


# Business Results

## for the Third Quarter of FY2016/3



February 3, 2016 (Wed.)  
NH Foods Ltd.

# Contents

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

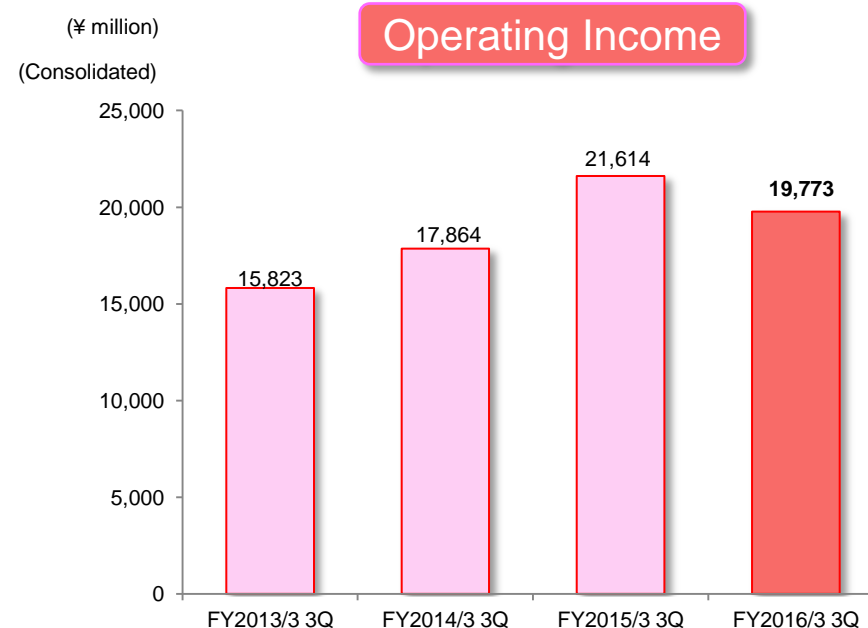
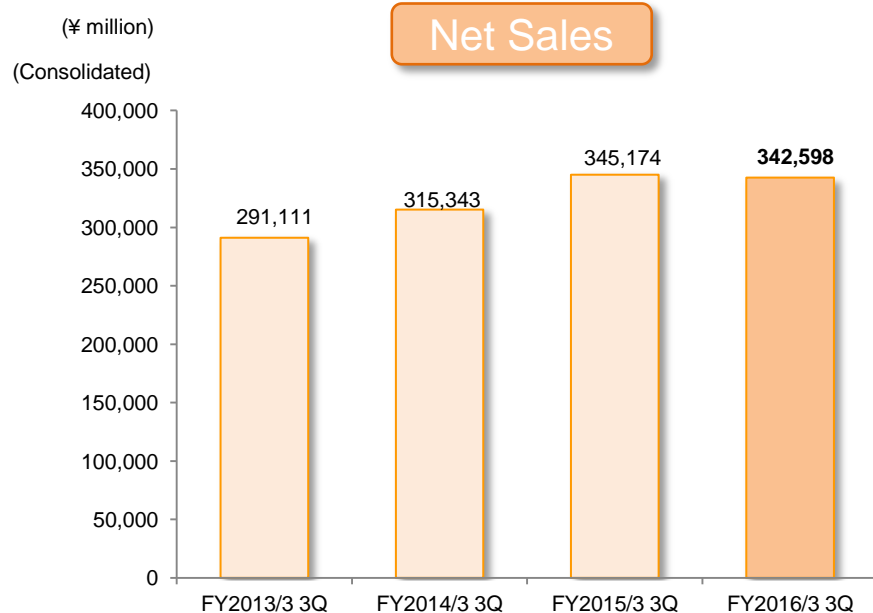
# **I. Consolidated Business Results for FY2016/3 3Q**

- 1. Operating Segment Data: 3Q (Oct.–Dec.)**
- 2. Operating Segment Data: 1Q–3Q (Apr.–Dec.)**
- 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: 3Q (Oct.–Dec.)

(¥ million)

		FY2013/3 3Q	FY2014/3 3Q	FY2015/3 3Q	FY2016/3 3Q	Variance	Variance (%)
Processed Foods Business Division	Net sales	99,366	101,627	103,797	<b>100,982</b>	(2,815)	(2.7)
	Operating income	6,369	5,555	3,493	<b>4,569</b>	1,076	30.8
Fresh Meats Business Division	Net sales	187,834	208,286	235,926	<b>237,221</b>	1,295	0.5
	Operating income	7,536	10,830	16,965	<b>13,367</b>	(3,598)	(21.2)
Affiliated Business Division	Net sales	41,180	44,170	46,977	<b>47,434</b>	457	1.0
	Operating income	1,266	1,268	936	<b>1,586</b>	650	69.4
Eliminations, adjustments and others	Net sales	(37,269)	(38,740)	(41,526)	<b>(43,039)</b>	(1,513)	-
	Operating income	652	211	220	<b>251</b>	31	-
Consolidated	Net sales	291,111	315,343	345,174	<b>342,598</b>	(2,576)	(0.7)
	Operating income	15,823	17,864	21,614	<b>19,773</b>	(1,841)	(8.5)



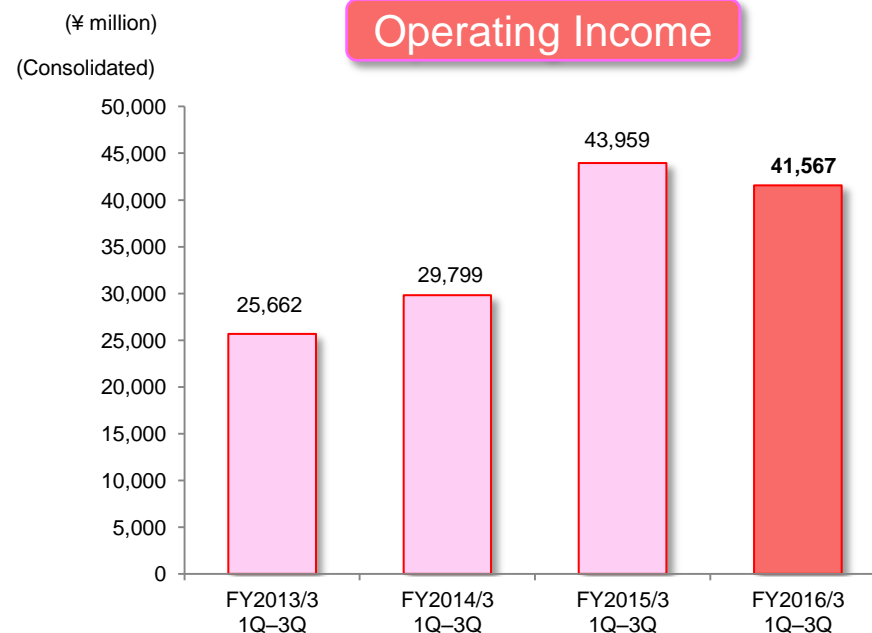
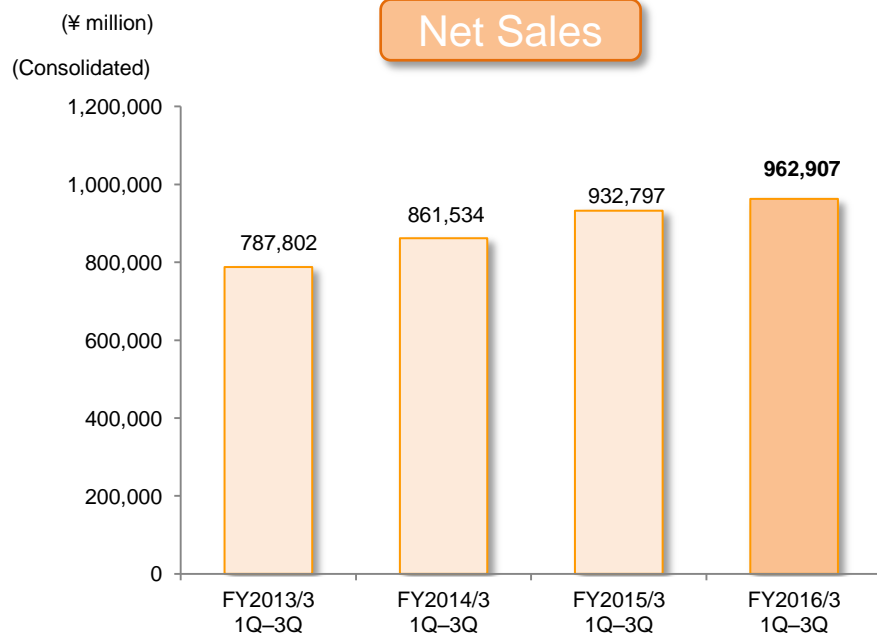
\* Net sales by operating segment and net sales (by category) on page 23 of this presentation do not necessarily correspond (due to intersegment transactions).

\* Net sales for each segment include intersegment sales.

## 2. Operating Segment Data: 1Q–3Q (Apr.–Dec.)

(¥ million)

		FY2013/3 1Q–3Q	FY2014/3 1Q–3Q	FY2015/3 1Q–3Q	<b>FY2016/3 1Q–3Q</b>	Variance	Variance (%)
Processed Foods Business Division	Net sales	263,613	273,221	281,564	<b>276,815</b>	(4,749)	(1.7)
	Operating income	9,921	7,299	4,995	<b>5,045</b>	50	1.0
Fresh Meats Business Division	Net sales	515,197	584,847	649,380	<b>683,539</b>	34,159	5.3
	Operating income	12,649	19,880	37,451	<b>34,279</b>	(3,172)	(8.5)
Affiliated Business Division	Net sales	108,223	114,924	121,802	<b>124,895</b>	3,093	2.5
	Operating income	1,755	1,438	871	<b>2,032</b>	1,161	133.3
Eliminations, adjustments and others	Net sales	(99,231)	(111,458)	(119,949)	<b>(122,342)</b>	(2,393)	-
	Operating income	1,337	1,182	642	<b>211</b>	(431)	-
Consolidated	Net sales	787,802	861,534	932,797	<b>962,907</b>	30,110	3.2
	Operating income	25,662	29,799	43,959	<b>41,567</b>	(2,392)	(5.4)



\* Net sales by operating segment and net sales (by category) on page 23 of this presentation do not necessarily correspond (due to intersegment transactions).

