



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

May 11, 2016



**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.

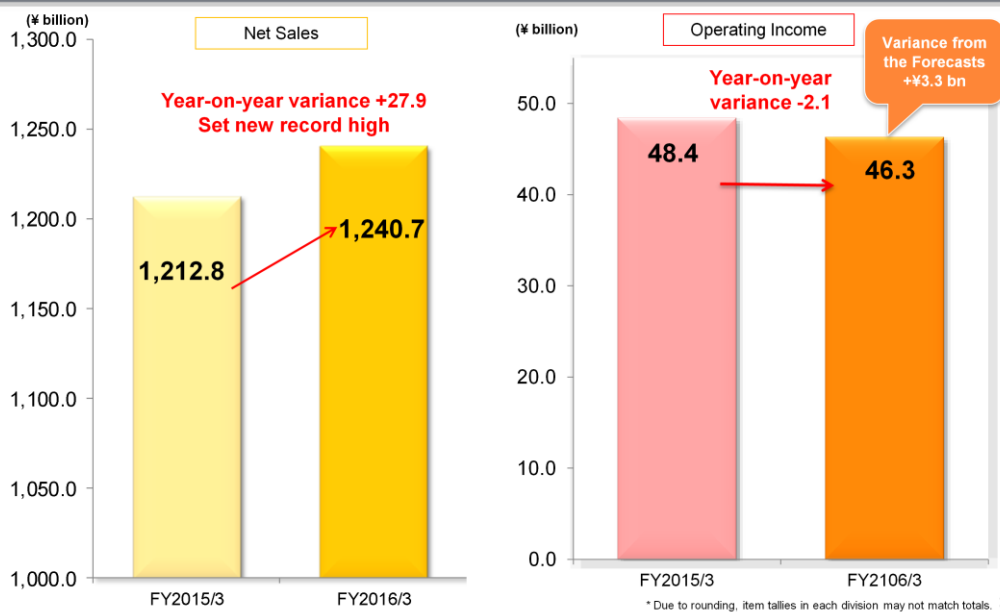
1. Business Results Overview for FY2016/3
2. Full Year Outlook for FY2017/3
3. Progress in the New Medium- Term Management Plan
Part 5

Firstly, I will look back on the business results for the previous fiscal year 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 FY2016/3

Although operating income decreased from the record high of ¥48.4 billion in FY2015/3, it still exceeded the forecasts by ¥3.3 billion.



This is the overview of the business results for the previous year announced on May 9.

Net sales⇒¥1,212.8 billion (Year-on-year variance + ¥27.9 billion)

Operating income⇒¥46.3 billion (Year-on-year variance ¥(2.1) billion, variance from the forecast + ¥3.3 billion)

Despite an increase in revenues and a decrease in operating income, operating income exceeded the forecasts by ¥3.3 billion.

1. Business Results Overview for FY2016/3

Variation Factors for the Operation Income Forecasts

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

Business Division	Forecasts	Results	Variance	Variation Factors
Processed Foods Business	4.0	4.1	0.1	Targets were reached due to improved productivity and the settling down of raw materials prices.
Fresh Meats Business	37.5	39.7	2.2	Forecasts were exceeded as production and sales in Japan were strong.
Affiliated Business	1.7	2.3	0.6	Operating income increased due to growth in net sales in the dairy products business and the settling down of raw materials prices.
Eliminations, adjustments and others	(0.2)	0.3	0.5	
Total	43.0	46.3	3.3	The domestic fresh meats business and affiliated business took the lead in exceeding the forecasts.

* Due to rounding, item tallies in each division may not match totals. 4

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

Processed Foods Business (+ ¥0.1 billion)

⇒ The forecast of ¥4.0 billion was reached, mainly resulting from the cost reduction, although there was a lack of sales volume due to tough conditions for the commercial-use products.

Fresh Meats Business

⇒ In addition to strong fresh meats sales in Japan, especially at food companies, domestic farms' performances were also strong, marking a record high in operating income in Japan.

On the other hand, our overseas businesses faced difficult conditions as the Australian business suffered a sharp decline in operating income from ¥11.3 billion last year to ¥3.5 billion this year.

Affiliated Business

⇒ The marine products business and dairy products business both saw an increase in revenues and earnings growth.

As a result, operating income exceeded the forecasts by ¥3.3 billion overall.

FY2017/3 Full year operating income ¥49.0 billion

(Former forecast: ¥46.0 billion; Previous year: ¥46.3 billion)

	FY2016/3	FY2017/3
		(¥ billion)
Processed Foods Business	3.9	8.0
Fresh Meats Business	38.9	35.5
Affiliated Business	2.2	3.0
Overseas Business	0.6	2.3

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I will explain operating income forecasts for the full year.

The segments comprise of 4 Business Divisions, with the addition of Overseas Business Division starting this period.

Operating income for the full year: ¥49.0 billion (an upward revision of ¥3.0 billion compared with the initial forecast)

We aim for an operating income that surpasses the record high of ¥ 48.4 billion.

Processed Foods Business: ¥8.0 billion→ ¥8.0 billion due to low raw materials prices and recovery of sales volume

Fresh Meats Business: ¥35.5 billion→market conditions are weaker from the last fiscal year, but sales capabilities increasing

Affiliated Business: ¥3.0 billion→revised upward due to solid conditions mainly for dairy products.

Overseas Business: ¥2.3 billion →increase in operating income due to recovery in the Australian business during the 2nd half and reduction in deficit of Texas farm in the Americas

2. Full Year Outlook for FY2017/3

● Positive factors

- | | |
|-------------------------------------|--|
| • Fresh Meats Business Division | Strong performance in domestic fresh meats sales |
| • Processed Foods Business Division | Settling down of raw material prices |
| • Affiliated Business Division | Increased demand for cheese and yogurt |
| • Overseas Business Division | Procurement prices of cattle in Australia in a downward trend from record high |

● Negative factors

- | | |
|-------------------------------------|---|
| • Fresh Meats Business Division | Decrease in operating income in the production business down due to fresh meats market conditions |
| • Processed Foods Business Division | Intensified price competition due to impact of cheaper materials |
| • Affiliated Business Division | Sudden rise of marine product material prices |
| • Overseas Business Division | Slow recovery of sales prices in the Australian business |

