



Business Results and Progress in the New Medium-Term Management Plan Part 5

November 4, 2015



**NH Foods Ltd.
President and Representative Director
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I would like to explain the progress in our New Medium-Term Management Plan Part 5 announced in May 2015.

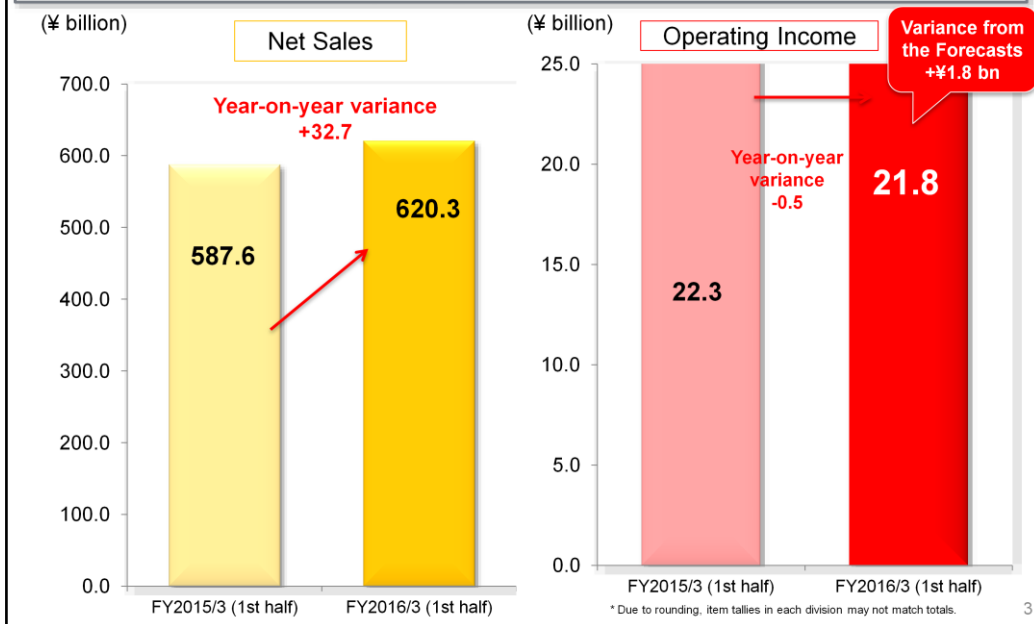
1. Business Results Overview for the First Half of FY2016/3
2. Full Year Outlook for FY2016/3
3. Progress in the New Medium-Term Management Plan Part 5

Firstly, I will look back on the business results for the 1st half and explain the full year outlook.

Next, I will explain the progress in our New Medium-Term Management Plan Part 5.

1. Business Results Overview for the First Half of FY2016/3

Both sales and operating income exceeded the forecasts despite an increase in revenues and a decrease in operating income.



This is the overview of the business results for the 1st half announced on October 30.

Net sales→¥620.3 billion (Year-on-year variance + ¥32.7 billion)

Operating income→¥21.8 billion (Year-on-year variance ¥(0.5) billion)

→Despite an increase in revenues and a decrease in operating income, both of net sales and operating income exceeded the forecasts.

Variation Factors for the Operating Income Forecasts

* Forecasts are those that were revised as of the first quarter.
(¥ billion)

Business Division	Forecasts	Results	Variance	Variation Factors
Processed Foods Business	0.9	0.5	(0.4)	Lack of sales volume due to tough conditions for the commercial-use products
Fresh Meats Business	18.8	20.9	2.1	Rising fresh meat prices in Japan and strong performances in domestic farms
Affiliated Business	0.4	0.4	0.0	Increase in operating income due to growth in net sales in marine products business and dairy products business
Eliminations, adjustments and others	(0.1)	0.0	0.1	
Total	20.0	21.8	1.8	Increase in operating income driven by the fresh meats business

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I will now explain the variation factors for the operating income forecasts.

Processed Foods Business (¥(0.4) billion)

→Menus were introduced later than anticipated, and there was a lack of sales volume due to tough conditions for the commercial-use products.

Fresh Meats Business

→In addition to high levels of fresh meat prices in Japan, domestic farms' performances were also strong.