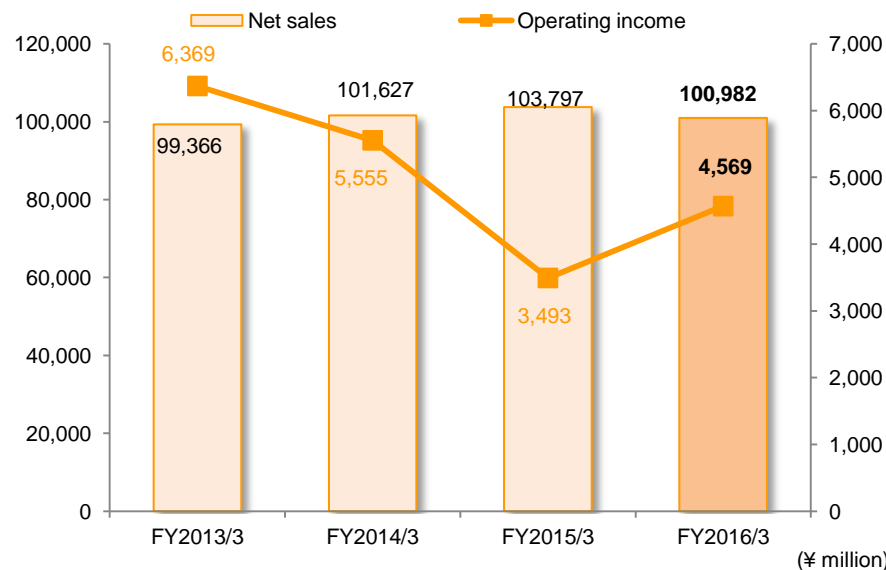
\* Net sales for each segment include intersegment sales.

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

#### 3Q Results (Oct.–Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



	FY2015/3 3Q	FY2016/3 3Q	Variance	Variance (%)
Net sales	103,797	100,982	(2,815)	(2.7)
Operating income	3,493	4,569	1,076	30.8
Operating income ratio	3.4%	4.5%	-	-

#### FY2016/3 3Q (Oct.–Dec.)

(Net sales)

- Revenues decreased due to the delayed recovery of commercial-use products, despite a recovery trend in consumer-use products of both hams and sausages and deli and processed foods.

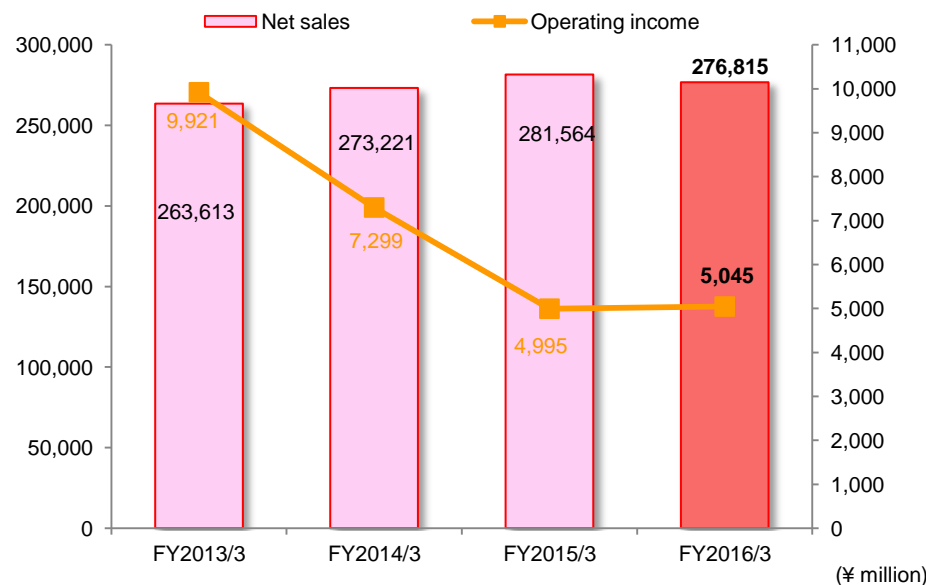
(Operating income)

- Operating income increased because effects of our continuous cost-cutting efforts progressed as forecast, and principal raw material prices progressed as expected.

#### 1Q–3Q Results (Apr.–Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



	FY2015/3 1Q–3Q	FY2016/3 1Q–3Q	Variance	Variance (%)
Net sales	281,564	276,815	(4,749)	(1.7)
Operating income	4,995	5,045	50	1.0
Operating income ratio	1.8%	1.8%	-	-

#### FY2016/3 1Q–3Q (Apr.–Dec.)

(Net sales)

- Revenues decreased because the recovery in sales volume of commercial-use products was delayed and could not cover the shortfall in the 1st half, despite a trend toward recovery in consumer-use products.

(Operating income)

- Operating income increased slightly due to the settling of raw material prices in the 2nd half in addition to progress in our cost-cutting efforts since the 1st half.

### 3. Operating Segment Data: Processed Foods Business Division (2)

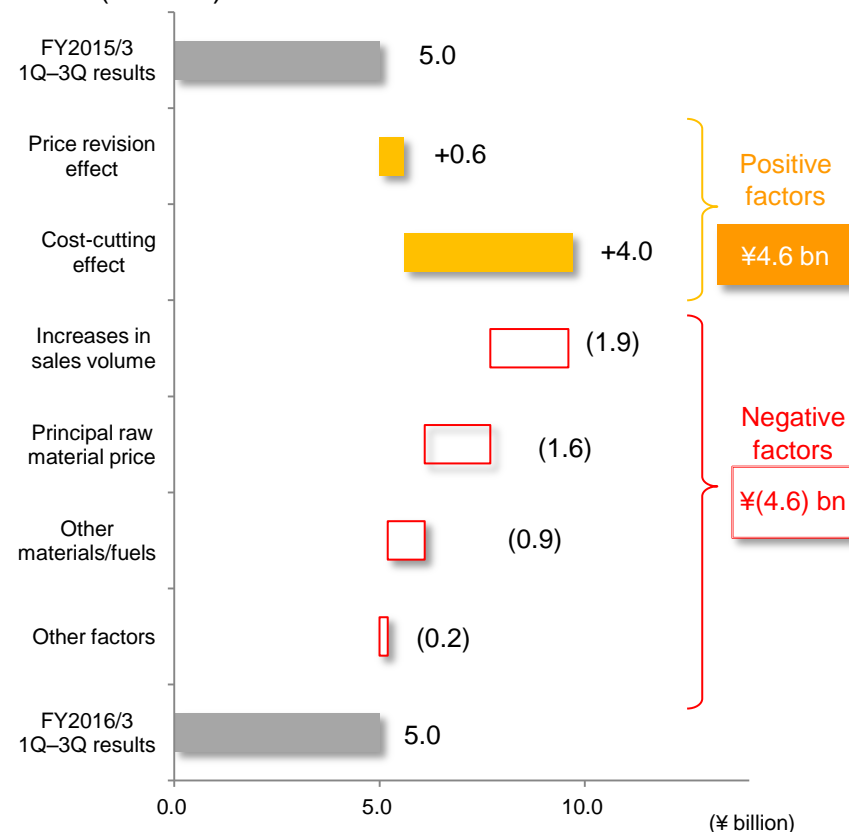
Factor Analysis: Changes in operating income

(¥ billion)

	FY2016/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Price revision effect	0.6	0.0	0.6	0.6	0.0
Cost-cutting effect	3.0	1.0	3.7	4.0	0.3
Increases in sales volume	(1.5)	(0.4)	(1.4)	(1.9)	(0.5)
Principal raw/other material prices	(2.9)	0.4	(2.4)	(2.5)	(0.1)
Principal raw material price	(2.1)	0.5	(1.6)	(1.6)	0.0
Other materials/fuels	(0.8)	(0.1)	(0.8)	(0.9)	(0.1)
Other factors	(0.2)	0.0	(0.2)	(0.2)	0.0
Total	(1.0)	1.0	0.3	0.0	(0.3)

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

Factor Analysis Graph: Changes in operating income results (1Q–3Q)



#### ● Forecasts Variation Factor Analysis (FY2016/3 1Q–3Q)

- The effects of our continuous cost-cutting efforts were greater than the forecast.
- Raw material prices stabilized in the 2nd half, and progressed almost as forecast.
- “Increase in sales volume” fell below the forecast due to the delayed recovery of sales volume in commercial-use products.

#### ● Year-end gift product sales results

(Unit: thousands)

- FY2016/3 results:  
year on year, unit basis: 87%
- “Utsukushi-no-Kuni” gifts:  
year on year, unit basis: 105%  
(Sales ratio at 22%)

		FY2015/3 results	FY2016/3 results	
		Units	Units	Variance
Year-end gift-giving season (results)	Overall unit sales	4,442	3,878	87%
	(Utsukushi-no-Kuni )	826	865	105%

\* The ham gift market overall had a tough time during the year-end gift-giving season.