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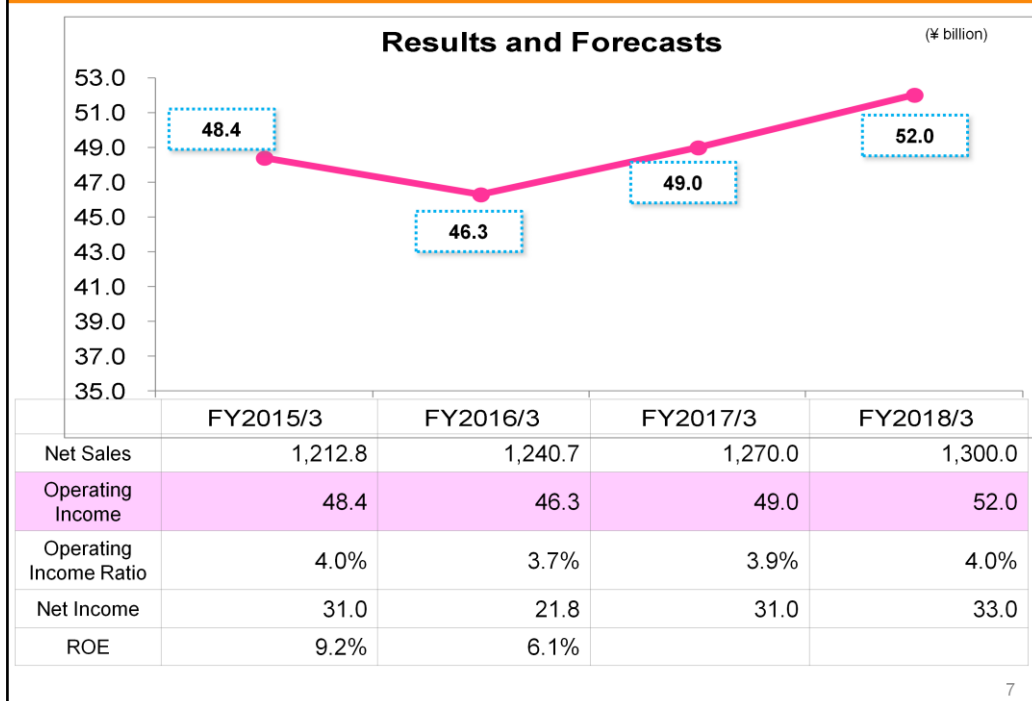
For the full year outlook, positive and negative factors can be summarized as such:

○ Positive factors

- Fresh Meats Business ⇒ Although market conditions, other than the beef market, are expected to weaken from last year, this will be covered by sales volume increase.
- Processed Foods Business Division ⇒ Raw material prices, especially pork, are expected to drop.
- Affiliated Business Division ⇒ As the yogurt and cheese markets are expected to continually expand, sales are also expected to grow.
- Overseas Business Division ⇒ In the Australian business, cattle purchase prices tend to decline from April onwards.

○ Negative factors

- Fresh Meats Business ⇒ There is possibility of decline in operating income in the production business due to weakness of the fresh meats market conditions.
- Processed Foods Business Division ⇒ Price competition with competitors may intensify again due to the settling of raw material prices.
- Affiliated Business Division ⇒ There is constant concern that the marine products market, which is showing signs of calm, will suddenly rise due to increased global demand.
- Overseas Business Division ⇒ There is concern about a delay in the recovery of sales prices in the Australian business.



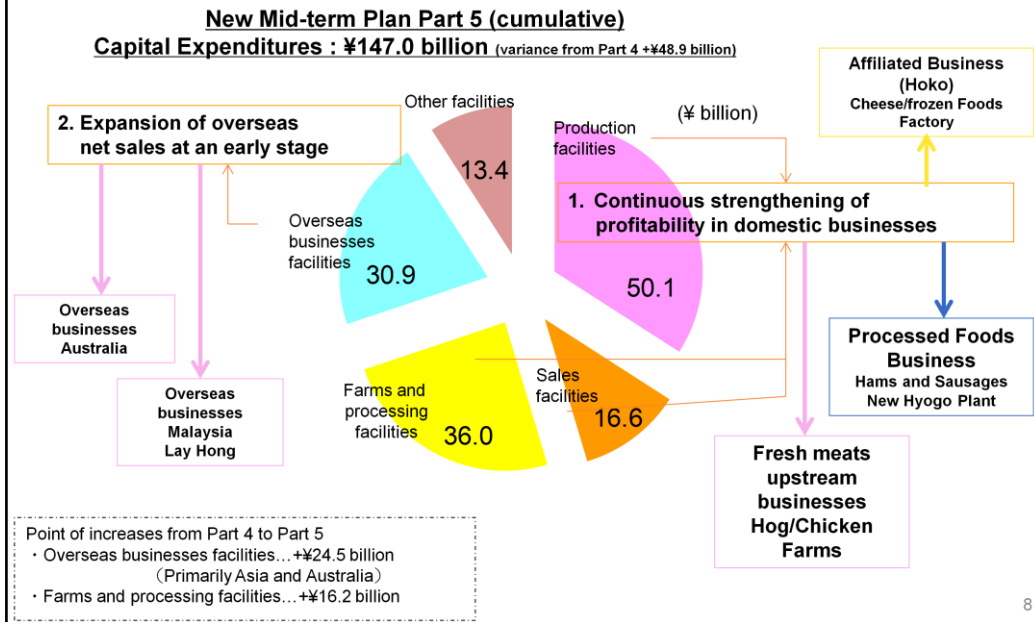
Although it fell temporarily from last year's record high of ¥48.4 billion, operating income exceeded the forecasts by ¥3.3 billion and reached ¥46.3 billion in FY2016/3.

Operating income of ¥46.0 billion was the figure stated as an initial goal for FY2017/3, and it was cleared ahead of schedule.

This fiscal year we will aim for a record high of ¥49.0 billion, exceeding the figure of ¥48.4 billion achieved in FY2015/3.

We expect operating income of ¥52.0 billion as planned for the final year of 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 planned, which is 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.

Introduction of high-capacity lines and transfer of factories for the hams and sausages in the Processed Foods Business ⇒ The construction of the New Hyogo Plant will be completed in October this year.

Investments to improve procurement capabilities by enhancing upstream businesses in the Fresh Meats Business ⇒ We are advancing production, mainly of pork and chicken.

Overseas businesses facilities ⇒ Capital expenditures in the Australian business

(Diversify destination countries by increasing capacity of freezer and refrigeration facilities)

Construction of a plant associated with the joint venture with Lay Hong Berhad is planned as well. We intend to enhance Halal products in Lay Hong.

Application to Management Strategies in the New Mid-Term Plan

1. Continuous strengthening of profitability in domestic businesses

- Fresh Meats Business Division: Enhance supply capabilities of upstream businesses and increase sales volume toward a share of 25%
- Processed Foods Business Division: Improve profitability and recover sales volume through reform into integrated production and sales
- Affiliated Business Division: Reform into a manufacturer and growth strategy

2. Expansion of overseas net sales at an early stage

- Establishment of a new Overseas Business Division
- Measures for revenue stabilization in the Australia Operations
- Outlook in the Americas Operations
- Progress in the Asia & Europe Operations (Turkey, Malaysia)

3. Promotion of strategic branding

- Past initiatives and future developments
- Promotion of company-wide marketing

4. Reinforcement of cross-Group corporate functions

- Progress of ROIC

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

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

3. Progress

(1) Continuous strengthening of profitability in domestic businesses

Fresh Meats Business Division Enhance supply capabilities of upstream businesses and increase sales volume toward a share of 25%

As a rapid product 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.