Affiliated Business

→The marine products business and dairy products business both saw an increase in revenues.

Operating Income Forecast

¥43.0 billion (forecast +¥2.0 billion)

(¥ billion)

Segment	Full year forecasts (After the interim review)	Year-on-year variance	Variance from revised forecasts in 1Q
Processed Foods Business	4.0	+1.9	0.0
Fresh Meats Business	37.5	(7.6)	+1.5
Affiliated Business	1.7	+1.4	+0.4

*Eliminations and adjustments of ¥(0.2) billion are forecasted.

Net income: ¥27.5 billion (forecast +¥0.5 billion)

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I will explain operating income forecasts for the full year.

Operating income for the full year: ¥43.0 billion (an upward revision of ¥2.0 billion compared with the initial forecast)

Processed Foods Business: ¥4.0 billion→Although severe environments are anticipated, the full year forecast has not been changed.

Fresh Meats Business: ¥37.5 billion→The forecast was revised upward by ¥1.5 billion due to firm market conditions in Japan mainly for chicken, despite difficult conditions in overseas business.

Affiliated Business: ¥1.7 billion→The forecast was revised upward due to solid conditions mainly for dairy products.

● Positive factors

- High market prices of domestically produced chicken
- Recovery trend in major brands for consumers in the Processed Foods Business Division
- Settling down of raw material prices

● Negative factors

- Delay in recovery of commercial-use products in the Processed Foods Business Division
- Rising procurement prices of cattle livestock in the Australian business
- Fall in pork prices in hog-raising business in the Americas

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For the full year outlook, positive and negative factors can be summarized as such:

○ Positive factors

• Increasing market prices for domestically produced chicken → Prices have remained at a very high level and, in this period, have fluctuated around the weighted average of approximately ¥500. This has a favorable impact on not only sales but also upstream businesses.

• Processed Foods Business Division

Major brands for consumers are on a recovery trend exceeding results of the previous fiscal year.

○ Negative factors

Processed Foods Business: Recovery was initially expected to start from 2Q but recovery is delayed in commercial-use products.

Australian business: The rise in procurement prices and difficulties in collecting cattle livestock in 2Q interfered with the business results.

Business in the Americas: In the hog-raising business, pork prices were high mainly due to a disease outbreak in the previous year, but in this period, pork prices have dropped in the United States.

Management Strategies in the New Mid-term Plan
Announced in May 2015

1. Continuous strengthening of profitability in domestic businesses

- Further strengthening of procurement ability and integration.
- Expansion of market share by active investment in growth markets.

2. Expansion of overseas net sales at an early stage

- Further advance into large markets and emerging nations.
- Overseas expansion of a diversity of top brand products.

3. Promotion of strategic branding

- Promotion of marketing and branding across the Group, strengthening of organic integration of brands between the Group, companies, and products.

4. Reinforcement of cross-Group corporate functions

- Procurement and cultivation of human resources responsible for global and management.
- Introduction of ROIC as a business division performance indicator.

Before moving ahead to the progress in the New Mid-term Plan Part 5, here is the summary of the management strategies in the New Mid-term Plan announced in May.

