from Australian farms and procurement costs are on the rise.

#### 2) Americas

- Internal sales are firm mainly due to the strengthening of systems. Continue to strengthen sales.
- In the hog-raising business, the situation is expected to continue to be difficult with the fall in pork prices.

#### 3) Others (Asia and Europe)

- Strengthen procurement of branded pork from Europe. Cultivate new customers in Asia.
- Boost sales of Australian beef using sales bases of the Nipponham Group.

Reference: FY2016/3 1st half Australian business sales results

Major countries for sales	Volume (ratio breakdown)	Volume (variance year on year)
Japan	21%	119%
United States	30%	137%
South Korea	7%	78%
China	7%	109%
Taiwan	7%	150%
Australia	12%	60%
Others*	16%	151%
<b>Total</b>	<b>100%</b>	<b>111%</b>

\*Others: Russia, EU, Indonesia, the Middle East, etc.

### ● Domestic and imported fresh meat sales (food companies)

- Strengthen sales promotion for branded fresh meats such as “Sakurahime” using promotions.
- Expand sales channels such as restaurant chains, by utilizing our strong procurement and sales capabilities.



## 4. Affiliated Business Division: Outlook

### ● Measures to expand sales of marine products business

#### (Marine Foods)

- Strengthen proposals of proprietary products with high profit margins as well as sushi toppings.
- Continue to hold “Hokkaido fairs” through Kushiro Marusui Co., Ltd. and strengthen sales promotion in retail stores.

#### (Hoko)

- Expand sales of products at Hachinohe Factory mainly of the “Aomori no Shojiki” brand.
- Expand the market share particularly of canned mackerel.



Megumi no Shokutaku series  
“Chowder with three kinds of seafood”



Aomori no Shojiki series

### ● Measures to expand sales of dairy products business

#### (Cheese)

- Boost sales of the products at the Yamato Factory, which has launched operations.
- Strengthen business negotiation in the bakery and restaurant chains channels.

#### (Yogurt)

- Carry out strengthened sales promotions using promotions, etc.
- Expand sales by strengthened sales promotions of *TOP CUP*, etc.



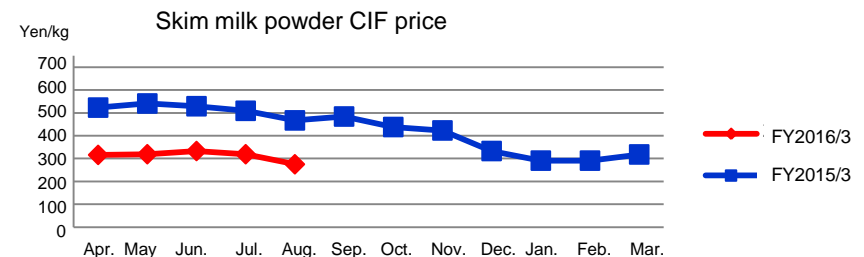
TOP CUP series



Baby Cheese for Adults

### ● Trends in principal raw and other material prices

- Prices for cheese and yogurt ingredients are relatively stabilized, as purchase by emerging countries have settled down.



Source: Agriculture & Livestock Industries Corporation

### **III. Consolidated Financial Results for FY2016/3 2Q**

- 1. FY2016/3 Business Results at a Glance and Full Year Forecasts**
- 2. Growth Rate by Sales Category and Geographical Segment Information**
- 3. Selling, General and Administrative Expenses / Other Operating Costs and Expenses / Other Income**
- 4. Balance Sheets / Capital Expenditures / Depreciation and Amortization**
- 5. Cash Flows**

# 1. FY2016/3 Business Results at a Glance and Full Year Forecasts

(¥ million, %)