Progress of the plan for establishing frameworks to boost production⇒ Steadily increase production towards numerical 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

⇒ Increase shipment despite slightly remaining impact of disease

Chickens;

New farms:

Number of chickens slaughtered: approximately 66 million chickens→approximately 72 million chickens (Frameworks to boost production in Hokkaido, the Northeast and Niigata)

⇒ From new farm operation to increased production

Brand expansion

Increasing production of major brands

• *Sakurahime*: Approximately 21 million chickens⇒approximately 28 million chickens

• *Mugikomachi*: Approximately 0.10 million hogs⇒approximately 0.27 million hogs

• *Genmaigyū*: Approximately 3 thousand cattle⇒approximately 5 thousand cattle

⇒ Increase introduction in volume retailers, aiming at increased exposure in stores.

• *Koshinotori*: 0.20 million chickens⇒1.0 million chickens

⇒ Increase exposure mainly in the Kanto region through proposals focused on food service channels

*Plan to achieve increased production by the final year of the New Mid-term Plan Part 5 (FY2018/3).

Here I explain the progress of initiatives in each business division.

First is 1) Continuous strengthening of profitability in domestic businesses.

In the New Mid-Term Plan Part 5, we have set out to enhance the supply capabilities of upstream businesses and increase sales share to 25%.

3. Progress

(1) Continuous strengthening of profitability in domestic businesses

Fresh Meats Business Division Enhance supply capabilities of upstream businesses and increase sales volume toward a share of 25%

Enhance sales with the procurement capabilities of Nipponham and the sales ability of Nippon food companies engaging in fresh meat sales.

⇒ Aim for further increased sales, toward a share of 25%

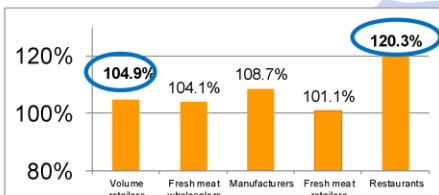
Procurement capabilities of Nipponham

- Increase supply capabilities by enhancing upstream businesses
 - Strong partnerships with leading fresh meats manufacturers around the world
- ⇒ Regularly supply safe and reliable products



Strategies of Nippon Food Companies

- Capturing each channel (Volume retailers, food services)



- Expand sales of branded fresh meats

Toward further growth

- Measures for volume retailer channels
Sakurahime ⇒ TV ads planned outside the Kanto region, also enhance in-store sales promotion, focused on *Mugikomachi* and *Dolce Porco*.
- Measures for food service channels
Establish aggressive proposal-based marketing utilizing food advisors and urban logistics using light trucks ⇒ Expand deployment in the greater metropolitan area, leading to increased sales volume.
- Number of new customers and the bottom-line effect
In Nippon Food Companies, we secured 2,900 new customers, increasing revenue by approximately ¥3.0 billion. We will continue to actively promote development of new customers in this fiscal year.



Composition ratio: Volume retailers ⇒ Approx. 50%
Food services ⇒ Approx. 7% (+1% year-on-year)
Grow the relatively high ratio volume retailers and significantly progressing food service channels

We aim for a 25% share through increased sales by the Fresh Meats Business Division.

Enhancing Nipponham's domestic upstream businesses and procurement capability that won't fail to make purchases globally are essential to reach the goal of 25% share.

Preceding initiatives in the domestic upstream businesses.

In procurement from overseas, how much we can build partnerships with leading manufacturers in various countries.

⇒ A successful example in recent years is *Dolce Porco*, an Italian company that produces pork for cured ham. We contracted this company to make a brand for Japan.

That high quality pork has received high praise.

With this stable system that can procure such safe and secure products as our backbone, we will strengthen our sales centering on food companies.

Food companies are still in the growth process.

Results for last year

Volume retailer channels ⇒ Account for approximately 50% of the composition ratio, and still grew approximately 5%.

This reflects the high evaluation of stable supply even as domestic conditions have been tight for the past few years.

Food service channels

⇒ Account for only 7% of the composition, but saw a 20% growth against last year.

This involved using food advisors to actively make new proposals such as menu proposals, while making a new logistics style that utilizes light trucks, etc.

The number of trucks is still limited at approximately 30, and they are deployed in the major cities of Tokyo, Osaka, and Nagoya.

In the future, we hope to expand introduction of light trucks while developing food service channels.

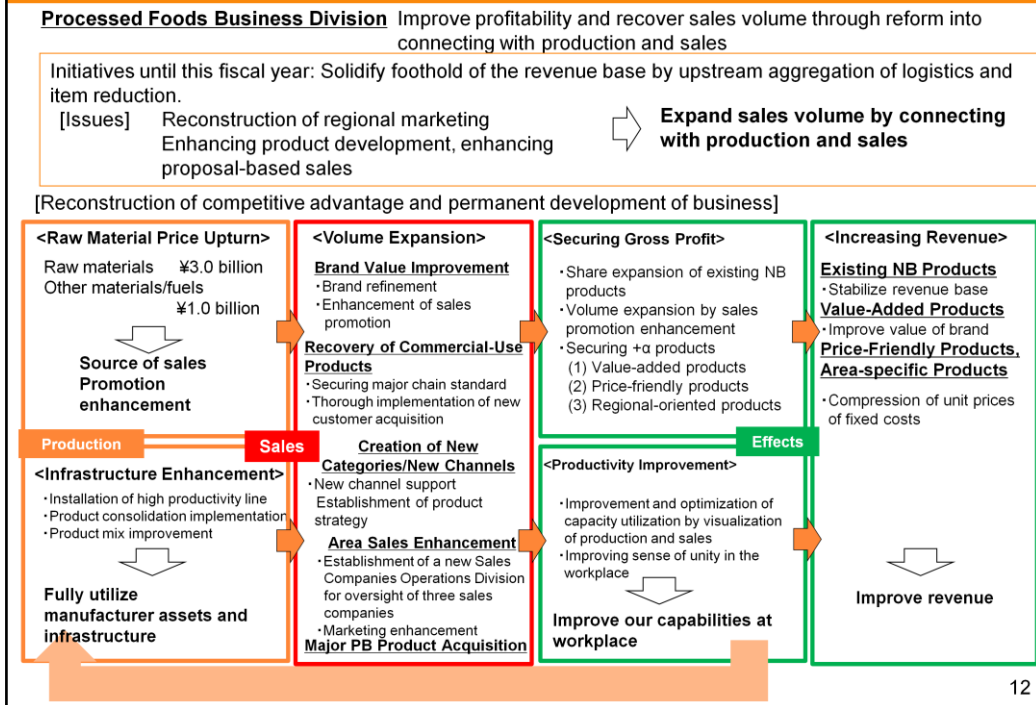
With both of these channels as our driving force, we expect sales volume to increase by actively selling branded fresh meats.

We are also actively developing new channels, having developed 2,900 new customers last year, leading to increased revenue of ¥3.0 billion.

We will actively develop new channels this year as well.

3. Progress

(1) Continuous strengthening of profitability in domestic businesses



Next are our initiatives in the Processed Foods Business.

Theme of the Processed Foods Business: Improve profitability and recover sales volume through reform into connecting with production and sales

Here I explain the background and initiatives in the Processed Foods Business Division, as well as the effects of these.

We have worked to improve revenues in the past few years, including product-out manufacturing and sales systems by revising offices with SCM reform and cutting items that have gone too far.