Continuous strengthening of profitability in domestic businesses

Expansion of overseas net sales at an early stage

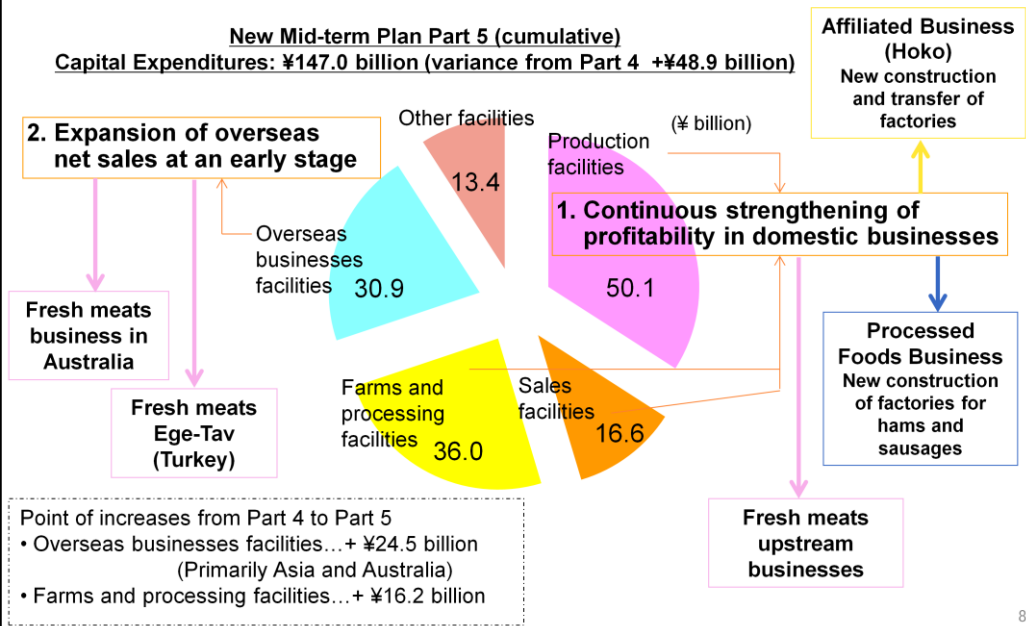
Promotion of strategic branding

Reinforcement of cross-Group corporate functions

→I would like to explain the progress in the New Mid-term Plan Part 5, mainly in 1) continuous strengthening of profitability in domestic businesses and 2) expansion of overseas net sales at an early stage.

3. Progress in the New Medium-Term Management Plan Part 5

Proactive investment for our growth strategy



During the 3 years of this New Mid-term Plan Part 5, capital expenditures of ¥147.0 billion are scheduled, an increase of about ¥48.9 billion from the previous New Mid-term Plan Part 4.

<Point of increases from Part 4 to Part 5>

“Continuous strengthening of profitability in domestic businesses”

→We will invest mainly in production facilities, sales facilities and farms and processing in Japan.

For the hams and sausages in the Processed Foods Business, introduction of high-capacity lines and transfer of factories.

Investments to improve procurement capabilities by enhancing upstream businesses in the Fresh Meats Business.

Overseas businesses facilities→include mainly the capital expenditures for the Australian business and Ege-Tav in Turkey.

3. Progress in the New Medium-Term Management Plan Part 5

1. Continuous strengthening of profitability in domestic businesses

Fresh Meats Business Division [Improve profitability by strengthening sales]

Strengthen sales of food companies engaging in fresh meat sales

→Regular sales of a certain amount of products to customers, backed up by the nationwide sales capabilities
Drive increase of market share for fresh meat sales (current market share of fresh meat sales: 21%→3 years later: 25%)

Strengths of food companies

Strong sales network and logistics

- Nationwide and flexible sales network
→120 bases
- Supply capabilities of the Nipponham Group
→Branded fresh meats of high quality
- Logistics bases with largest scales in Japan at eastern site and western site
→Combined with volume retailer center functions

Response to customer's needs

- Implementation of proposal-based marketing
- Response to various channels through direct sales
 - Utilization of food advisors

For further growth

- Promotion of marketing
Implement aggressive sales promotion with branded fresh meats.



Broadcasted the television commercial of the domestically produced chicken, *Sakurahime*, in July and also in November.

- Strengthen sales to restaurant chains channels
Establish aggressive proposal-based marketing utilizing food advisors and urban logistics.
- Enhance handling of Group products
Sales of processed foods products of Nippon Pure Food, Inc. and franks, etc. of Processed Foods Business Division.

Continuous strengthening of profitability in domestic businesses

→Food companies engaged in fresh meats sales are the bases for securing stable profitability in the Fresh Meats Business at present.

Our present share in domestic fresh meats sales is approximately 21%→This will be raised to 25% in the final year of the New Mid-term Plan.

We can invest in upstream businesses because of our strong sales network and logistics

- Nationwide and flexible sales network→120 bases
- Supply capabilities of the Nipponham Group→Branded fresh meats of high quality
- Logistics bases with largest scales in Japan from east to west→Combined with volume retailer center functions

→Based on these strengths, we have strong proposal capabilities to solve the customers' problems in cooperation with the customers.

Income is supported by regular deliveries of a certain amount of products.

Going forward, we will further improve our present efforts.