#### ● Major brands sales results

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



Mori-no-Kaori  
coarse-ground wieners



Ishigama Kobo series  
croissant pizza  
margherita

Hams and sausages	FY2016/3 Results			Deli and processed foods	FY2016/3 Results		
	1st half	3Q	1Q–3Q		1st half	3Q	1Q–3Q
SCHAU ESSEN	104%	96%	101%	Ishigama Kobo	107%	100%	104%
Mori-no-Kaori coarse-ground wieners	107%	108%	107%	Chuka Meisai	100%	94%	98%
Hams	100%	100%	100%	Prefried	101%	111%	105%
Bacons	89%	74%	84%	Hamburg and meatball	99%	102%	100%
Yakibutas	92%	90%	92%	Curries	101%	126%	109%

#### ● Sales results by channel

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

##### 1) Consumer-use products

Although sales of both hams and sausages and deli and processed foods were on a recovery trend from 3Q, the recovery could not cover the shortfall in the 1st half and sales volume failed to reach last year's level.

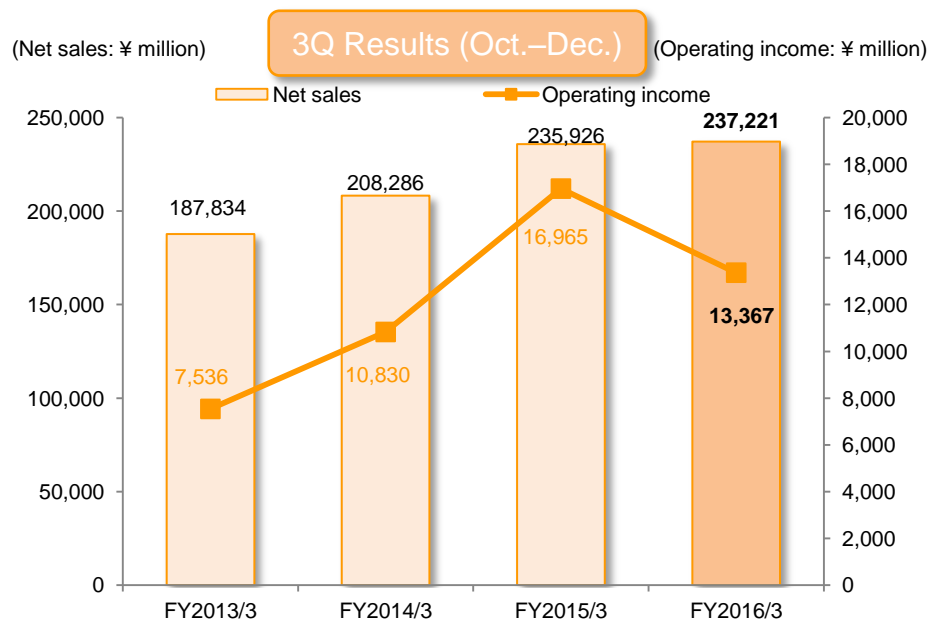
##### 2) Commercial-use products

Sales fell below those of last year due to the delayed introduction of major products.

		Volume	Amount
Hams and sausages	Consumer-use	94%	96%
	Commercial-use	78%	83%
	Total	89%	93%
Deli and processed foods	Consumer-use	100%	99%
	Commercial-use	85%	88%
	Total	92%	94%



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



(¥ million)

	FY2015/3 3Q	FY2016/3 3Q	Variance	Variance (%)
Net sales	235,926	237,221	1,295	0.5
Operating income	16,965	13,367	(3,598)	(21.2)
Operating income ratio	7.2%	5.6%	-	-

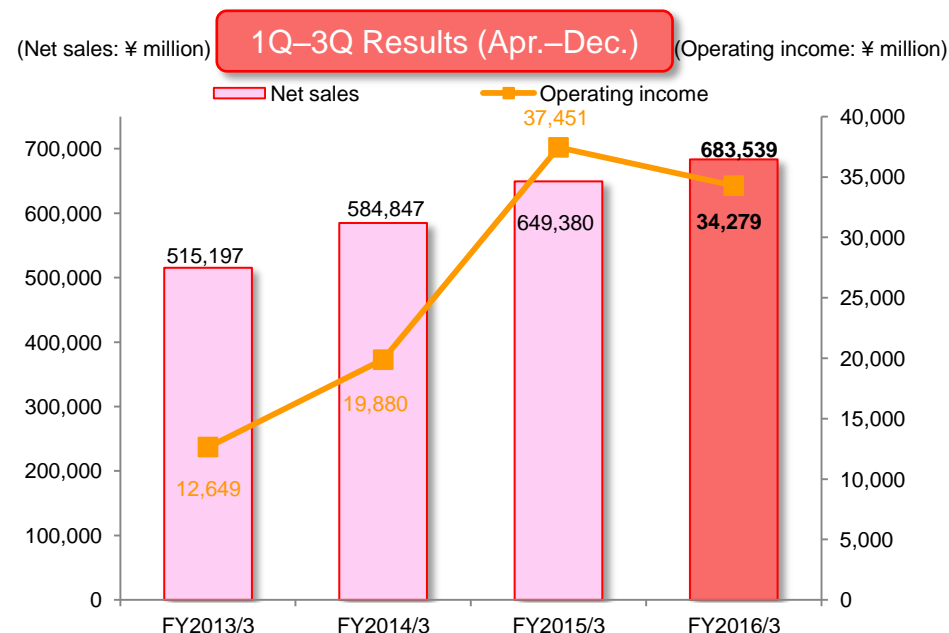
### FY2016/3 3Q (Oct.–Dec.)

#### (Net sales)

- Revenues grew due to higher prices for domestic beef and an increase in sales volume of domestic and imported chicken and other meats.

#### (Operating income)

- Operating income declined due to tough conditions in the Australian business and the hog-raising business in the U.S., despite an increase in operating income in the domestic chicken production business.



(¥ million)

	FY2015/3 1Q–3Q	FY2016/3 1Q–3Q	Variance	Variance (%)
Net sales	649,380	683,539	34,159	5.3
Operating income	37,451	34,279	(3,172)	(8.5)
Operating income ratio	5.8%	5.0%	-	-

### FY2016/3 1Q–3Q (Apr.–Dec.)

#### (Net sales)

- Revenues increased due to high levels of domestic beef prices, etc., since the beginning of the fiscal year as well as an increase in sales volume mainly for pork and chicken at food companies.

#### (Operating income)

- Operating income decreased due to dramatic changes in the business environment for the Australian business, despite strong performance in domestic operations.

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

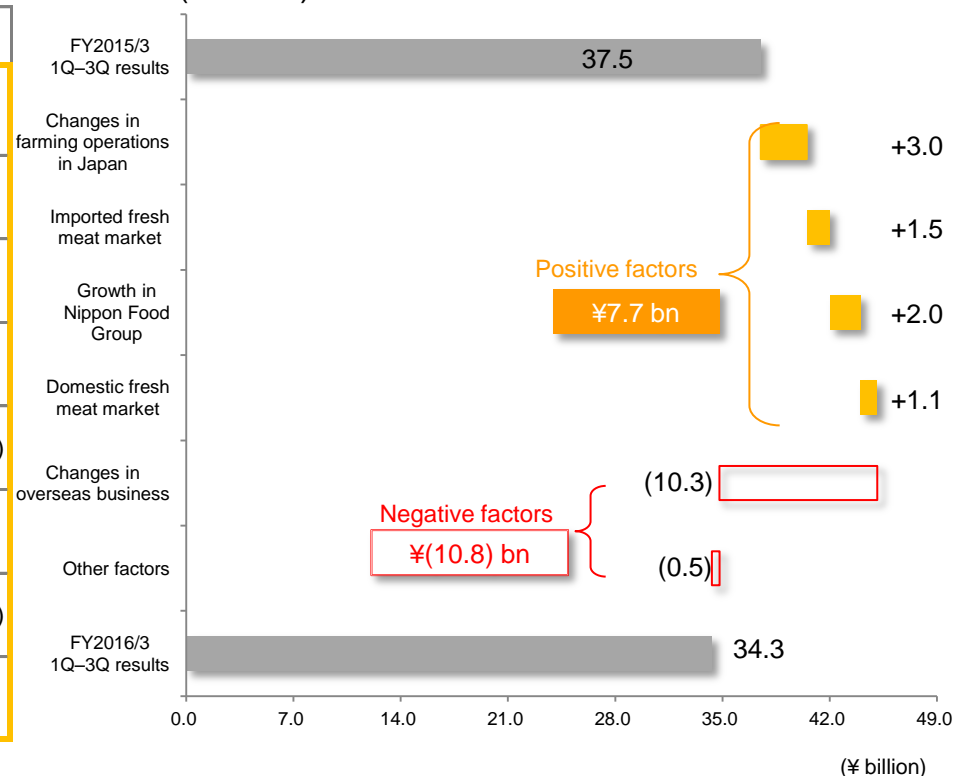
### Factor Analysis: Changes in operating income

(¥ billion)

	FY2016/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Changes in farming operations in Japan	2.4	0.6	2.2	3.0	0.8
Imported fresh meat market	0.8	0.7	0.4	1.5	1.1
Growth in Nippon Food Group	1.0	1.0	1.0	2.0	1.0
Changes in overseas business	(4.5)	(5.7)	(9.7)	(10.3)	(0.6)
Domestic fresh meat market	0.7	0.4	0.3	1.1	0.8
Other factors	0.1	(0.6)	(0.2)	(0.5)	(0.3)
Total	0.4	(3.6)	(6.0)	(3.2)	2.8

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

### Factor Analysis Graph: Changes in operating income results (1Q-3Q)



### ● Forecasts Variation Factor Analysis (FY2016/3 1Q-3Q)

#### [Changes in farming operations in Japan and growth in Nippon Food Group]

Operating income grew at farming operations in Japan and the Nippon Food Group due to stable high levels of domestic fresh meat prices in addition to an increase in sales volume mainly for pork and chicken.