⇒ Convert to market-oriented ideas and increase sales volume by connecting with production and sales.

- Reconstruction of area marketing
- Enhance product development and proposal-based sales

<Production>

- Raw material price upturn

We estimate a benefit of approximately ¥4.0 billion, and will use this as a source for enhancing sales promotions.

- Enhancement of production infrastructure

Utilization of a high productivity line in our Ibaraki Plant, launch of the new Hyogo Plant (to be completed in October 2016), and optimization of the product mix with merchandise, etc.

⇒ Promote these initiatives

<Sales> ⇒ Initiatives for volume expansion

- Brand value improvement ⇒ Initiatives on consumer products
- Commercial-use products ⇒ Secure major chain standard in various channels, and thoroughly implement new capturing including bakeries in highways and rural areas.
- New categories and new channels ⇒ Enhance site sales (EC), etc.
- Area sales enhancement ⇒ Establish a new Sales Companies Operations Division for oversight of 3 sales companies, and strengthening marketing

<Effects>

- Securing Gross Profit ⇒ Value-added products, Price-friendly products with cost competitiveness, Sales companies selling regional-oriented products
- Productivity improvement ⇒ uniting production and sales toward improvement of capacity utilization
- Increasing Revenue ⇒ achieved by development of products for securing gross profit and compression of fixed costs

3. Progress

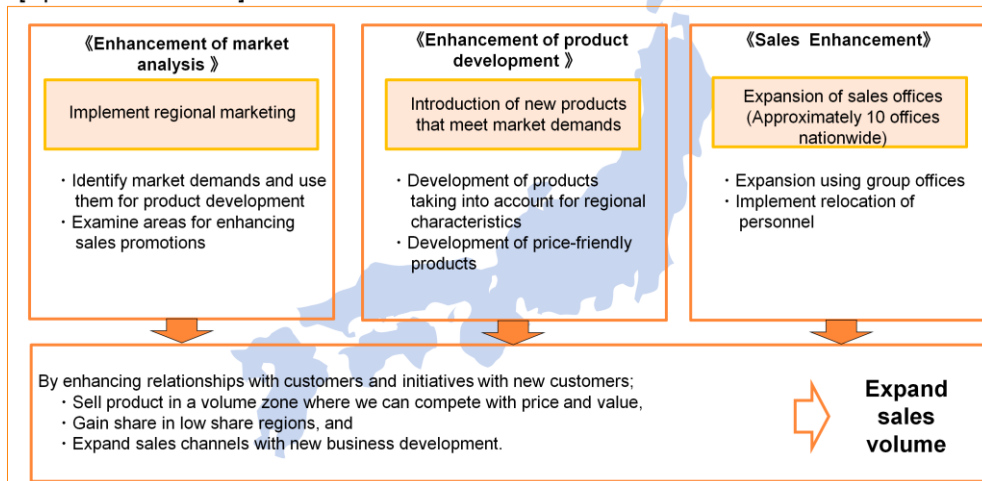
(1) Continuous strengthening of profitability in domestic businesses

Processed Foods Business Division Improve profitability and recover sales volume through reform into connecting with production and sales

[Increase sales volume through community-based sales]

- Establish a new Sales Companies Operations Division that controls the three sales companies
- Implement regional marketing
- Enhance abilities of product development and sales

[Specific measures]



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Increasing sales by area is one of the pillars for expanding sales volume.

<Background>

- Number of offices in areas and sales capabilities in regions decreased as a result of promoting efficiency with SCM reform in the past.
- CVS chains are reducing the ratio of business negotiations held at headquarters in Tokyo, and increasing the ratio of negotiations in areas.

For this reason, enhancing our sales capabilities in areas is an urgent task.

Specifically the following are 3 initiatives.

- Establish a new Sales Companies Operations Division that controls the 3 sales companies
⇒Strengthening sales in 3 companies: Nipponham Hokkaido Sales Ltd., Nipponham East Sales Ltd. (from Tohoku to Chubu area), and Nipponham West Sales Ltd. (from Kinki westward).
- Expanding sales offices
⇒We will increase our number of domestic sales offices from about 50 current offices, aiming for another 10 nationwide.
We will increase the number of business negotiations and contact our customers more often.
- Implement regional marketing
⇒Extract characteristics of the market – feedback to product development, selection of sales promotion enhancement areas
- Product development capability
⇒Development of products utilizing regional characteristics, development of products exclusively sold by distributors

In addition to the above, product introduction in volume zones that have cost competitiveness, cultivated sales in low share regions (Tohoku, Chugoku-Shikoku, and Tokai regions managed by distributors), and expansion of sales channels with new business development

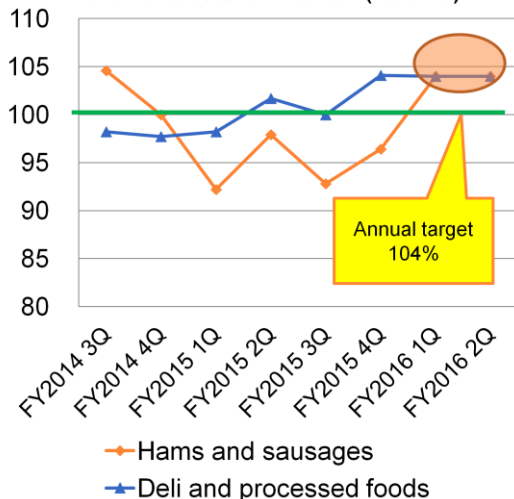
3. Progress

(1) Continuous strengthening of profitability in domestic businesses

Processed Foods Business Division

[Paths to recovery in sales volume: Consumer-use products]

Consumer-use products' progress and forecasts for 1st half (volume)



Initiatives for this fiscal year

1) Development and expanded sales of core brands

- Continuous expansion of *SCHAU ESSEN* and expansion of other mainstay brands (*Mori-no-Kaori*, *Irodori Kitchen*, etc.)
- Expanded sales opportunities of *Chuka Meisai* and *Ishigama Kobo*, and enhanced sales promotion of other mainstay categories (Hamburger, Pre-fried, etc.)

2) Enhanced introduction of new products

- Development of hybrid products taking advantage of the Group's capabilities (*Sukoyaka Sangenton* wieners, *Sakurahime* large deep-fried chicken pieces, *Ishigama Kobo* pizza with *Dolce Porco*)
- Acquisition of selling areas by creating new categories *Sucre et Sucre* Belgian Waffle: Penetrate the sweets market
Kiwami-yaki Hamburger Steak: Make proposals to delicatessen stalls

3) Development of area products and PB products

- Introduction of price appeal-oriented products in line with initiatives in each area
- Securing and expansion of major PB products by enhancing coordination between production and sales

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From here I will explain progress of consumer-use and commercial-use products in the Processed Foods Business.

In consumer-use products, there has been a recovery trend mainly for deli and processed foods.

We aim at 104% on a sales volume basis as the annual goal for this year.