- Promotion of marketing

Implementation of aggressive sales promotion with branded fresh meats

- Strengthening sales to restaurant chains channels

→Major customers of the food companies were mostly fresh meat shops, wholesalers and volume retailers.

Establishment of aggressive proposal-based marketing utilizing food advisors and urban logistics.

- Enhancement of handling of the Group products

→Sales of processed foods products of Nippon Pure Food, Inc. and franks, etc. of the Processed Foods Business Division (Actually in progress. Future increases are expected)

Shumai (steamed Chinese dumplings) of Hoko will also be handled.

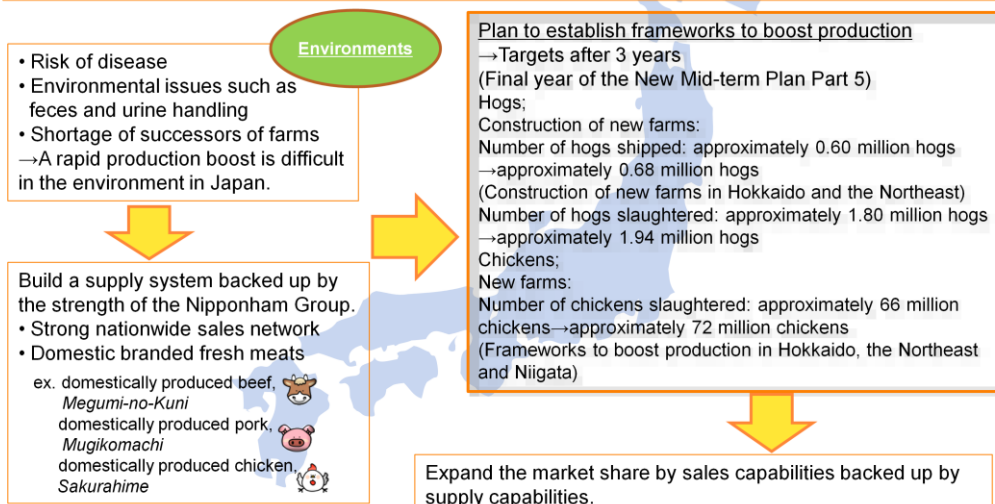
3. Progress in the New Medium-Term Management Plan Part 5

1. Continuous strengthening of profitability in domestic businesses

Fresh Meats Business Division

[Reinforcement of upstream businesses→Establish frameworks to boost production mainly for pork and chicken]

As a rapid production boost of domestic fresh meats cannot be expected due to various environmental factors in Japan, the Nipponham Group prepares a supply system to expand the market share of domestic sales.



It is because of the products of high quality that the sales capabilities of the food companies are strong, and the food companies still have spare capacity to supply.

However, in the current environment surrounding livestock farms in Japan, a rapid production boost cannot be expected.

- Risk of disease
- Environmental issues such as feces and urine handling
- Shortage of successors of farms

Decreases in hogs slaughtered are expected in the future.

A supply system to boost production backed up by the strength of the Nipponham Group (the sales capabilities of the food companies) is required to be established.

Plan to establish frameworks to boost production

→Targets after 3 years (Final year of the New Mid-term Plan Part 5)

Hogs;

Construction of new farms:

Number of hogs shipped: approximately 0.60 million hogs→approximately 0.68 million hogs

Number of hogs slaughtered: approximately 1.80 million hogs (our share is approximately 11%)→approximately 1.94 million hogs (107%)

Chickens;

New farms:

Number of chickens slaughtered: approximately 66 million chickens→approximately 72 million chickens

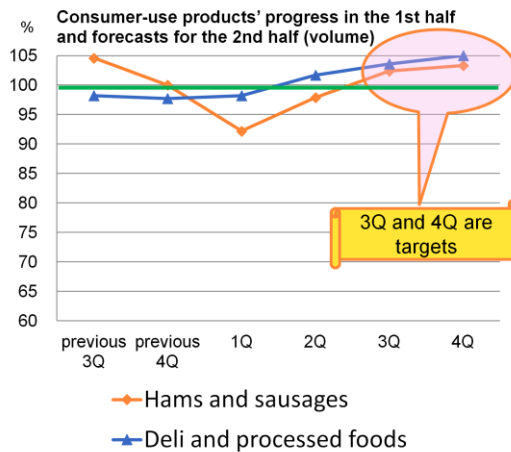
3. Progress in the New Medium-Term Management Plan Part 5