	FY2015/3 results						FY2016/3 results and forecasts					
	1st half results	Variance	2nd half results	Variance	Full year results	Variance	1st half results	Variance	2nd half forecasts	Variance	Full year forecasts	Variance
Net Sales	587,623	7.6	625,179	8.6	1,212,802	8.1	620,309	5.6	639,691	2.3	1,260,000	3.9
Hams and sausages	73,608	9.2	76,495	0.5	150,103	4.6	69,972	(4.9)	80,128	4.7	150,100	(0.0)
Processed foods	105,285	2.5	107,128	1.7	212,413	2.1	107,799	2.4	108,901	1.7	216,700	2.0
Fresh meats	332,163	9.2	358,909	13.8	691,072	11.6	364,913	9.9	370,187	3.1	735,100	6.4
Beef	133,108	5.9	144,565	16.7	277,673	11.3	149,389	12.2	143,611	(0.7)	293,000	5.5
Pork	116,964	9.1	123,696	11.4	240,660	10.2	116,858	(0.1)	123,142	(0.4)	240,000	(0.3)
Chicken	69,845	14.6	77,358	9.8	147,203	12.0	84,852	21.5	90,148	16.5	175,000	18.9
Other fresh meats	12,246	20.5	13,290	34.2	25,536	27.2	13,814	12.8	13,286	(0.0)	27,100	6.1
Marine products	44,592	3.6	49,804	2.1	94,396	2.8	45,191	1.3	50,109	0.6	95,300	1.0
Dairy products	14,495	9.5	14,069	8.1	28,564	8.8	15,856	9.4	15,144	7.6	31,000	8.5
Others	17,480	11.0	18,774	8.1	36,254	9.4	16,578	(5.2)	15,222	(18.9)	31,800	(12.3)
Cost of goods sold	481,482	6.7	511,541	9.5	993,023	8.1	511,068	6.1				
Gross profit	106,141	11.7	113,638	4.5	219,779	7.8	109,241	2.9				
Gross profit ratio	18.1%	-	18.2%	-	18.1%	-	17.6%	-				
SG&A expenses	83,796	0.8	87,539	3.0	171,335	1.9	87,447	4.4				
Operating Income	22,345	87.2	26,099	9.8	48,444	35.7	21,794	(2.5)	21,206	(18.7)	43,000	(11.2)
Income before income taxes	20,947	96.0	23,597	(4.1)	44,544	26.2	20,743	(1.0)	19,257	(18.4)	40,000	(10.2)
Net income attributable to NH Foods Ltd.	15,067	97.7	15,981	(5.5)	31,048	26.6	15,366	2.0	12,134	(24.1)	27,500	(11.4)

\* Reclassified amounts were originally calculated in accordance with U.S. accounting standards.

\* Variance: Year-on-year comparisons are expressed as % increases/decreases.

### Growth Rate by Sales Category

(%)

Category	FY2015/3 (Year-on-year comparison)				FY2016/3 (Year-on-year comparison)			
	2Q		1st half		2Q		1st half	
	Sales v volume	Amount	Sales v volume	Amount	Sales v volume	Amount	Sales v volume	Amount
Hams and sausages	3.3	7.8	5.3	9.2	(6.6)	(3.9)	(10.2)	(4.9)
Processed foods	1.8	1.5	(0.1)	2.5	(2.0)	4.9	(2.8)	2.4
Fresh meats	(3.1)	11.0	(4.7)	9.2	6.1	6.0	7.0	9.9
Beef	(3.7)	8.9	(6.1)	5.9	(9.9)	3.7	(4.2)	12.2
Pork	(9.3)	11.0	(11.7)	9.1	2.7	(2.2)	4.4	(0.1)
Chicken	3.8	13.7	4.1	14.6	22.7	23.2	18.8	21.5
Other fresh meats	14.2	21.7	8.7	20.5	11.2	14.5	8.6	12.8

### Geographical Segment

(¥ million, %)

	FY2015/3 results			FY2016/3 results and forecasts					
	1st half results	2nd half results	Full year results	1st half results	Variance	2nd half forecasts	Variance	Full year forecasts	Variance
Domestic sales	528,673	559,159	1,087,832	549,855	4.0	571,545	2.2	1,121,400	3.1
External customers	528,111	558,363	1,086,474	549,250	4.0	570,750	2.2	1,120,000	3.1
Intersegment	562	796	1,358	605	7.7	795	(0.1)	1,400	3.1
Operating income	15,306	20,463	35,769	18,745	22.5	21,255	3.9	40,000	11.8
Operating income ratio	2.9%	3.7%	3.3%	3.4%	-	3.7%	-	3.6%	-
Overseas sales	126,369	126,616	252,985	136,125	7.7	127,375	0.6	263,500	4.2
External customers	59,512	66,816	126,328	71,059	19.4	68,941	3.2	140,000	10.8
Intersegment	66,857	59,800	126,657	65,066	(2.7)	58,434	(2.3)	123,500	(2.5)
Operating income	7,195	5,640	12,835	2,965	(58.8)	35	(99.4)	3,000	(76.6)
Operating income ratio	5.7%	4.5%	5.1%	2.2%	-	0.0%	-	1.1%	-

\* Sales by geographical segment are before intersegment elimination.

\* Variance: Year-on-year comparisons are expressed as % increases/decreases.

### 3. Selling, General and Administrative Expenses / Other Operating Costs and Expenses / Other Income

(¥ million, %)

SG&A expenses	FY2015/3	FY2016/3		
	1st half results	1st half results	Variance (%)	Variance
★(1) Selling, general and administrative expenses	83,796	87,447	4.4	3,651
Personnel	32,674	33,835	3.6	1,161
★(2) Advertising	5,589	5,965	6.7	376
★(3) Logistics	24,914	26,108	4.8	1,194
Others	20,619	21,539	4.5	920

Major reasons for increase/decrease

★(1) **SG&A expenses:** The ratio of SG&A expenses to net sales decreased 0.2 point from 14.3% to 14.1%.