Initiatives for this year are as follows:

1) Development and expanded sales of core brands

- Continuous expansion of *SCHAU ESSEN*, which grew last year as well, and expansion of other mainstay brands (*Mori-no-Kaori*, *Irodori Kitchen*, etc.)
- Expanded sales opportunities of *Chuka Meisai* and *Ishigama Kobo*, and sales promotion enhancement of other mainstay categories (Hamburger, Pre-fried, etc.)

2) Enhanced introduction of new products

- Deployment of products using branded fresh meats (*Sukoyaka Sangenton* wieners, *Sakurahime* large deep-fried chicken pieces, etc.)
- Acquisition of new points of sale by creating new categories
Sucre et Sucre: Penetrate the sweets market
Kiwami-yaki Hamburger Steak: Highly rated and highly arranged in stores

3) Development of regional products and PB products

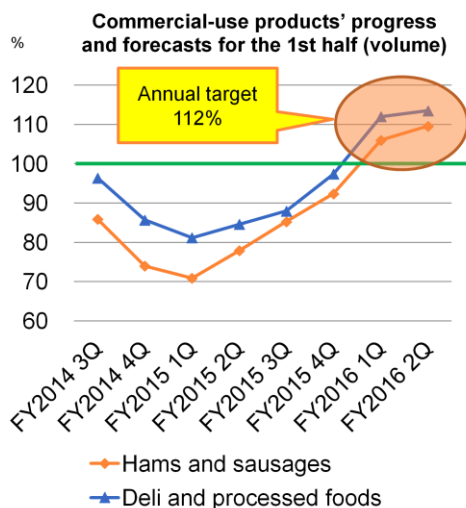
- Introduction of price appeal-oriented products in line with initiatives in each area
- Securing and expansion of major PB products by enhancing cooperation between production and sales

3. Progress

(1) Continuous strengthening of profitability in domestic businesses

Processed Foods Business Division

[Paths to recovery in sales volume: Commercial-use products]



Initiatives for this fiscal year

1) CVS Channel Strategy

- Accelerate making proposals by enhancing our sales system
- Enhancement of growing divisions (over the counter) and categories (chilled boxed lunches)
- Enhancement of regional marketing by utilizing local menus

2) Food Service Channel Strategy

- Enhancement of group cooperation in acquiring new customers
- Refinement of regular food ingredients of key companies and expansion of sales volume by acquisition of new customers

3) Delicatessen/Bread Channel Strategy

- Increase sales volume in the delicatessen channel by acquisition of internal production plants of various companies
- Increase sales volume by enhancing proposals of food ingredients for CVS bakeries which are expected to contribute to sales volume expansion in the bread channel

4) Product Strategy

- Regain market for basic food ingredients which is expected to contribute to sales volume expansion (franks, cutlets, etc.)
- Expand profitability through differentiation strategy for branded fresh meats

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Next is the commercial-use products.

Commercial-use products' volume dropped greatly from the second half of FY2014, and recovery has come very late.

Signs of recovery have appeared at last in the new fiscal year.

As a goal for this year, we aim at 112% on a sales volume basis.

We will steadily conduct sales in each customer channel to reach this goal.

>CVS channels

- Accelerate making proposals by enhancing our sales system
- Enhancement of growing divisions (counter) and categories (chilled boxed lunches)
- Enhancement of regional marketing by utilizing local menus

>Food service channels

- Enhancement of group cooperation in acquiring new customers
- Refinement of regular food ingredients of key companies and expansion of sales volume by acquisition of new customers

>Delicatessen/Bread channels

- Thoroughly acquisition of various companies' internal production plants as customers to increase sales volume in the delicatessen channel
- Increase sales volume by enhancing proposals of food ingredients for CVS bakeries which are expected to contribute to sales volume expansion in the bread channel

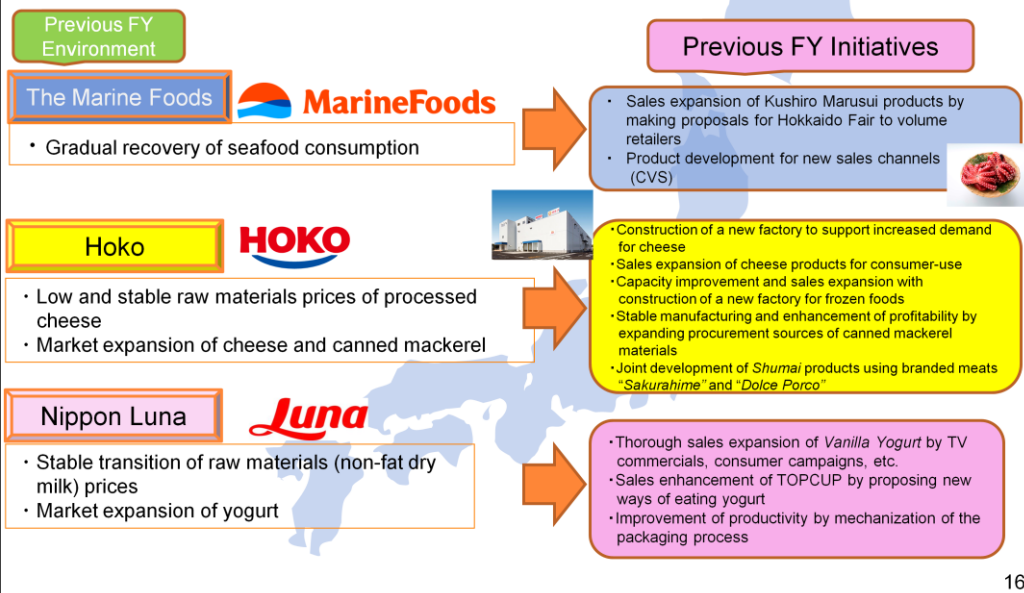
We will simultaneously promote our product strategy.

3. Progress

(1) Continuous strengthening of profitability in domestic businesses

[Affiliated Business Division] Reform into a manufacturer and growth strategy

We describe our future growth strategy with product development from a market-oriented view and greater percentage of in-house manufactured goods.



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Next I will explain about the Affiliated Business Division.

Operating income reached a record high of ¥2.3 billion in the last FY results.

Individual companies are approaching their ideal forms.

Here I will explain the environment, the initiatives in the previous year and the initiatives in the Mid-Term Plan.

<Initiatives in the previous year>

○The Marine Foods

As for the environment, seafood consumption recovered due to increased health-consciousness.

Initiatives have been carried out to expand sales by highlighting the Hokkaido brand of the Group's Kushiro Marusui.

○Hoko

While raw materials of natural cheese, a material for processed cheese, hit rock bottom prices, demand increased and sales of ROLF brand consumer products also expanded.

Demand has also increased for canned mackerel out of the favorable effect created by health-consciousness.