1. Continuous strengthening of profitability in domestic businesses

Processed Foods Business Division

[Paths to recovery in sales volume from the 2nd half–consumer-use products]

Strengthen the core brands



Initiatives for the 2nd half onwards

1) Revision of product specifications

- *Mori-no-Kaori*: 80g →90g *Entier*: 120g→140g



2) Strengthening sales promotions of major brands

- Television commercials and campaign of *SCHAU ESSEN*
- Aggressive proposals for the *Chuka Meisai* brand

3) Enhancement of product development using branded fresh meats

- Using *Sakurahime*→Chicken cutlet, meatball, etc.
- Using *Mugikomachi*→Strengthen raw ham lineup
- Using *Dolce Porco*→Yakibuta



Convey product values to consumers by product x promotion.

Continuous strengthening of profitability in domestic businesses cannot be achieved without the recovery in the Processed Foods Business.

I will first talk about the progress of consumer-use products in the Processed Foods Business.

In the Processed Foods Business, consumer-use products are on the recovery trend.

From the 2nd half onwards, the following measures will accelerate the recovery.

- Improvement of product values through “measures to revise product specifications”

Items with increased volume: *Mori-no-Kaori wieners*, *Entier*, *Winny*

- Strengthening sales promotion

We will strengthen promotion mainly for *SCHAU ESSEN* and *Chuka Meisai*.

- Launch of new products such as products made of branded fresh meats as ingredients.

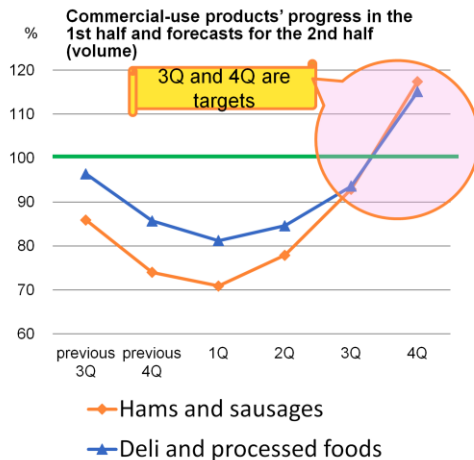
These are products using *Sakurahime*, domestically produced chicken, and branded pork.

3. Progress in the New Medium-Term Management Plan Part 5

1. Continuous strengthening of profitability in domestic businesses

Processed Foods Business Division

[Paths to recovery in sales volume from the 2nd half–commercial-use products]



Initiatives for the 2nd half onwards

1) Utilizing high-capacity lines

- Strengthening sales of pressed hams for CVS chain
- Expanding sales channels for frank, etc. by utilizing sales network of food companies



2) Product proposal using branded fresh meats

- Proposal of karaage (fried chicken) using *Sakurahime* for major restaurant chains
- Proposal of hamburg using *Omugi-Gyu* for major restaurants

3) Strengthening response to menus for the area

- Medium-sized bakery manufacturer
- Response to volume retailers in delicatessen areas

Recover in the 2nd half by utilizing high-capacity lines, detailed response and high value-added proposals.

The next is the commercial-use products in the Processed Foods Business Division.

At present, tough conditions are continuing for the commercial-use products in the Processed Foods Business Division.

From the 2nd half onwards, recovery will be aimed for by the following measures.

The 2nd half: We will create product proposals by utilizing high-capacity lines and integration.

- Utilizing high-capacity lines

Mainstay products for CVS will be enhanced and proposed to restaurant and Obento (lunch box) chains.

- Branded ingredients.

Proposals of dedicated menus for restaurants and high added value.