★(2) **Advertising:** Advertising expenses increased ¥0.4 billion due mainly to an increase of sales promotion expenses.

★(3) **Logistics:** Logistics costs increased ¥1.2 billion due to higher transportation expenses resulting from an upswing in sales volume of fresh meats.

(¥ million)

	FY2015/3	FY2015/3	FY2016/3	
	1st half results	Full year results	1st half results	Variance
Other operating costs and expenses (income) - net	353	4,231	533	180
Fixed assets	353	4,239	533	180
Others	-	(8)	-	-
★(1) Other income (expenses) - net	(319)	1,678	188	507
Interest and dividends income	611	1,151	565	(46)
Foreign exchange gains (losses)	(962)	(88)	(279)	683
Others	32	615	(98)	(130)
Interest expense	726	1,347	706	(20)

Major reasons for increase/decrease

(1) **Other income (expenses) – net:** Improved by ¥0.5 billion due mainly to foreign exchange gains and losses

## 4. Balance Sheets / Capital Expenditures / Depreciation and Amortization

( ¥ million, %)

Consolidated balance sheets		FY2015/3 year-end results	FY2016/3 2Q results	Variance (%)	Variance
★(1)	Total assets	661,567	707,398	6.9	45,831
	Cash and cash equivalents	57,404	59,492	3.6	2,088
★(2)	Trade notes and accounts receivable	127,273	131,218	3.1	3,945
★(3)	Inventories	143,107	159,177	11.2	16,070
	Property, plant and equipment - at cost, less accumulated depreciation	252,537	262,248	3.8	9,711
	Investments and other assets	41,170	44,051	7.0	2,881
	Deferred income taxes - non-current	7,067	7,109	0.6	42
	Total liabilities	305,143	341,254	11.8	36,111
	Trade notes and accounts payable	94,212	108,439	15.1	14,227
★(4)	Interest-bearing debt	136,806	167,233	22.2	30,427
	Liability under retirement and severance program	12,075	12,218	1.2	143
	Total NH Foods Ltd. shareholders' equity	353,664	357,594	1.1	3,930
	Noncontrolling interests	2,760	8,550	209.8	5,790
	Total equity	356,424	366,144	2.7	9,720

Major reasons for  
increase/decrease

- ★(1) Total assets: Increased by approximately ¥45.8 billion including (2) and (3).
- ★(2) Trade notes and accounts receivable: Increased by approximately ¥3.9 billion from the end of the previous fiscal year due to higher sales.
- ★(3) Inventories: Increased by approximately ¥16.0 billion from the end of the previous fiscal year mainly owing to an increase in sales volume of fresh meats.
- ★(4) Interest-bearing debt: Increased by approximately ¥30.0 billion from the end of the previous fiscal year mainly due to an increase in long-term debt.

( ¥ million, %)

Capital expenditures, depreciation and amortization	FY2015/3	FY2016/3		FY2016/3	
	1st half results	1st half results	Variance (%)	Variance	Full year forecasts
Capital expenditures	15,732	18,651	18.6	2,919	52,200
Production facilities	10,168	9,586	(5.7)	(582)	20,200
Marketing and logistics facilities	1,106	1,559	41.0	453	6,400
Farms and processing facilities	2,562	2,518	(1.7)	(44)	10,400
Overseas businesses facilities	1,129	1,773	57.0	644	11,000
Other facilities	767	3,215	319.2	2,448	4,200
Depreciation and amortization	9,372	9,519	1.6	147	20,000



## 5. Cash Flows

(¥ million)

Consolidated statements of cash flows	FY2015/3	FY2016/3		FY2016/3
	1st half results	1st half results	Variance	Full year forecasts
Cash flow from operating activities	1,446	13,179	11,733	58,500
★(1) Cash flow from investing activities	(20,732)	(31,628)	(10,896)	(59,200) *1
★(2) Cash flow from financing activities	728	21,236	20,508	14,000

\*1 Including cross-shareholdings.

### Major reasons for increase/decrease

#### ★(1) Breakdown of major items of cash flow from investing activities

	FY2015/3	FY2016/3	
	1st half results	1st half results	Variance
Capital expenditures	(20,014)	(21,597)	(1,583)
Purchase of subsidiaries	0	(8,563)	(8,563)

#### ★(2) Breakdown of major items of cash flow from financing activities

	FY2015/3	FY2016/3	
	1st half results	1st half results	Variance
Cash dividends	(7,619)	(9,411)	(1,792)

## Contact

Public & Investor Relations Department

NH Foods Ltd.

14F ThinkParkTower

2-1-1 Osaki, Shinagawa-ku, Tokyo 141-6014

Tel: +81-3-4555-8024 Fax: +81-3-4555-8189

### Forward-looking statements

This presentation 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 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.