#### [Changes in overseas business]

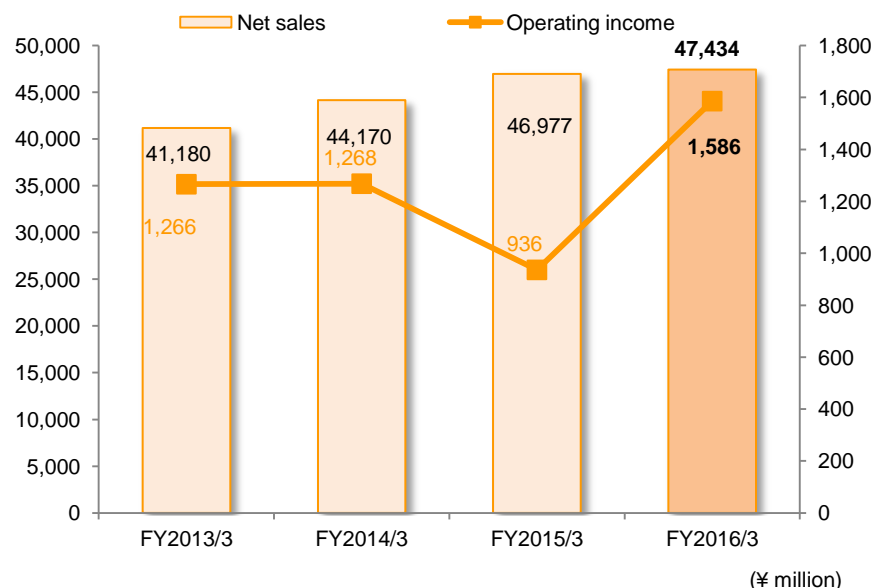
Operating income was below the forecast, reflecting changes in the environment of the Australian business from 2Q onwards and a slump in pork prices in the U.S. in the hog-raising business in the Americas.

# 5. Operating Segment Data: Affiliated Business Division

## 3Q Results (Oct.–Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



	FY2015/3 3Q	FY2016/3 3Q	Variance	Variance (%)
Net sales	46,977	47,434	457	1.0
Operating income	936	1,586	650	69.4
Operating income ratio	2.0%	3.3%	-	-

## FY2016/3 3Q (Oct.–Dec.)

(Net sales)

- In marine products, revenues increased due to sales growth through volume retail channels of mainstay shrimp and squid products and proprietary products, despite sluggish sales volume in the year-end sales campaign due to soaring crab prices.
- In dairy products, revenues increased due to sales growth through volume retail and CVS channels mainly for the mainstay *Vanilla Yogurt*.

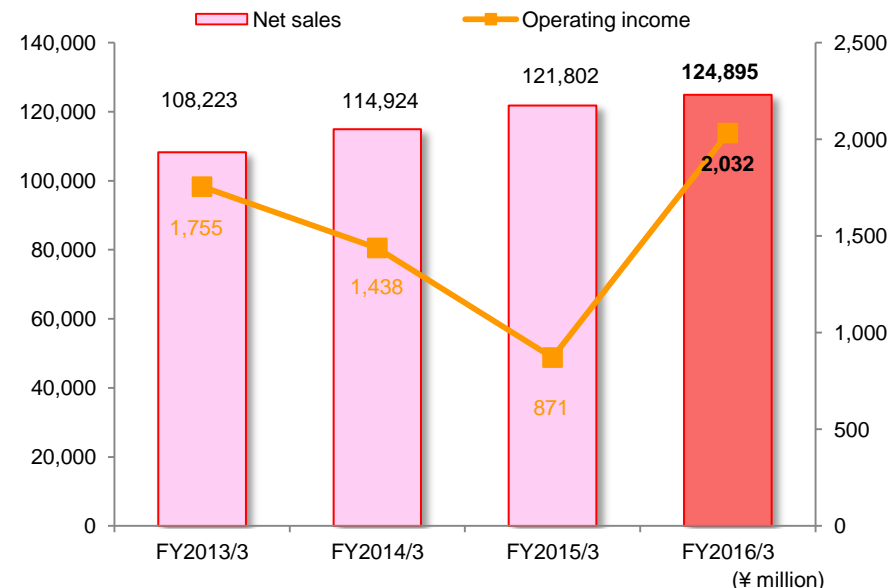
(Operating income)

- Operating income increased due to growth in sales volume of both marine products and dairy products.

## 1Q–3Q Results (Apr.–Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



	FY2015/3 1Q–3Q	FY2016/3 1Q–3Q	Variance	Variance (%)
Net sales	121,802	124,895	3,093	2.5
Operating income	871	2,032	1,161	133.3
Operating income ratio	0.7%	1.6%	-	-

## FY2016/3 1Q–3Q (Apr.–Dec.)

(Net sales)

- Revenues increased due to sales growth through volume retail channels for both marine products and dairy products.

(Operating income)

- In marine products, operating income increased due to the improvement in the profit margin resulting from implementation of price revisions in addition to growth in sales of proprietary products.
- In dairy products, operating income increased due to growth in sales and stabilization of raw material prices.

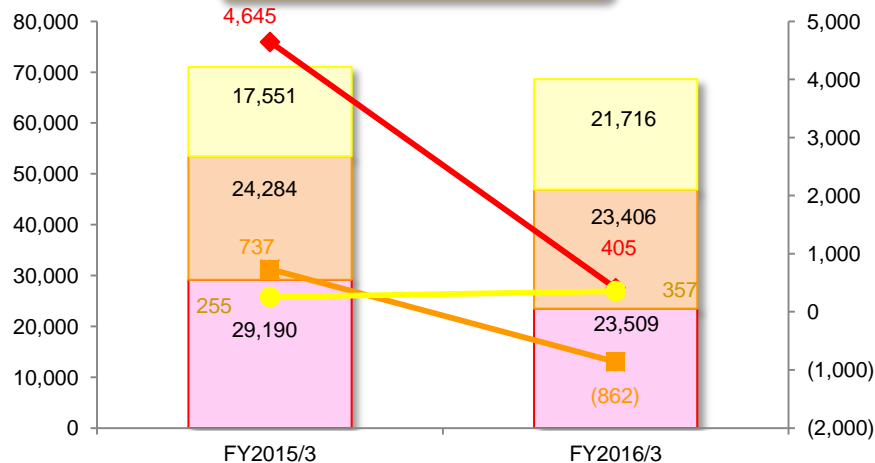
## 6. Business Results in Major Overseas Geographical Areas

- 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)

3Q Results (Oct.–Dec.)

(Operating income: ¥ million)



■ Australia: Net sales  
■ Other regions: Net sales  
■ Americas: Operating income  
■ Americas: Net sales  
■ Australia: Operating income  
■ Other regions: Operating income

		FY2015/3 3Q	FY2016/3 3Q	Variance	Variance (%)
Overseas total	Net sales	68,328	66,764	(1,564)	(2.3)
	Operating income	5,560	13	(5,547)	(99.8)
Australia	Net sales	29,190	23,509	(5,681)	(19.5)
	Operating income	4,645	405	(4,240)	(91.3)
Americas	Net sales	24,284	23,406	(878)	(3.6)
	Operating income	737	(862)	(1,599)	-
Other regions	Net sales	17,551	21,716	4,165	23.7
	Operating income	255	357	102	40.0

### FY2016/3 3Q (Oct.–Dec.)

(Australia)

- Operating income decreased due to rising procurement costs (cattle price) and falling sales prices mainly for the U.S.

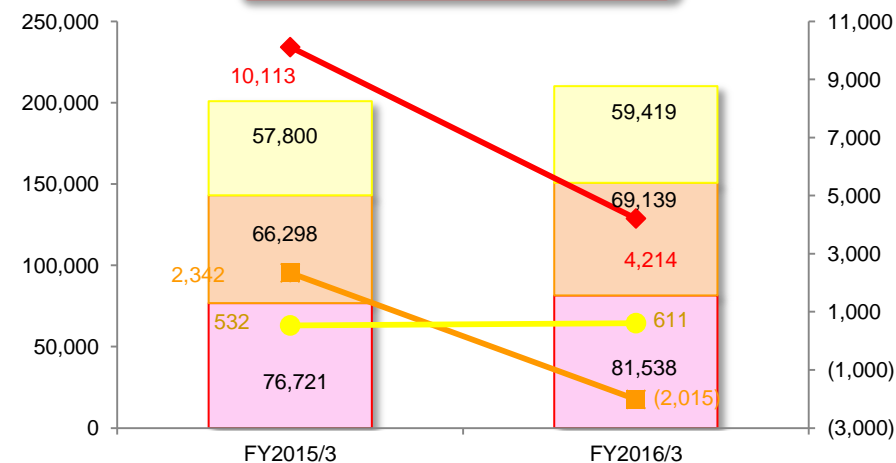
(Americas)

- Operating income decreased due to falling pork prices in the U.S. hog-raising business owing to recovery in the number of hogs produced in the U.S.

(Net sales: ¥ million)

1Q–3Q Results (Apr.–Dec.)

(Operating income: ¥ million)



■ Australia: Net sales  
■ Other regions: Net sales  
■ Americas: Operating income  
■ Americas: Net sales  
■ Australia: Operating income  
■ Other regions: Operating income

		FY2015/3 1Q–3Q	FY2016/3 1Q–3Q	Variance	Variance (%)
Overseas total	Net sales	194,697	202,889	8,192	4.2
	Operating income	12,755	2,978	(9,777)	(76.7)
Australia	Net sales	76,721	81,538	4,817	6.3
	Operating income	10,113	4,214	(5,899)	(58.3)
Americas	Net sales	66,298	69,139	2,841	4.3
	Operating income	2,342	(2,015)	(4,357)	-
Other regions	Net sales	57,800	59,419	1,619	2.8
	Operating income	532	611	79	14.8

### FY2016/3 1Q–3Q (Apr.–Dec.)

(Australia)

- Deterioration of the environment from 2Q onwards has led to conditions in which it is difficult to make a profit.