- Menus for the area

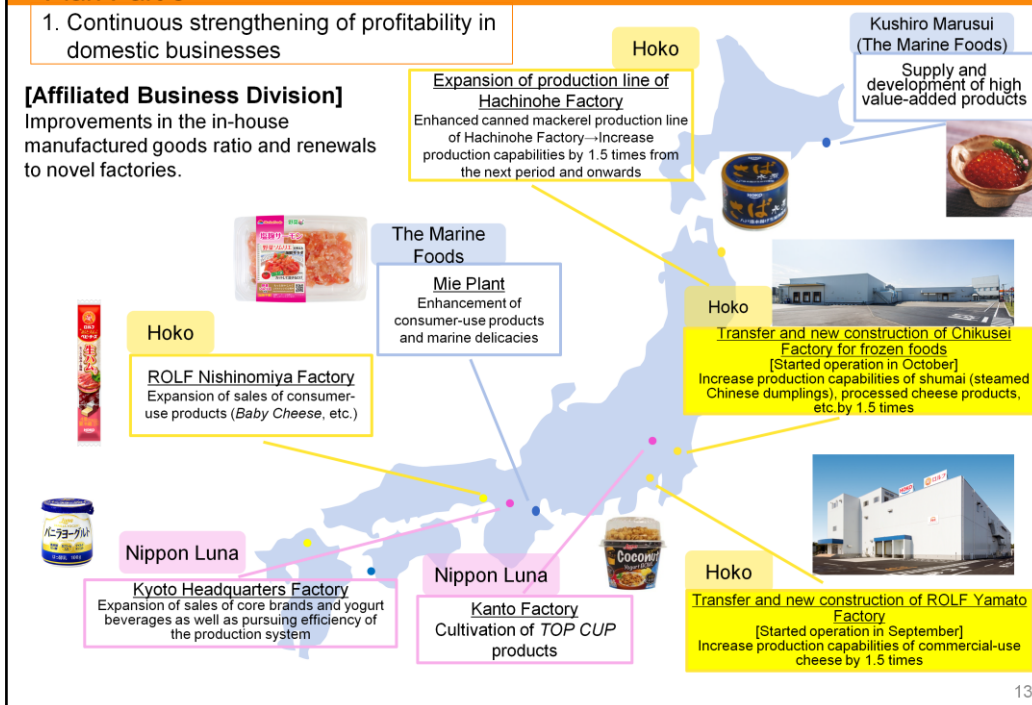
Proposals of unique menus for each area.

3. Progress in the New Medium-Term Management Plan Part 5

1. Continuous strengthening of profitability in domestic businesses

[Affiliated Business Division]

Improvements in the in-house manufactured goods ratio and renewals to novel factories.



For continuous strengthening of profitability in domestic businesses, the last is the Affiliated Business Division.

We will improve profitability by utilizing production bases of Hoko, The Marine Foods and Nippon Luna.

Hoko

This year, new factories were built successively in September and October.

For both commercial-use cheese of ROLF Yamato and Chikusei frozen foods, production capabilities were increased by 1.5 times.

At Hachinohe Factory, canned mackerel production line was enhanced and its production capabilities will be increased by 1.5 times from next year onwards.

The Marine Foods

Supply and development of high value-added products by effective utilization of the Hokkaido brand of Kushiro Marusui.

At Mie Plant, the factory utilization will be improved and the ratio of internal products including marine delicacies will be raised to increase income.

Nippon Luna

Kyoto Headquarters Factory → Expansion of sales mainly of *Vanilla Yogurt* and yogurt beverages.

Kanto Factory → Cultivation of *TOP CUP* products, which will become the next pillar after *Vanilla Yogurt*.

3. Progress in the New Medium-Term Management Plan Part 5

1. Continuous strengthening of profitability in domestic businesses

Cross-business type

[Processed Foods Business Division / Fresh Meats Business Division / Affiliated Business Division]

Share the strengths of each division to expand sales

Commercial-use Project

○Proposals using branded fresh meat
Processed Foods Business→Propose menus using *Dolce Porco* from Italy
Affiliated Business→Hoko uses *Dolce Porco* for commercial-use frozen foods (Shumai)



Example of dishes made of
Tonkatsu using *Dolce Porco*

○Utilization of sales network
Fresh Meats Business (food companies)
→Propose franks manufactured at the new building of Ibaraki Plant to barbecue restaurants through the sales network of food companies

○Sharing sales channels
Share sales channels in which each division has strength and aggressively propose Group products (Broad range of proposals including hams and sausages, processed foods, the utilization of fresh meat ingredients, marine products and dairy products)

Consumer-use Project

→Develop consumer-use products using branded fresh meats
(*Sakurahime*, domestically produced chicken, *Dolce Porco*, pork from Italy)
Processed Foods Business→hams and sausages, processed foods, etc.
Affiliated Business→Canned foods (Hoko), etc.