○Nippon Luna

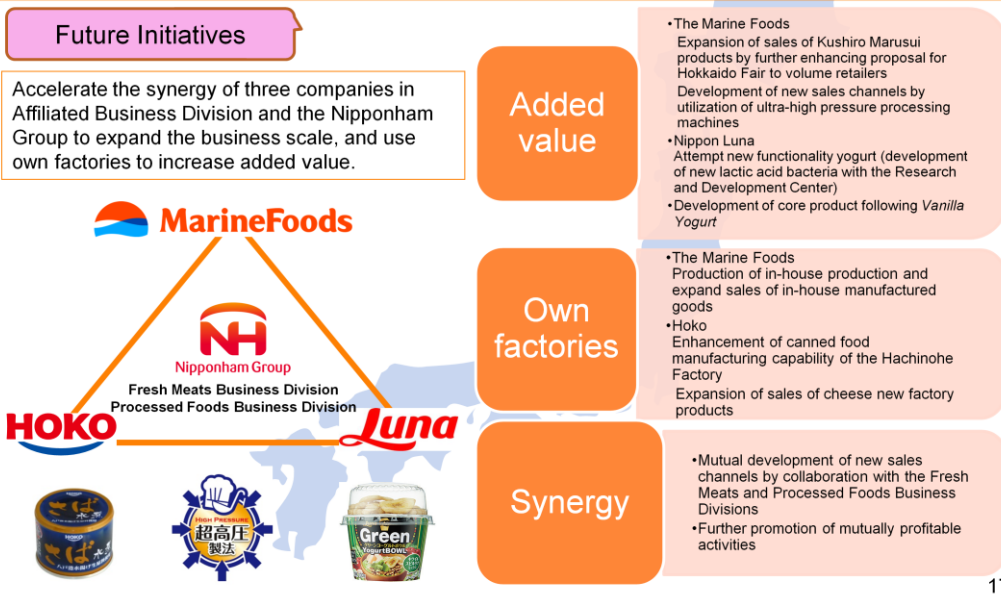
While non-fat dry milk, the material for yogurt, is stable at a high price, demand is growing. Sales were expanded for the TOP series with new ways of eating *Vanilla Yogurt*, the mainstay brand, with cereal.

3. Progress

(1) Continuous strengthening of profitability in domestic businesses

[Affiliated Business Division] Reform into a manufacturer and growth strategy

We describe our future growth strategy with product development from a market-in point of view and greater percentage of in-house manufactured goods.



<Future initiatives>

A favorable environment is expected to continue, with settled down materials prices and increased sales volume.

Against the background of these good conditions, this year we will undergo reform into a manufacturer, which is a theme of the New Mid-Term Plan.

We will accelerate the synergy of three companies, namely, The Marine Foods, Hoko and Nippon Luna, and the Nipponham Group and use our own factories to increase added value.

>Added value

- The Marine Foods

Expand sales of Kushiro Marusui products by further enhancing proposal for Hokkaido Fair to volume retailers
Development of new sales channels by utilization of ultra-high pressure processing machines

- Nippon Luna

Attempt new functionality yogurt (development of new lactic acid bacteria with the Research and Development Center)

Development of core product following *Vanilla Yogurt*

>Own factories

- The Marine Foods

Promotion of in-house production and expand sales of in-house manufactured goods

- Hoko

Enhancement canned food manufacturing capability of the Hachinohe Factory

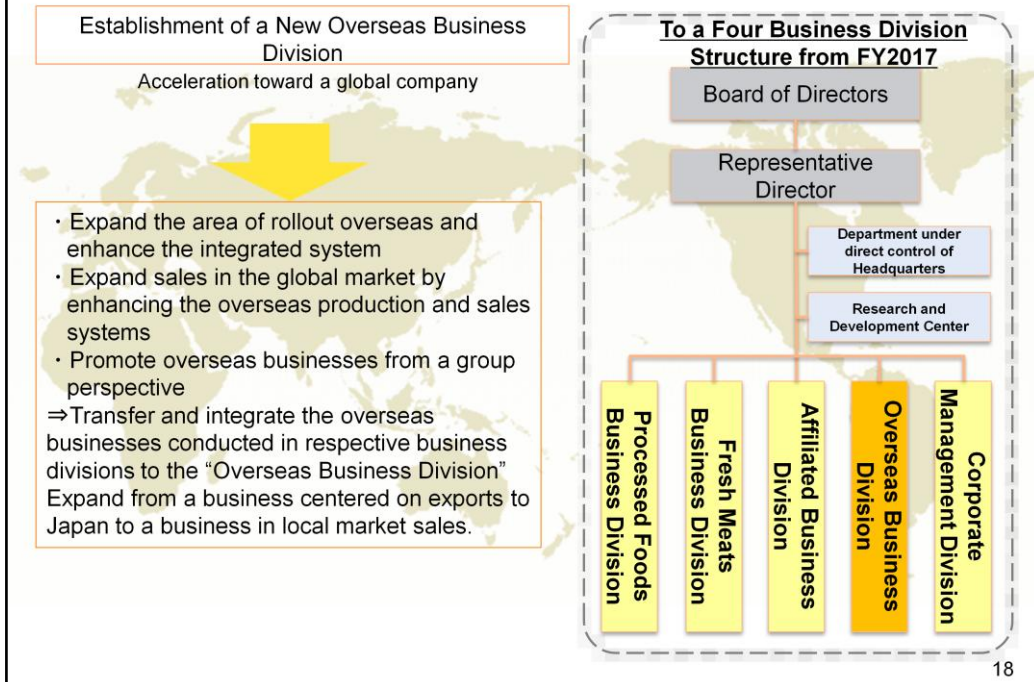
Expand sales of cheese new factory products

>Synergy

Mutual development of new sales channels by collaboration with the Fresh Meats and Processed Foods Business Divisions

Further promotion of mutually profitable activities

3. Progress
(2) Expansion of overseas net sales at an early stage



Next, here are the initiatives toward “expansion of overseas net sales at an early stage,” which is theme 2) of the New Mid-Term Plan Part 5.

In the filing in February this year, we announced the launch of the Overseas Business Division.

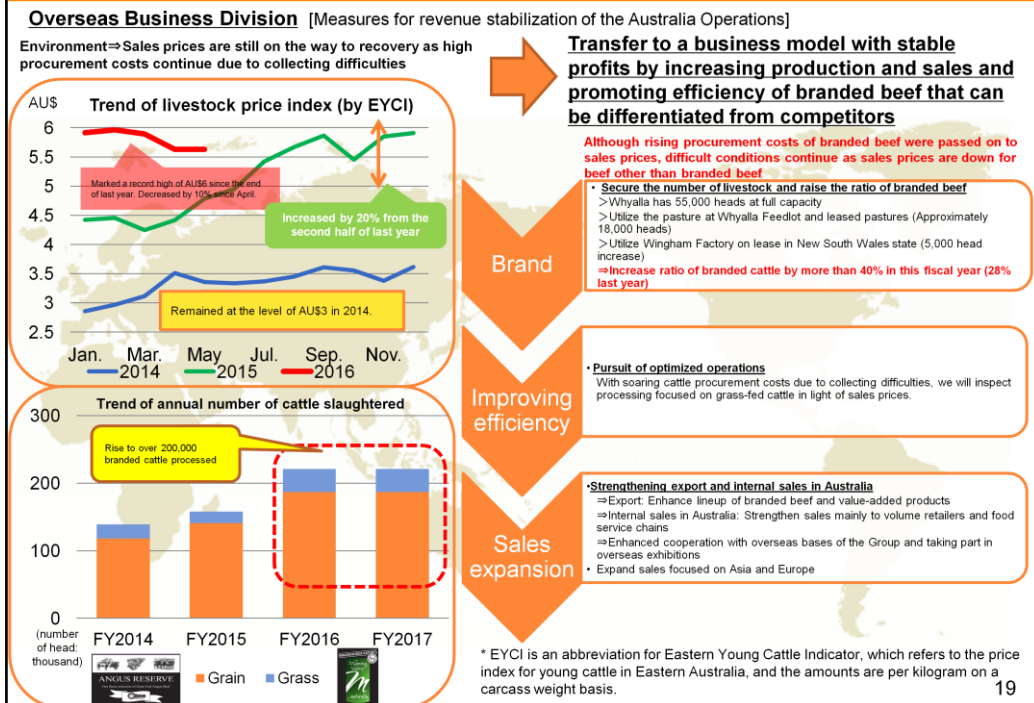
The aim of this is to accelerate us toward a global company.