(Americas)

- Although sales were favorable within the U.S., conditions were tough due to deteriorating profitability in the hog-raising business.

(Other regions)

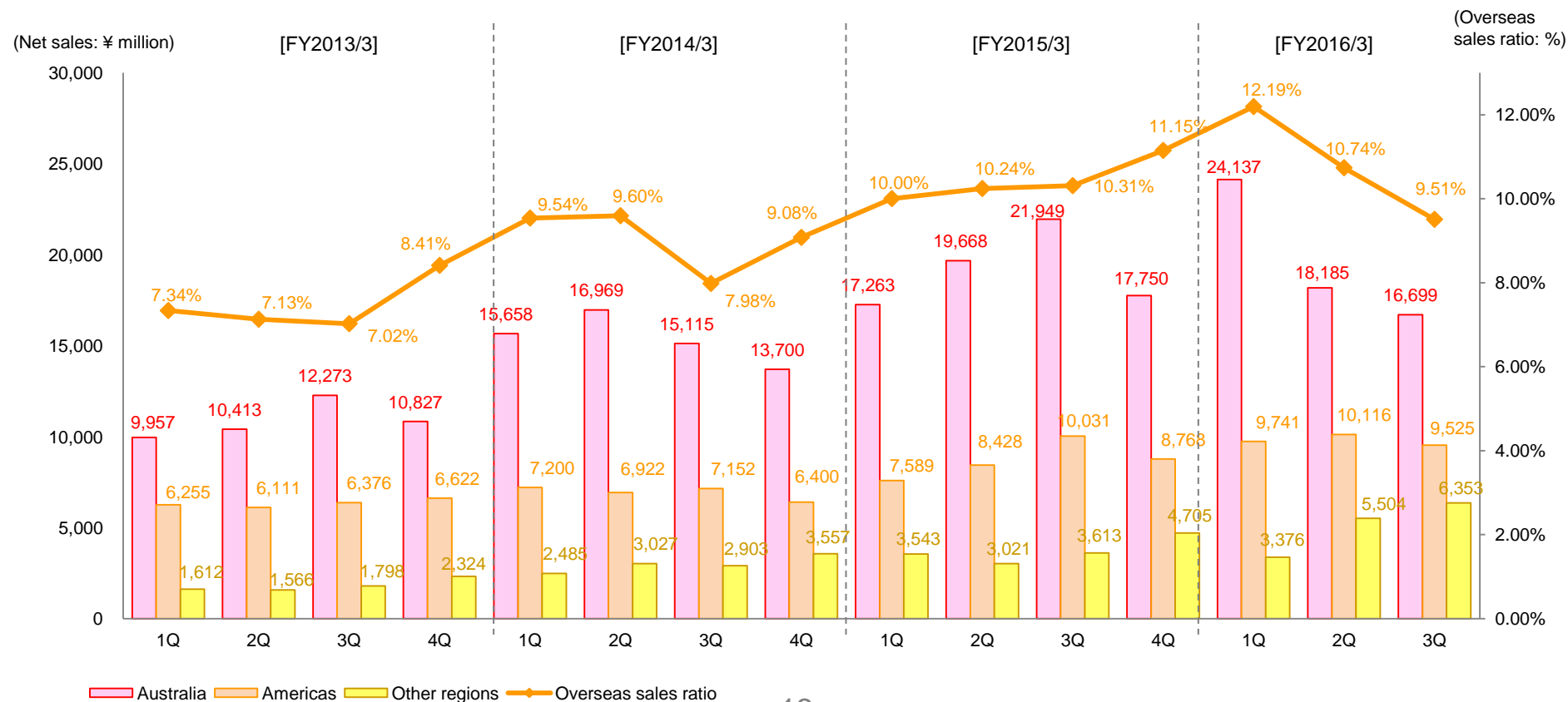
- Operating income increased as Asia and Europe both performed strongly on the profit front.

## 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	3Q
Australia	43,470	61,442	17,263	19,668	21,949	17,750	76,630	24,137	18,185	16,699
Americas	25,364	27,674	7,589	8,428	10,031	8,768	34,816	9,741	10,116	9,525
Other regions	7,300	11,972	3,543	3,021	3,613	4,705	14,882	3,376	5,504	6,353
Overseas total	76,134	101,088	28,395	31,117	35,593	31,223	126,328	37,254	33,805	32,577
Overseas sales ratio	7.44%	9.01%	10.00%	10.24%	10.31%	11.15%	10.42%	12.19%	10.74%	9.51%

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

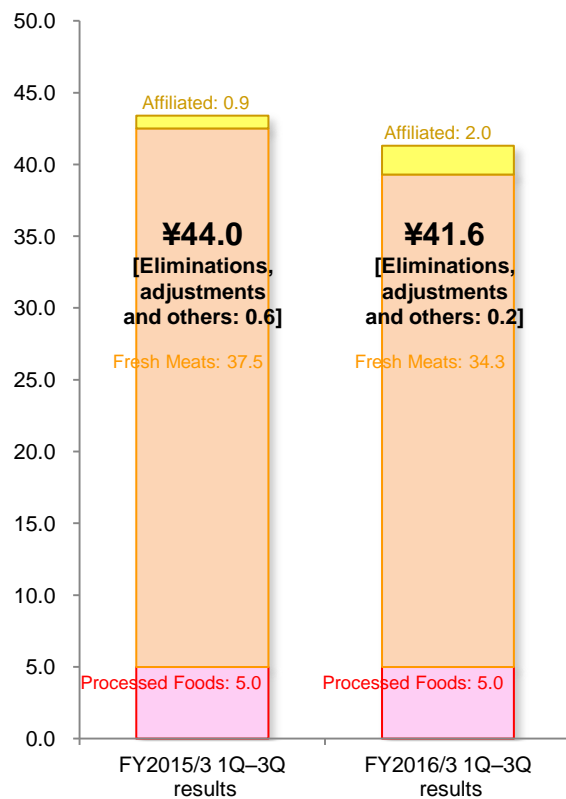


## **II. Outlook for FY2016/3**

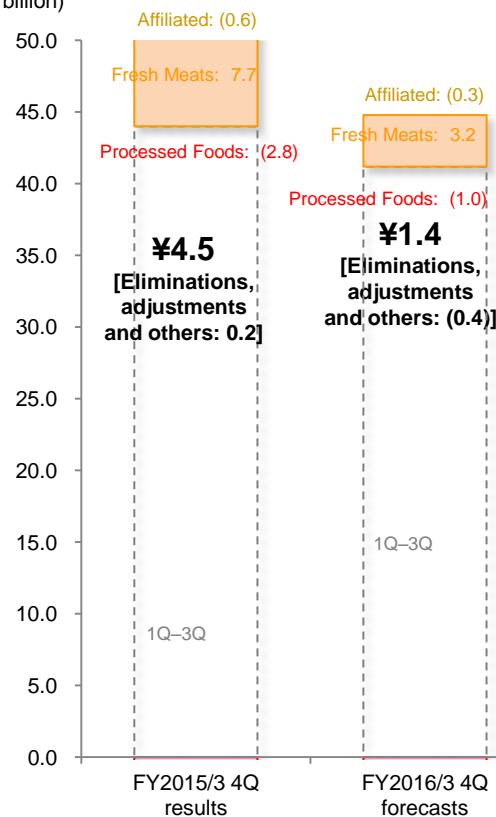
- 1. FY2016/3 Operating Income Forecasts**
- 2. Processed Foods Business Division: Outlook**
- 3. Fresh Meats Business Division: Outlook**
- 4. Affiliated Business Division: Outlook**

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

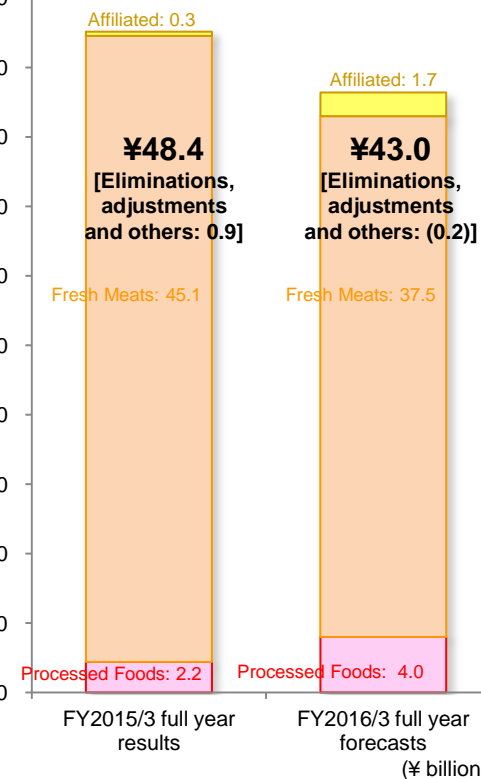
(¥ billion)



(¥ billion)



(¥ billion)



	FY2016/3 1Q-3Q results			FY2016/3 4Q forecasts			FY2016/3 full year forecasts		
	FY2015/3 1Q-3Q results		Variance	FY2015/3 4Q results		Variance	FY2015/3 full year results		Variance
Processed Foods Business Division	5.0	<b>5.0</b>	0.0	(2.8)	<b>(1.0)</b>	1.8	2.2	<b>4.0</b>	1.8
Fresh Meats Business Division	37.5	<b>34.3</b>	(3.2)	7.7	<b>3.2</b>	(4.5)	45.1	<b>37.5</b>	(7.6)
Affiliated Business Division	0.9	<b>2.0</b>	1.1	(0.6)	<b>(0.3)</b>	0.3	0.3	<b>1.7</b>	1.4
Eliminations, adjustments and others	0.6	<b>0.2</b>	(0.4)	0.2	<b>(0.4)</b>	(0.6)	0.9	<b>(0.2)</b>	(1.1)
Total	44.0	<b>41.6</b>	(2.4)	4.5	<b>1.4</b>	(3.1)	48.4	<b>43.0</b>	(5.4)