Bishoku-no-Teiban using
Dolce Porco

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A cross-business type projects of the Processed Foods Business Division, the Fresh Meats Business Division and the Affiliated Business Division are now in progress.

Two projects, for commercial-use products and for consumer-use products, are in progress.

• Commercial-use

From 3 perspectives

1) Ingredient utilization→Proposals mainly with *Dolce Porco* from Italy→Menu proposals advocating fresh meat brands.

2) Utilizing sales networks→We will utilize strong sales networks of food companies.

3) Sales channels→Each business division has strong sales channels.

Processed Foods Business Division→CVS and restaurants for family

Fresh Meats Business Division→barbeque restaurants and Gyudon (beef bowl) restaurant chains

Affiliated Business Division→school lunch

• Consumer-use

Focus on the development of consumer-use products using branded fresh meats.

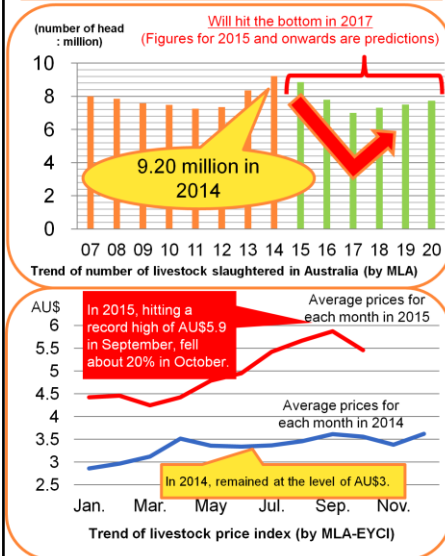
3. Progress in the New Medium-Term Management Plan Part 5

2. Expansion of overseas net sales at an early stage

Fresh Meats Business Division [Australian business]

Environment—Difficulty in collecting cattle livestock and high procurement costs

Under the conditions of difficulty in collecting cattle livestock and high prices of livestock, expanding the market share by maintaining the number of livestock slaughtered in Australia and improving efficiency are required.



- Countermeasure for collecting difficulties**
- Measures to secure the number of livestock and control procurement costs**
 - Utilize the pasture at Whyalla Feedlot and leased pastures (15,000 heads)
 - Consider enhancement of capability for rearing at Whyalla Feedlot (an increase of 3,000 heads)
 - Expand area for livestock procurement
- Improving efficiency**
- Cost cutting through efficiency**
 - Following the rebuilding of the freezer facilities of the factory of Wingham Beef Exports Pty. Ltd., cost cutting is expected to be achieved through logistics cost reduction and automation of product sorting. (Investment amount: approximately AU\$19 million, AU\$3.4 million to be annually reduced)
- Sales expansion**
- Strengthening export and internal sales in Australia**
 - Export: strengthen branded beef to achieve a business model invulnerable to market prices
 - Internal sales in Australia: strengthen sales mainly to volume retailers and restaurant chains
 - Enhanced cooperation with overseas bases of the Group and taking part in overseas exhibitions

Aiming for a business model with stable income

* The original data for the left graph was prepared based on the figures announced by Meat & Livestock Australia (MLA). EYCI is an abbreviation for Eastern Young Cattle Indicator, which refers to the price index for young cattle in Eastern Australia, and the amounts are per kilogram on a carcass weight basis.

Next I would like to explain Australian business for expansion of overseas net sales at an early stage.

Going forward, severe environments are expected in Australia.

According to MLA, the number of livestock slaughtered is expected to decline until 2017.

Although the number in 2014 exceeded 9.20 million heads, the highest level in the past 5 years, the number is expected to temporarily decrease to 7 million heads in 2017 and to recover later on.

Also, while the number of livestock slaughtered is decreasing, although prices of cattle livestock reached a record high in September, they have been declining since October. This is due to sluggish consumption in the United States but future conditions are difficult to predict.

In such circumstances, we will implement the following measures in order to secure stable income from Australian business.

• Countermeasure for collecting difficulties

> Securing the number of livestock and controlling procurement costs

At present, Whyalla Feedlot has 55,000 heads at full capacity.

Measures to secure the number of livestock and control procurement costs.

