

# Business Results

## for the First Half of FY2017/3

November 7, 2016 (Mon.)  
NH Foods Ltd.

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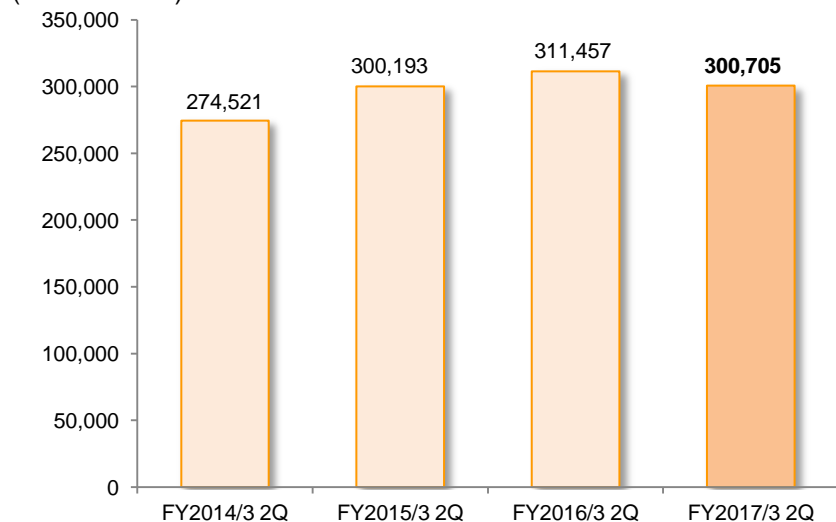
# 1. Operating Segment Data: 2Q (Jul.-Sep.)

(¥ million)

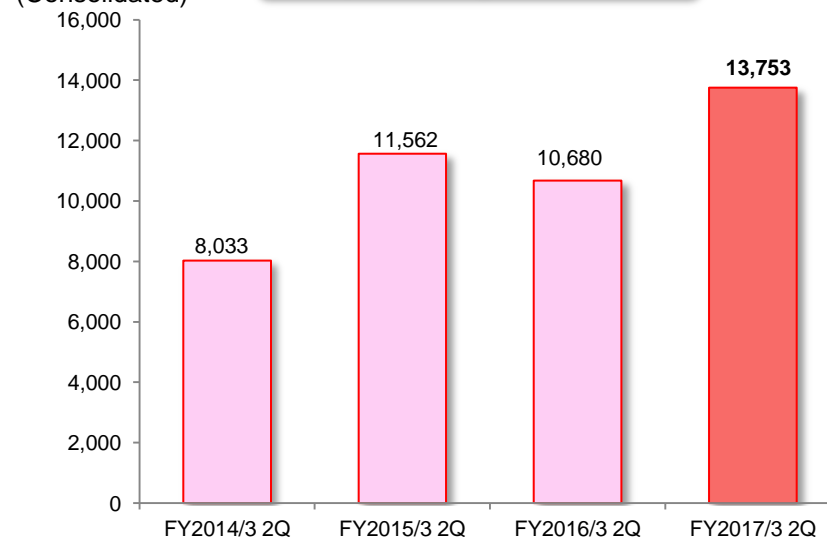
		FY2014/3 2Q	FY2015/3 2Q	FY2016/3 2Q	<b>FY2017/3 2Q</b>	Variance	Variance (%)
Processed Foods Business Division	Net sales	84,383	87,002	86,800	<b>87,702</b>	902	1.0
	Operating income	1,267	541	424	<b>2,125</b>	1,701	401.2
Fresh Meats Business Division	Net sales	165,546	183,148	189,755	<b>186,368</b>	(3,387)	(1.8)
	Operating income	3,194	7,806	9,550	<b>11,090</b>	1,540	16.1
Affiliated Business Division	Net sales	36,907	39,148	40,183	<b>39,991</b>	(192)	(0.5)
	Operating income	202	(26)	244	<b>1,016</b>	772	316.4
Overseas Business Division	Net sales	49,593	62,637	64,680	<b>53,944</b>	(10,736)	(16.6)
	Operating income	3,157	3,391	366	<b>(25)</b>	(391)	-
Eliminations, adjustments and others	Net sales	(61,908)	(71,742)	(69,961)	<b>(67,300)</b>	2,661	-
	Operating income	213	(150)	96	<b>(453)</b>	(549)	-
Consolidated	Net sales	274,521	300,193	311,457	<b>300,705</b>	(10,752)	(3.5)
	Operating income	8,033	11,562	10,680	<b>13,753</b>	3,073	28.8

 (¥ million)  
 (Consolidated)

## Net Sales


 (¥ million)  
 (Consolidated)

## Operating Income



- 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.
- Due to the establishment of the Overseas Business Division, figures for past years have been rearranged retroactively and are reclassified accordingly.