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

## Variance from the forecasts revised at 2Q

\* Forecasts for 4Q, 2nd half, and full year are the forecasts revised after the 3rd quarter.  
(¥ billion)

	FY2016/3 1Q–3Q results			FY2016/3 4Q forecasts			FY2016/3 2nd half forecasts			FY2016/3 full year forecasts		
	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance
Processed Foods Business Division	5.3	<b>5.0</b>	(0.3)	(1.3)	<b>(1.0)</b>	0.3	3.5	<b>3.5</b>	0.0	4.0	<b>4.0</b>	0.0
Fresh Meats Business Division	31.5	<b>34.3</b>	2.8	6.0	<b>3.2</b>	(2.8)	16.6	<b>16.6</b>	0.0	37.5	<b>37.5</b>	0.0
Affiliated Business Division	1.8	<b>2.0</b>	0.2	(0.1)	<b>(0.3)</b>	(0.2)	1.3	<b>1.3</b>	0.0	1.7	<b>1.7</b>	0.0
Eliminations, adjustments and others	(0.2)	<b>0.2</b>	0.4	0.0	<b>(0.4)</b>	(0.4)	(0.2)	<b>(0.2)</b>	0.0	(0.2)	<b>(0.2)</b>	0.0
Total	38.4	<b>41.6</b>	3.2	4.6	<b>1.4</b>	(3.2)	21.2	<b>21.2</b>	0.0	43.0	<b>43.0</b>	0.0

\* Due to rounding, item tallies in each division may not match totals. In this case, item tallies in each division are adjusted in "Eliminations, adjustment and others" to much totals.

## Factor Analysis: Changes in operating income

(¥ billion)

(¥ billion)

Processed Foods Business Division	Variance from the forecasts revised at 2Q					
	4Q		2nd half		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	0.9	(0.1)	1.9	0.2	4.9	0.2
Increases in sales volume	0.3	(0.1)	(0.1)	(0.6)	(1.6)	(0.6)
Principal raw/other material prices	0.5	0.2	0.9	0.1	(2.0)	0.1
Principal raw material price	0.6	0.2	1.1	0.1	(1.0)	0.1
Other materials/fuels	(0.1)	0.0	(0.2)	0.0	(1.0)	0.0
Other factors	0.1	0.3	0.1	0.3	(0.1)	0.3
Total	1.8	0.3	2.8	0.0	1.8	0.0

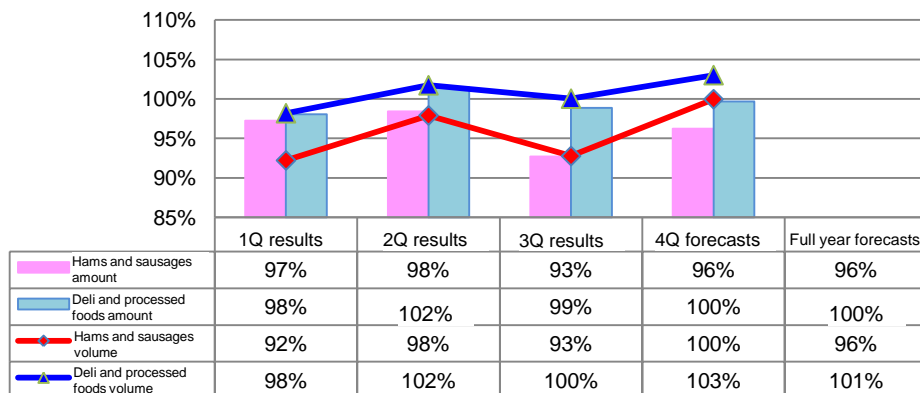
Fresh Meats Business Division	Variance from the forecasts revised at 2Q					
	4Q		2nd half		Full year	
	Forecasts	Variance	Forecasts	Variance	Forecasts	Variance
Changes in farming operations in Japan	(1.3)	(0.8)	(0.7)	0.0	1.7	0.0
Imported fresh meat market	(0.4)	(0.7)	0.2	0.4	1.0	0.4
Changes in overseas business	(1.5)	(1.1)	(7.2)	(1.7)	(11.7)	(1.7)
Growth in Nippon Food Group	(0.4)	(0.1)	0.6	0.9	1.6	0.9
Domestic fresh meat market	(0.3)	0.0	0.1	0.8	0.8	0.8
Other factors	(0.4)	(0.1)	(1.1)	(0.4)	(1.0)	(0.4)
Total	(4.4)	(2.8)	(8.0)	0.0	(7.6)	0.0

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



## 2. Processed Foods Business Division: Outlook

FY2016/3 year-on-year sales comparison of consumer-use products and forecasts



FY2016/3 year-on-year comparison of full year sales forecasts for major products

Hams and sausages	FY2016/3 full year forecasts	Deli and processed foods	FY2016/3 full year forecasts
<i>SCHAU ESSEN</i>	101%	<i>Ishigama Kobo</i>	104%
<i>Mori-no-Kaori coarse-ground wieners</i>	112%	<i>Chuka Meisai</i>	99%
Hams	103%	Prefried	105%
Bacons	108%	Hamburg and meatball	101%
Yakibutas	93%	Curries	111%
Total	96%	Total	100%

### ● Measures to expand sales of consumer-use products

#### 1) Sales expansion through accelerated launch of new products

- Boost sales of highly anticipated products such as *Sakurahime large deep-fried chicken pieces* and *Sukoyaka Sangen Pork coarse-ground long wieners* by launching sales earlier than in other years.

#### 2) Making product proposals that utilize the Nipponham Group's brand assets

- Make proposals for high value-added products using branded fresh meats, such as *Sakurahime* and *Mugikomachi*, that are the Group's assets.

#### 3) Strengthening of core brands and cultivation of new categories

- Carry out further sales expansion, lineup enhancement, and brush-up for core brands such as *SCHAU ESSEN*, *Ishigama Kobo*, and *Chuka Meisai*.
- Cultivate new categories by introducing products that pursue simplicity, such as the *Microwave Cooking Revolution* in which vegetables can be simply added to the bag and cooked in the microwave.



Sakurahime large deep-fried chicken pieces



Sukoyaka Sangen Pork coarse-ground long wieners



Bacons made from Dolce Porco, slowly fattened Italian hogs



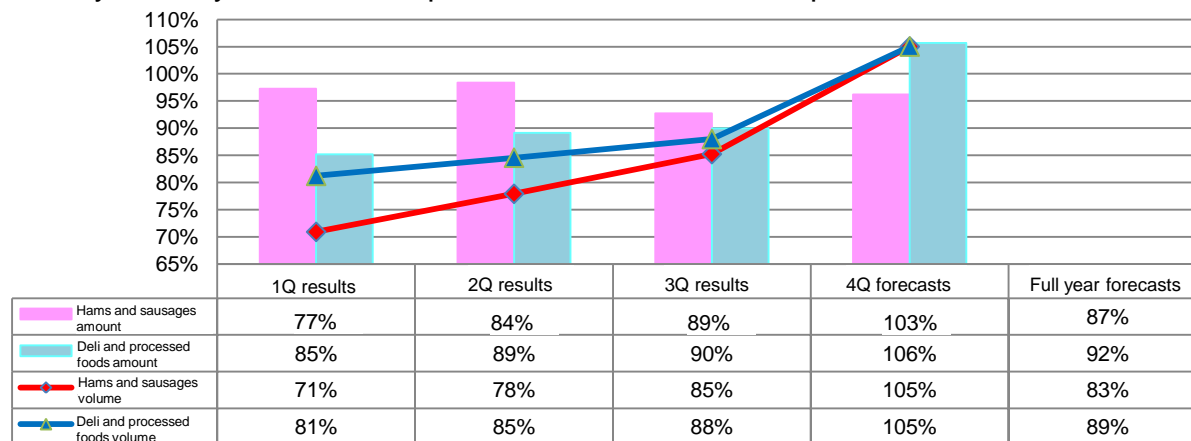
Mugikomachi ripened and cured hams



Microwave Cooking Revolution rich tomato stew

## 2. Processed Foods Business Division: Outlook

FY 2016/3 year-on-year sales comparison of commercial-use products and forecasts



### ● Measures to expand sales of commercial-use products

#### 1) Sales expansion of new products

- Boost sales by making menu proposals with new products such as *Tokuatsu Cutlets* that were well rated in individual business negotiations.



#### 2) Product proposals using branded fresh meats

- Make proposals for high value-added products using the Group's branded fresh meats, such as *Dolce Porco*, *Omugi-Gyu*, *Sukoyaka Sangen Pork*, in standard products such as minced cutlets, wieners, and yakibuta.



#### 3) Product proposals to solve customers' issues

- Expand sales volume by proposing new products that solve problems related to the distinct features of customers' operations and assembly lines, such as deep-fried chicken that only needs defrosting, and sheet ham for bread-making factories.