The Overseas Business Division is responsible for the following issues.

- Expand the area of rollout overseas and enhance the integrated system
- Expand sales in the global market by enhancing the overseas production and sales systems
- Promote overseas businesses from a group perspective
- Firmly establish governance and advance visualization

3. Progress

(2) Expansion of overseas net sales at an early stage



The Australian Operations have slumped since the 2nd quarter and saw a sharp decline in operating income.

Purchase prices rose through this 4th quarter due to cattle shortage.

A new record high was set for the EYCI index as well, and it remained at a very high level from the end of last year until March.

Although it fell by nearly 10% in April (\$6.00 ⇒ \$5.50), high prices are expected to continue due to the chronic cattle shortage.

⇒Work to increase the ratio of branded beef with stable earnings and expand its sales.

- Utilize existing feed lots and continue use of leases.
- In sales as well, advance promotions at exhibitions in various countries, and secure regular customers.
- Examine the balance with purchase prices of cattle and thoroughly review operation of processing plants to keep losses to a minimum.

From these initiatives, we expect that although severe conditions will continue until the 1st quarter of this year, recovery is expected to stretch into the 2nd half.

Overseas Business Division [Outlook in the Americas Operations]

Day-Lee Foods, Inc.

Head office in Los Angeles engaged in the manufacturing and sales of frozen processed foods for consumers, as well as whole sale business and export business of fresh meats and marine products.

> Frozen processed foods

Developed consumer brands Crazy Cuizine and DayLeePride

*Because the bases for both manufacturing and sales are on the West Coast, it will be necessary to advance to the East Coast for future business expansion.

> Whole sale business

Currently four offices

⇒ Promote expansion of business with more offices
(Los Angeles, San Francisco, Seattle, New Jersey)

Frozen processed
foods develops in the
U.S.
"Crazy Cuizine"



Texas Farm (Pig Farming Business) progress in this period

⇒ While working towards deficit reduction, continuing to examine drastic measures

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Next is the Americas Operations.

In the Americas, we are developing businesses in both North America and South America.

Here I will mainly discuss our two North American companies which have high ratios.

>Day-Lee Foods ⇒ Offices are located on the West Coast, engaged in sales of frozen processed foods for consumers, as well as local sales and export of fresh meats and marine products.

- Processed foods ⇒ It develops products for consumers under the Crazy Cuizine and DayLeePride brands, and one of the lines currently operating at full capacity.

Looking ahead to advancing to the East Coast in the future

- Local sales ⇒ Sells fresh meats and marine products to food services, etc.

Until now this has only been in Los Angeles, but in addition to Seattle and San Francisco, the company will advance to the East Coast.

Affected by increased demand for Japanese food, will further increase destinations for market advancement.

>Texas Farm

Although there was a significant deficit last year, expecting a reduced deficit this year thanks to the recovery of hog prices and improved productivity.

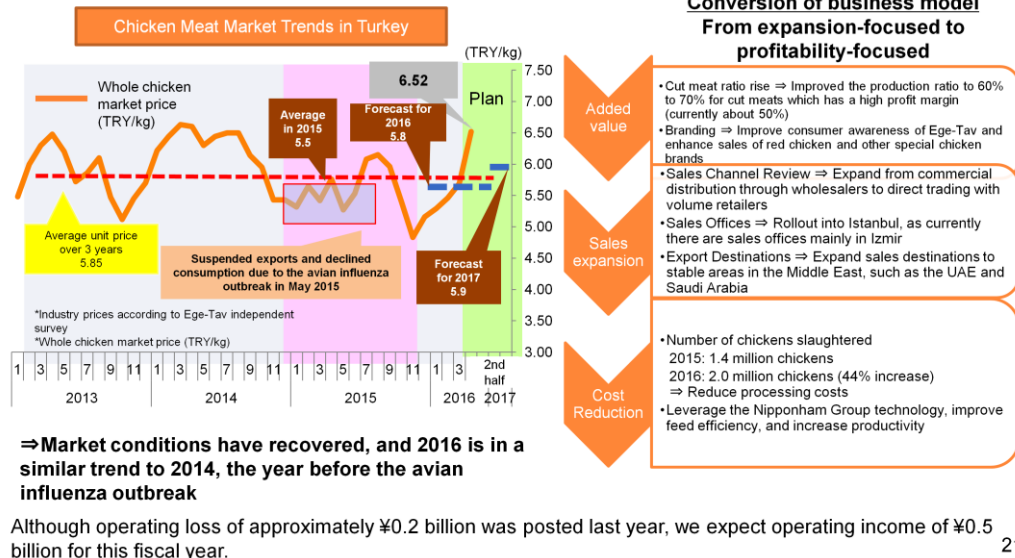
3. Progress

(2) Expansion of overseas net sales at an early stage



Overseas Business Division [Europe and Asia Operations – Ege-Tav in Turkey]

Although domestic market conditions declined due to avian influenza last year, markets are in a recovery trend. Feed prices are also showing signs of settling down, and enhancing the sales side of chicken meat improved profitability.
 ⇒ In addition to increasing sales to volume retailers and food services, enhance branding making use of Nipponham technology



With regard to expansion of overseas net sales at an early stage, I will explain about Ege-Tav in Turkey, which joined the Group in April.

<Status>

Previous year ⇒ In May there was an outbreak of avian influenza, and the Turkish lira fell, making for a severe environment.

Avian influenza prevented exports and caused the domestic market to decline, which led to lower sales prices and a deficit, resulting in an impairment loss.

This year ⇒ Prices are expected to recover and return to the price range of the year prior to the avian influenza outbreak.

We will emerge from a harsh environment and advance initiatives toward improving earnings.

<Initiatives toward improving earnings>

Focus on stabilizing earnings from the initially planned expansion

- Product mix

Raise cut meat ratio ⇒ Improve the production ratio to 60% to 70% for cut meats which has a high profit margin (current ratio: 50 to 50)

Branding ⇒ Improve consumer awareness of Ege-Tav and enhance sales of red chicken and other special chicken brands

3. Progress

(2) Expansion of overseas net sales at an early stage



Overseas Business Division [Europe and Asia Operations – Joint Venture with Lay Hong Berhad in Malaysia]

Overview of establishment of the joint venture with Lay Hong Berhad

In January 2016, we invested in 22.9% of Lay Hong Berhad, making it an equity method associated company of the Nipponham Group.