Cattle is released in a pasture when they are calves to grow up and then transferred to the feedlot.

⇒ Utilize the pasture at Whyalla Feedlot and leased pastures (15,000 heads of calves are released).

⇒ Consider enhancement of capability for rearing at Whyalla Feedlot (an increase of 3,000 heads).

> Expand area for cattle livestock procurement.

• Improving efficiency

> Explanations for the freezer facilities of the factory of Wingham Beef Exports Pty. Ltd.

Freezer facilities of the factory of Wingham Beef Exports Pty. Ltd., at a remote location are no longer to be used and are constructed in the factory site.

Also reduce costs mainly for personnel through automation of product sorting.

• Sales expansion

> Strengthening branded beef

Promote sales of branded beef such as *Angus Reserve*, *Omugi*, *Whyalleaf*, Japanese beef produced in Australia, *Hereford Reserve* of Wingham and *Manning Valley*, and move ahead further with offering product invulnerable to market prices.

Expand sales aggressively by taking part in overseas exhibitions.

3. Progress in the New Medium-Term Management Plan Part 5

2. Expansion of overseas net sales at an early stage

Fresh Meats Business Division [Ege-Tav (Turkey)]

Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi ("Ege-Tav"): Poultry integrator that was established in 1982 and holds 10% share of domestic sales of newborn chicks in Turkey. For sales destinations, Ege-Tav focuses on domestic sales in Turkey and also engages in export to the Middle East. Last year Ege-Tav entered the chicken meat processing business and joined the Nipponham Group in April 2015. It is based in Izmir area.

- Net sales TRY 214 million (JPY 10,681 million)

* Forecast for FY2015: Converted at TRY 1 = JPY 50

- Environment Although the avian influenza outbreak occurred in May, export has been restarted at present. Ege-Tav aims for sales channel expansion. While feed costs are expected to increase due to depreciation of Turkish Lira, Ege-Tav makes efforts for cost cutting by enhancing productivity.
- Future development
 - Boost sales of chicken in Turkey⇒Boost sales mainly to volume retailers
 - Strengthen in-house production of chicken
 - Number of chickens slaughtered is 10 million chickens per year at present→To a chicken slaughtering system of 27 million chickens per year in FY2017/3
(Present number of chicken slaughtered in Turkey is in a range of 1 billion chickens per year)
 - Conduct production of high-quality chicken making the most of the Nipponham Group's technological capabilities
 - Construct a new feed factory and breeding hen farm in 2016
(investment amount: approximately ¥2 billion)



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With regard to expansion of overseas net sales at an early stage, I would like to make explanations on Ege-Tav, which joined the Nipponham Group in April and is located in Turkey.

It engages in poultry farming business and also has started sales of chicken meat.

In the 1st half, environments continue to be severe due mainly to the outbreak of influenza in May and the fall of Turkish Lira.

Improvements in productivity will become required from now on.

3. Progress in the New Medium-Term Management Plan Part 5

3. Promotion of strategic branding

Exhibiting at Anuga 2015 World Food Fair

To secure a foothold in expanding overseas sales channels both for consumer-use and commercial-use products

Consumer-use products → **Proposals from 3 perspectives**

1) One cook style "Add+one Veggie"

- Considerable praise for its concept and product competitiveness
- Won "taste 15" award



2) Microwave cooking (*Rakuchin Cup*)

- Considerable praise from Singapore and other Asian countries



3) Allergy-safe food products (rice flour-based bread)

- Received inquiries for deals from the perspective of gluten-free
- Considerable praise from European countries and the United States for its texture and taste



The Nipponham Group's booth at the Anuga exhibition hall

Commercial-use products → **Proposals for fresh meats, marine products and processed foods**

- A large number of inquiries for deals from importers of various countries

We took part in the Anuga 2015 World Food Fair, held in Germany in October.

This was the consecutive participation following the previous fair held at SIAL in France.

Our mission for this time was to increase local net sales and to discover manufacturing partners mainly for processed consumer-use products.

We introduced our consumer-use products deployed in Japan.

Add+one Veggie refers to *Chuka Meisai* sold in Japan and was very well received.

It was chosen for taste15, which is awarded to innovative new products.

We will make this an opportunity to increase overseas net sales in the future.



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