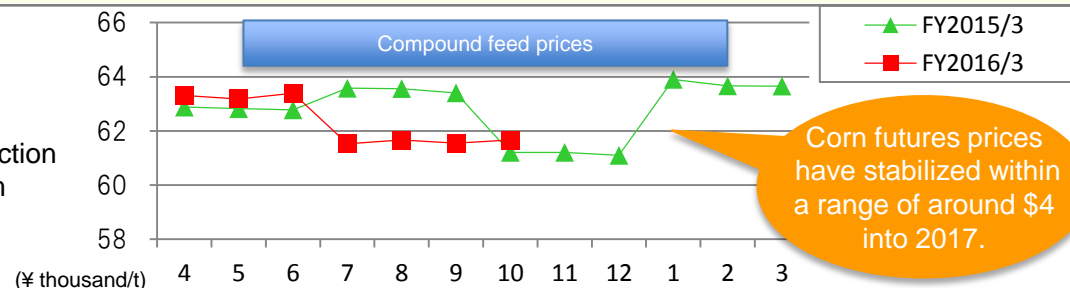


# 3. Fresh Meats Business Division: Outlook

## ● Production businesses in Japan

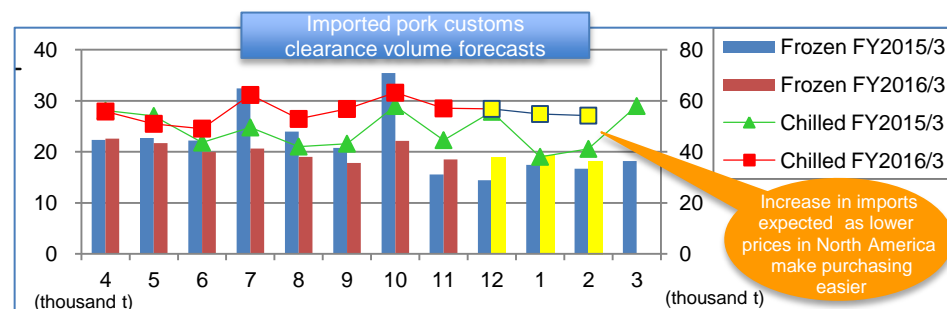
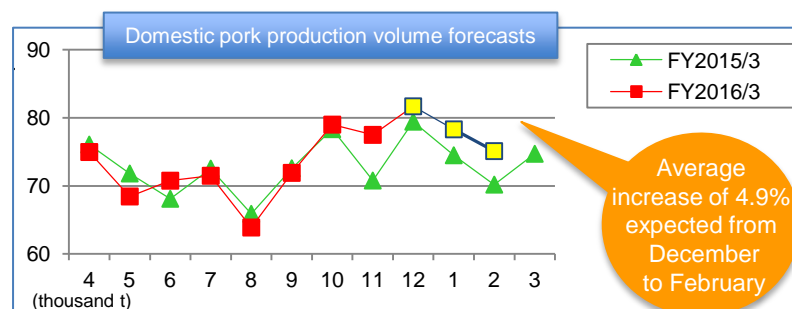
### 1) Feed prices

- Grain prices weakened slightly due to stabilized production volume and a trend toward a stronger yen, despite firm global demand.

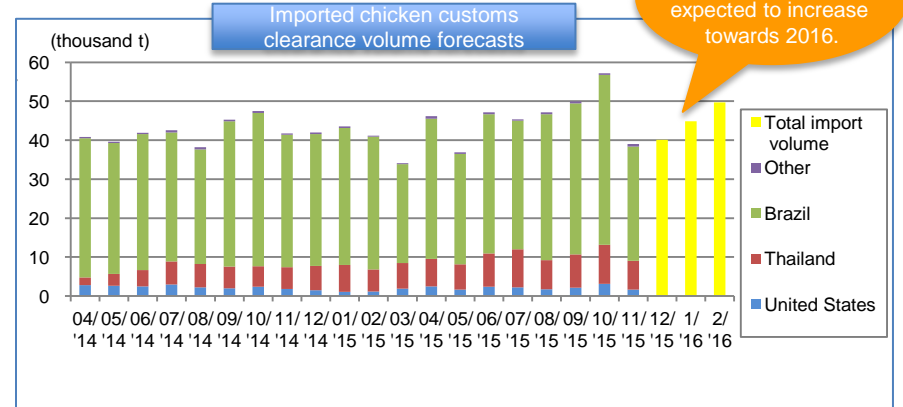
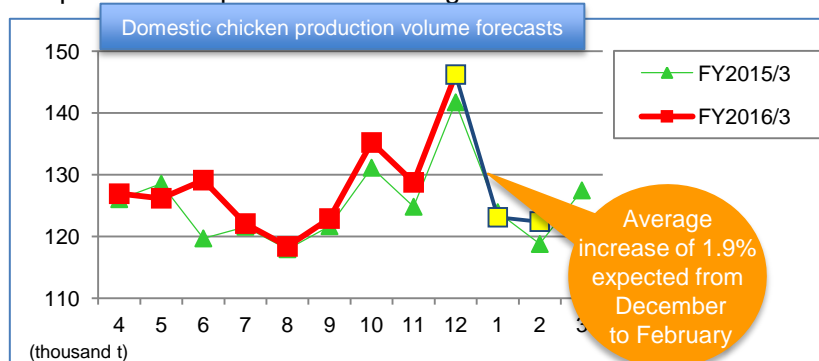


### 2) Domestic farm businesses

- Pork prices are expected to settle at the level of two years ago, as the impact of PED abates, the number of hogs produced recovers, and import volume increases.



- In chicken prices, breast meat prices are expected to weaken due to an increase in import volume, while thigh meat prices are expected to be strong.



\*All figures for Dec. 2015 – Jan. and Feb. 2016 are estimates.

Graph materials source: Agriculture & Livestock Industries Corporation

# 3. Fresh Meats Business Division: Outlook

## ● Overseas businesses

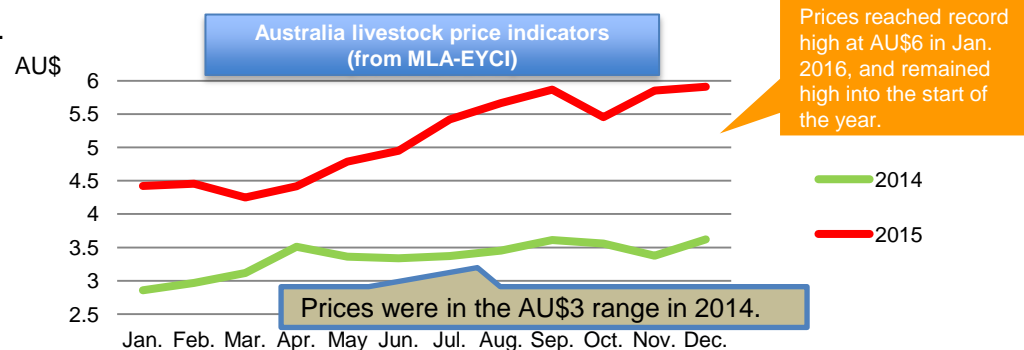
1) **Australia:** Secure number of fattening cattle and use overseas Group bases to expand sales of grain-fed branded beef and improve the profit margin.

Beef procurement costs remain at high levels.

Reference: FY2016/3 1Q–3Q Australian business sales results

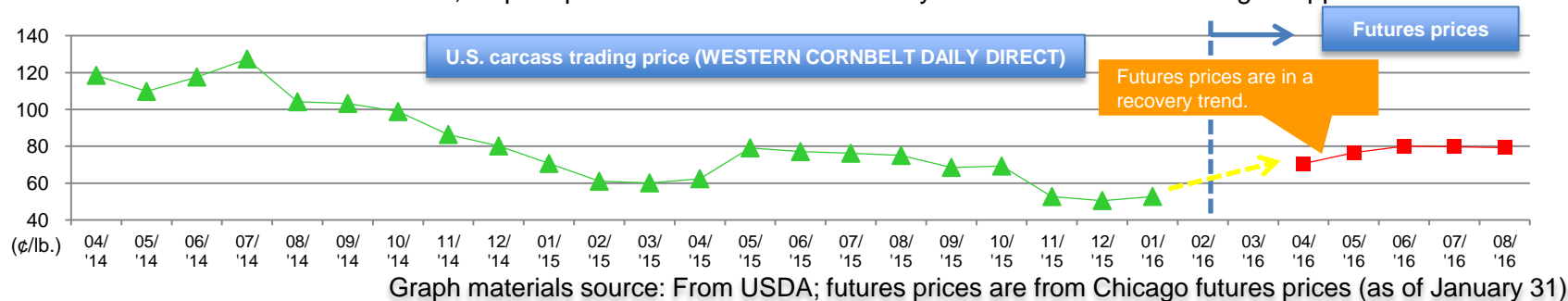
Major countries for sales	Volume (ratio breakdown)	Volume (variance year on year)
Japan	22%	112%
United States	27%	111%
South Korea	11%	104%
China	7%	119%
Taiwan	4%	88%
Australia	12%	61%
Others*	16%	136%
<b>Total</b>	<b>100%</b>	<b>102%</b>

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



\*Prepared on the basis of data published by Meat & Livestock Australia.

2) **Americas:** Conditions continue to be harsh, as pork prices weaken due to recovery in the number of local hogs shipped.



## ● Domestic and imported fresh meat sales (Nippon Food Group)

- Further expand sales of branded fresh meats through collaboration across the Group.
- In Nippon Food Group, continue to strengthen marketing through proposal-based marketing to restaurant channels that are seeing double-digit growth.



## 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 menus, mainly of sushi toppings.
- Hold “Hokkaido fairs” through Kushiro Marusui Co., Ltd. and strengthen sales promotion in retail stores.

#### (Hoko)

- Continue to expand sales for canned mackerel, while strengthening sales of retort pouch and bottled products.



Marine Foods Corporation  
“Sea salad”



Hoko Co., Ltd.  
“Canned mackerel”

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

#### (Cheese)

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

#### (Yogurt)

- Boost sales using TV commercials and other promotions.
- Expand sales by strengthened sales promotions of TOP CUP, etc.