⇒ In March 2016, we announced the establishment of a joint venture NHF

Manufacturing (Malaysia) Sdn. Bhd

*Lay Hong Berhad

Major Malaysian poultry integrator which, in addition to chicken meat, eggs, and processed products, is also involved in developing fresh product volume retailers.



The last for the overseas net sales is the joint venture with Lay Hong Berhad in Malaysia.

We announced to make it an equity method associated company in January and to establish a joint venture in March.

<Overview of Lay Hong Berhad>

Lay Hong Berhad is a major Malaysian poultry integrator which also develops volume retailers.

Lay Hong Berhad holds the NutriPlus brand of eggs and processed products, has high recognition among customers as high value-added brand in Malaysia, and it is a company with very high technical capabilities.

<Future initiatives with the Nipponham Group>

- Implement marketing and formulate a sales strategy focused on value-added products. (*Chuka Meisai, CHIKI-CHIKI Bone, Fuwatama omelet, etc.*) ⇒ Materials supplied from Lay Hong Berhad
- Currently manufacturing at Lay Hong's existing factories
- We are planning to build our own factory, aiming for start of operations in 2018.

Initiatives to enhance corporate value

- Collaboration with Hokkaido Nippon-Ham Fighters Baseball Club
April 20: Launched Homerun® Sausage
May 11: Held a *Sakurahime* & *Mugikomachi* night game in Tokyo Dome



- Women's Pro Golf Tournament
Held the "Nipponham Ladies Classic" in Hakodate in July



- KidZania Tokyo
Exhibited a "Sausage Factory" Pavilion in Tokyo, following KidZania Koshien
⇒ Encourage health of mind and body among people through sports activities and food education while also being used for sales activities



Here, I will explain the initiatives in promotion of strategic branding.

We have conducted various initiatives toward enhancing our corporate value.

<Hokkaido Nippon-Ham Fighters>

Launched Homerun® Sausage in April 20.

A revival of sausages with professional baseball cards launched to target the children's snack market in 1976.

We packaged the sausages with collection cards, mainly sold to the Hokkaido area, and was met with a great response.

Held a *Sakurahime* & *Mugikomachi* night game on May 11

Held *Sakurahime* night games until last year.

Continued the themed night games with *Mugikomachi* from this year.

Linked with campaign for consumer.

<Women's Pro Golf Tournament>

Held the "Nipponham Ladies Classic" in Hakodate in July.

Invited customers and received a very positive response.

<KidZania Tokyo>

Exhibited a "Sausage Factory" Pavilion in Tokyo, following KidZania Koshien.

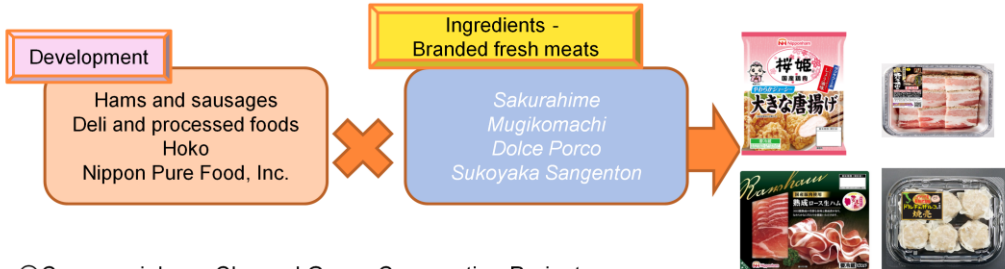
Became a very popular pavilion, also linked with campaign for consumer.

⇒ Encourage health of mind and body among people through sports activities and food education, while also being used for sales activities.

3. Progress
 (3) Promotion of strategic branding

Promotion of company-wide marketing

○Project of developing processed products using branded fresh meats ⇒ Continue to promote development going forward



○Commercial-use Channel Group Cooperation Project

Contact	Channel	Promotion items
Fresh Meats Business Division	Barbecue Restaurants	Hams and sausages
	Beef Bowl Restaurants	
Processed Foods Business Division	CVS	Meat ingredients, primary processed products, extracts, raw marine ingredients
	Food services in general, vendors, bakeries	Raw marine ingredients, cheese, shumai dumpling, yogurt

⇒Share customers to expand sales as a group

In strategic branding, we are also advancing company-wide projects.

- Project of developing processed products using branded fresh meats
 ⇒Products already released from this spring.
 We will refine the products and increase appeal in stores.
- Commercial-use channel group cooperation project
 ⇒Share customers that each business has strengths in with the group
 Results are appearing, such as sales of meat ingredients to CVS.

We will continue to produce results together.

3. Progress

(4) Reinforcement of cross-Group corporate functions

ROIC=Return On Invested Capital

Return on invested capital (working capital + capital investment)

ROIC Return On Invested Capital	=	Net Sales Investment Capital	×	Operating Income Net Sales	×	After tax [1-tax rate]
		[Invested capital turnover]		[Operating income ratio]		
<u>FY2015 Results</u>						
6.4%	=	2.52 (times)	×	4.0%	×	0.64
<u>FY2016 Results</u>						
6.2%	=	2.46 (times)	×	3.7%	×	0.67
<u>FY2017 Forecasts</u>						
6.4%	=	2.39 (times)	×	3.9%	×	0.69

⇒ Because sales and operating income both exceeded initial forecasts, ROIC results also improved to 6.2% compared to the forecasts. In the next fiscal year, we have operating income (¥49.0 billion) in sight which exceeds the record high (¥48.4 billion), and expect to reach the same level of ROIC in 2014.

In the final year of the New Medium-Term Management Plan Part 5, we aim to exceed 6.4% by improving capital efficiency and operating income.

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○Progress of ROIC

Because sales and operating income both exceeded initial forecasts, ROIC results also improved to 6.2%.

FY2016 forecast was 5.3%.

In the next fiscal year, we will work to raise operating income ratio aiming for an operating income (¥49.0 billion) that exceeds the record high (¥48.4 billion), and expect to reach the same level of ROIC in 2015.

In the final year of the New Medium-Term Management Plan Part 5, we aim to exceed 6.4% by improving capital efficiency and operating income.

<Effects of ROIC introduction>

There is growing awareness of inventory, and initiatives to reduce it have resulted in inventories decreased by ¥5.8 billion, mainly for fresh meats.

Cash flows from operating activities also increased by ¥22.9 billion compared to last year.



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Forward-looking statements

Figures in this presentation are based on information available at the current time and certain assumptions about the future which we consider reasonable. Because they are subject to numerous external risks and uncertainties, we cannot guarantee that these forecasts will be reached or earnings generally meet expectations.

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

The Nipponham Group is under no limitations or obligations of any kind regarding future revisions of the Medium-Term Management Plan, regardless of future information that may emerge or future events or their consequences.