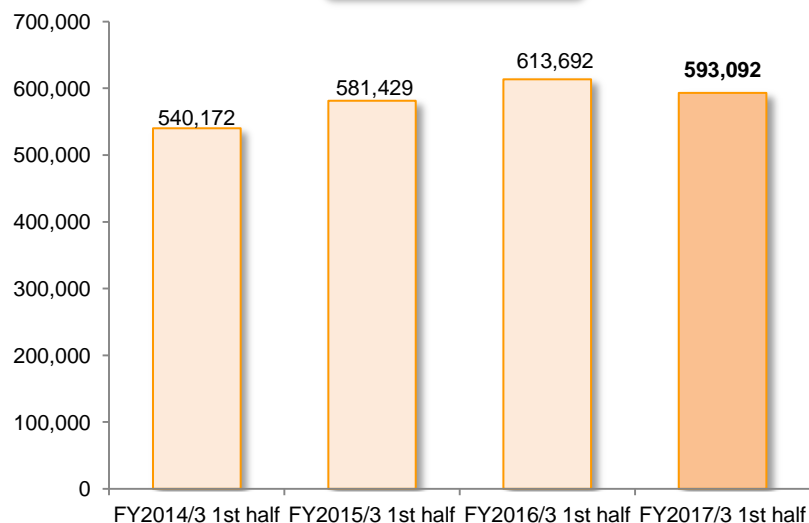
## 2. Operating Segment Data: 1st Half (Apr.–Sep.)

(¥ million)

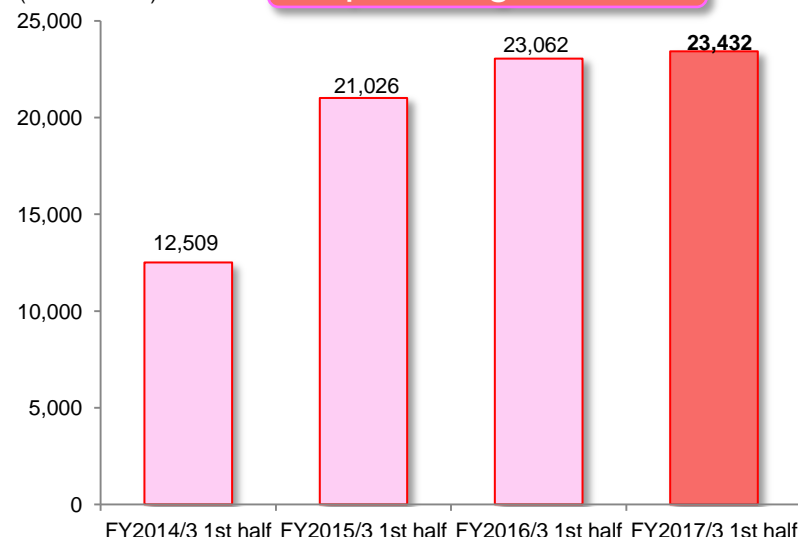
		FY2014/3 1st half	FY2015/3 1st half	FY2016/3 1st half	FY2017/3 1st half	Variance	Variance (%)
Processed Foods Business Division	Net sales	162,818	169,557	166,404	<b>169,090</b>	2,686	1.6
	Operating income	2,020	1,601	452	<b>3,236</b>	2,784	615.9
Fresh Meats Business Division	Net sales	326,553	355,469	376,935	<b>370,661</b>	(6,274)	(1.7)
	Operating income	6,782	14,005	18,653	<b>19,419</b>	766	4.1
Affiliated Business Division	Net sales	70,739	74,589	77,092	<b>77,700</b>	608	0.8
	Operating income	177	(67)	432	<b>1,602</b>	1,170	270.8
Overseas Business Division	Net sales	99,492	120,229	129,612	<b>109,225</b>	(20,387)	(15.7)
	Operating income	2,706	5,233	3,514	<b>(599)</b>	(4,113)	-
Eliminations, adjustments and others	Net sales	(119,430)	(138,415)	(136,351)	<b>(133,584)</b>	2,767	-
	Operating income	824	254	11	<b>(226)</b>	(237)	-
Consolidated	Net sales	540,172	581,429	613,692	<b>593,092</b>	(20,600)	(3.4)
	Operating income	12,509	21,026	23,062	<b>23,432</b>	370	1.6

 (¥ million)  
 (Consolidated)

### Net Sales


 (¥ million)  
 (Consolidated)