“TOP CUP” series  
Green-yogurt Bowl



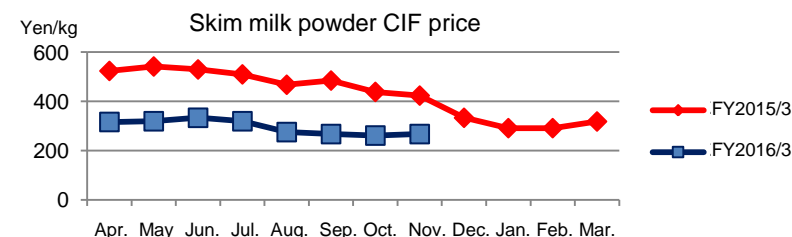
Nippon Luna, Inc.  
“Vanilla Yogurt” series  
Cherry, Sato Nishiki



Hoko Co., Ltd.  
ROLF Baby Cheese  
for Adults

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

- Prices for cheese and yogurt ingredients are stabilized compared to last year.



Source: Agriculture & Livestock Industries Corporation

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

- 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**



# 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	1Q-3Q results	Variance	Full year results	Variance	1st half results	Variance	1Q-3Q results	Variance	Full year forecasts	Variance
Net Sales	587,623	7.6	932,797	8.3	1,212,802	8.1	620,309	5.6	962,907	3.2	1,260,000	3.9
Hams and sausages	73,608	9.2	119,776	6.4	150,103	4.6	69,972	(4.9)	112,563	(6.0)	142,300	(5.2)
Processed foods	105,285	2.5	162,439	2.6	212,413	2.1	107,799	2.4	168,118	3.5	223,100	5.0
Fresh meats	332,163	9.2	526,123	11.2	691,072	11.6	363,854	9.5	556,371	5.7	729,100	5.5
Beef	133,108	5.9	213,386	9.9	277,673	11.3	149,389	12.2	228,152	6.9	294,300	6.0
Pork	116,964	9.1	182,803	10.4	240,660	10.2	116,858	(0.1)	177,934	(2.7)	236,400	(1.8)
Chicken	69,845	14.6	110,488	12.9	147,203	12.0	84,892	21.5	131,422	18.9	173,300	17.7
Other fresh meats	12,246	20.5	19,446	25.8	25,536	27.2	12,715	3.8	18,863	(3.0)	25,100	(1.7)
Marine products	44,592	3.6	74,384	3.5	94,396	2.8	45,191	1.3	74,423	0.1	95,600	1.3
Dairy products	14,495	9.5	21,941	9.8	28,564	8.8	15,856	9.4	24,155	10.1	31,700	11.0
Others	17,480	11.0	28,134	9.0	36,254	9.4	17,637	0.9	27,277	(3.0)	38,200	5.4
Cost of goods sold	481,482	6.7	758,904	7.8	993,023	8.1	511,068	6.1	788,483	3.9		
Gross profit	106,141	11.7	173,893	10.4	219,779	7.8	109,241	2.9	174,424	0.3		
Gross profit ratio	18.1%	-	18.6%	-	18.1%	-	17.6%	-	18.1%	-		
SG&A expenses	83,796	0.8	129,934	1.8	171,335	1.9	87,447	4.4	132,857	2.2		
Operating income	22,345	87.2	43,959	47.5	48,444	35.7	21,794	(2.5)	41,567	(5.4)	43,000	(11.2)
Income before income taxes	20,947	96.0	42,869	51.6	44,544	26.2	20,743	(1.0)	38,660	(9.8)	40,000	(10.2)
Net income attributable to NH Foods Ltd.	15,067	97.7	30,793	60.7	31,048	26.6	15,366	2.0	27,195	(11.7)	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.

## 2. Growth Rate by Sales Category and Geographical Segment Information

### Growth Rate by Sales Category

Category	FY2015/3 (Year-on-year comparison)				FY2016/3 (Year-on-year comparison)			
	3Q		1Q-3Q		3Q		1Q-3Q	
	Sales volume	Amount	Sales volume	Amount	Sales volume	Amount	Sales volume	Amount
Hams and sausages	(2.3)	2.2	2.5	6.4	(9.1)	(7.7)	(9.8)	(6.0)
Processed foods	(2.0)	2.9	(0.8)	2.6	8.2	5.5	0.9	3.5
Fresh meats	(0.0)	14.8	(3.1)	11.2	4.5	(0.7)	6.0	5.7
Beef	0.4	17.2	(4.0)	9.9	(9.4)	(1.9)	(6.0)	6.9
Pork	(4.9)	12.9	(9.4)	10.4	2.1	(7.2)	3.6	(2.7)
Chicken	3.3	10.1	3.8	12.9	19.4	14.5	19.1	18.9
Other fresh meats	30.6	36.0	15.8	25.8	(17.5)	(14.6)	(7.6)	(3.0)

(%)

### Geographical Segment

	FY2015/3 results			FY2016/3 results and forecasts					
	1st half results	1Q-3Q results	Full year results	1st half results	Variance	1Q-3Q results	Variance	Full year forecasts	Variance
Domestic sales	528,673	838,711	1,087,832	549,855	4.0	860,373	2.6	1,126,400	3.5
External customers	528,111	837,692	1,086,474	549,250	4.0	859,271	2.6	1,125,000	3.5
Intersegment	562	1,019	1,358	605	7.7	1,102	8.1	1,400	3.1
Operating income	15,306	31,494	35,769	18,745	22.5	38,254	21.5	41,500	16.0
Operating income ratio	2.9%	3.8%	3.3%	3.4%	-	4.4%	-	3.7%	-
Overseas sales	126,369	194,697	252,985	136,125	7.7	202,889	4.2	262,500	3.8
External customers	59,512	95,105	126,328	71,059	19.4	103,636	9.0	135,000	6.9
Intersegment	66,857	99,592	126,657	65,066	(2.7)	99,253	(0.3)	127,500	0.7
Operating income	7,195	12,755	12,835	2,965	(58.8)	2,978	(76.7)	1,500	(88.3)
Operating income ratio	5.7%	6.6%	5.1%	2.2%	-	1.5%	-	0.6%	-

(¥ million, %)

\* 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 1Q–3Q results	FY2016/3		
			1Q–3Q results	Variance (%)	Variance
★(1)	Selling, general and administrative expenses	129,934	132,857	2.2	2,923
	Personnel	49,491	50,943	2.9	1,452
★(2)	Advertising	8,552	8,632	0.9	80
★(3)	Logistics	39,249	40,444	3.0	1,195
	Others	32,642	32,838	0.6	196

Major reasons for  
increase/decrease

★(1) **SG&A expenses:** The ratio of SG&A expenses to net sales was almost unchanged at 13.8%.

★(2) **Advertising:** Advertising expenses increased ¥80 million due mainly to an increase in TV commercials.

★(3) **Logistics:** Logistics costs increased approximately ¥1.2 billion in transportation and other expenses resulting from an upswing in sales volume.

(¥ million)

	FY2015/3 1Q–3Q results	FY2016/3		FY2015/3 Full year results
		1Q–3Q results	Variance	
Other operating costs and expenses (income) - net	496	1,303	807	4,231
Fixed assets	496	1,303	807	4,239
Others	-	-	-	(8)
★(1) Other income (expenses) - net	465	(546)	(1,011)	1,678
Interest and dividends income	952	860	(92)	1,151
Foreign exchange gains (losses)	(907)	(1,290)	(383)	(88)
Others	420	(116)	(536)	615
Interest expense	1,059	1,058	(1)	1,347

Major reasons for  
increase/decrease

(1) **Other income (expenses) – net:** Deteriorated by approximately ¥1.0 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 3Q results	Variance (%)	Variance
★(1)	Total assets	661,567	732,955	10.8	71,388
	Cash and cash equivalents	57,404	39,747	(30.8)	(17,657)
★(2)	Trade notes and accounts receivable	127,273	184,340	44.8	57,067
★(3)	Inventories	143,107	152,316	6.4	9,209
	Property, plant and equipment - at cost, less accumulated depreciation	252,537	265,083	5.0	12,546
	Investments and other assets	41,170	45,004	9.3	3,834
	Deferred income taxes - non-current	7,067	6,928	(2.0)	(139)
	Total liabilities	305,143	355,397	16.5	50,254
	Trade notes and accounts payable	94,212	123,652	31.2	29,440
★(4)	Interest-bearing debt	136,806	166,927	22.0	30,121
	Liability under retirement and severance program	12,075	12,500	3.5	425
	Total NH Foods Ltd. shareholders' equity	353,664	369,745	4.5	16,081
	Noncontrolling interests	2,760	7,813	183.1	5,053
	Total equity	356,424	377,558	5.9	21,134

Major reasons for  
increase/decrease

- ★(1) Total assets: Increased by approximately ¥71.4 billion including (2) and (3).
- ★(2) Trade notes and accounts receivable: Increased by approximately ¥57.0 billion from the end of the previous fiscal year due to higher sales and consumption tax hike.
- ★(3) Inventories: Increased by approximately ¥9.2 billion from the end of the previous fiscal year mainly owing to an increase in processed foods.
- ★(4) Interest-bearing debt: Increased by approximately ¥30.0 billion from the end of the previous fiscal year mainly due to increases in both short-term and long-term debt.

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2015/3 1Q-3Q results	FY2016/3		Variance	FY2016/3 Full year forecasts
		1Q-3Q results	Variance (%)		
Capital expenditures	23,924	26,725	11.7	2,801	52,200
Production facilities	15,002	12,409	(17.3)	(2,593)	20,200
Marketing and logistics facilities	1,621	2,331	43.8	710	6,400
Farms and processing facilities	4,401	5,124	16.4	723	10,400
Overseas businesses facilities	1,794	2,954	64.7	1,160	11,000
Other facilities	1,106	3,907	253.3	2,801	4,200
Depreciation and amortization	14,194	14,464	1.9	270	20,000

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### 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.