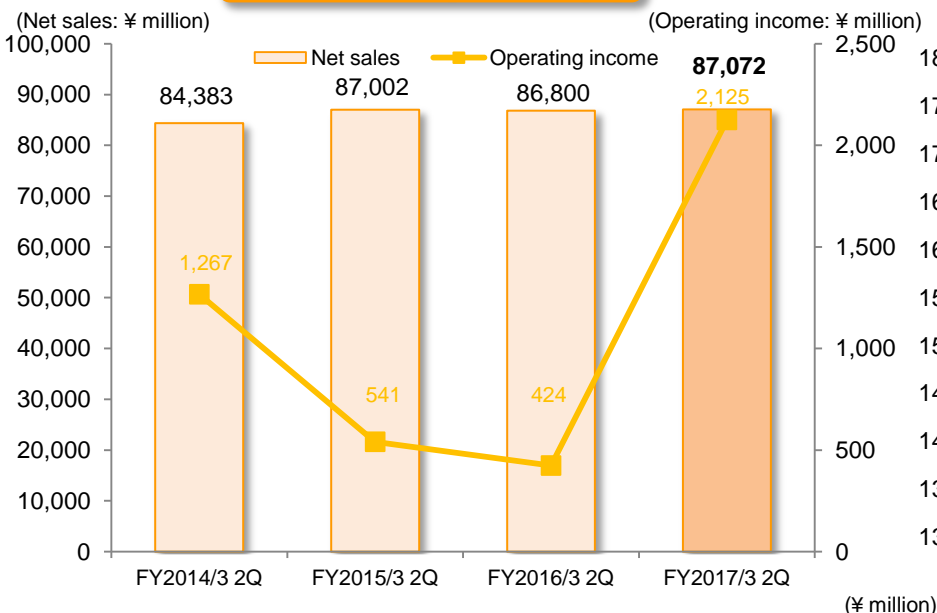
### Operating Income



- 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.
- Due to the establishment of the Overseas Business Division, figures for past years have been rearranged retroactively and are reclassified accordingly.

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

#### 2Q Results (Jul.–Sep.)

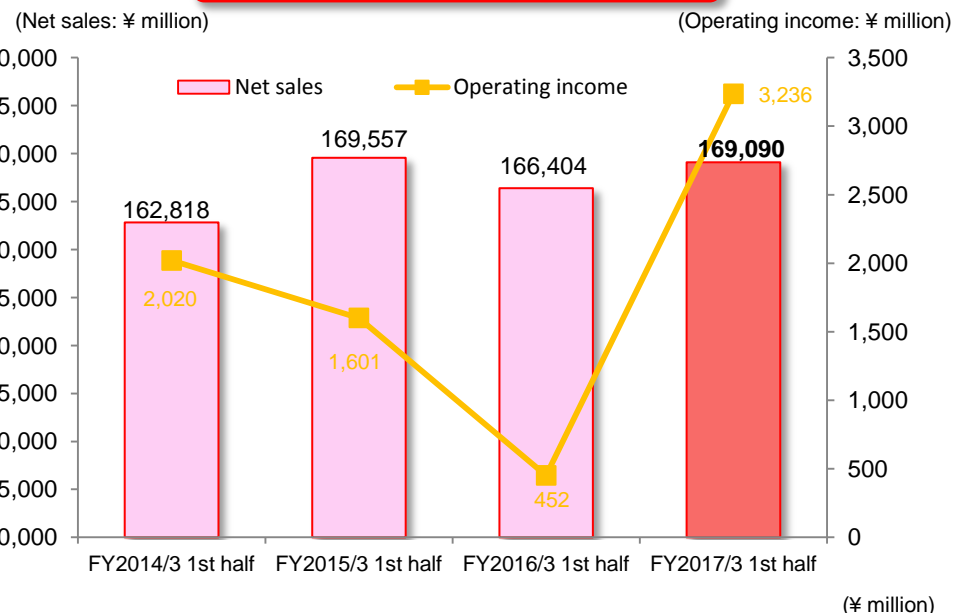


	FY2016/3 2Q	FY2017/3 2Q	Variance	Variance (%)
Net sales	86,800	87,072	902	1.0
Operating income	424	2,125	1,701	401.2
Operating income ratio	0.5%	2.4%	-	-

#### Net Sales in FY2017/3 1st half (Apr.–Sep.)

As for hams and sausages, commercial-use products recovered as product launches through restaurant channels progressed. In consumer products, despite recovery of NB products, particularly **SCHAU ESSEN**, recovery of PB products was slow, and revenues fell slightly below those of last year. Revenues increased in deli and processed foods, due to strong performance by new products of consumer products, as well as progress in product launches through CVS channels for commercial-use products.

#### 1st Half Results (Apr.–Sep.)



	FY2016/3 1st half	FY2017/3 1st half	Variance	Variance (%)
Net sales	166,404	169,090	2,686	1.6
Operating income	452	3,236	2,784	615.9
Operating income ratio	0.3%	1.9%	-	-

#### Operating Income in FY2017/3 1st half (Apr.–Sep.)

Operating income increased as a result of improved productivity in production operations due to recovery in production volume, improvement in gross margins due to the launch of new products, as well as improved prices for raw materials and fuels.

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

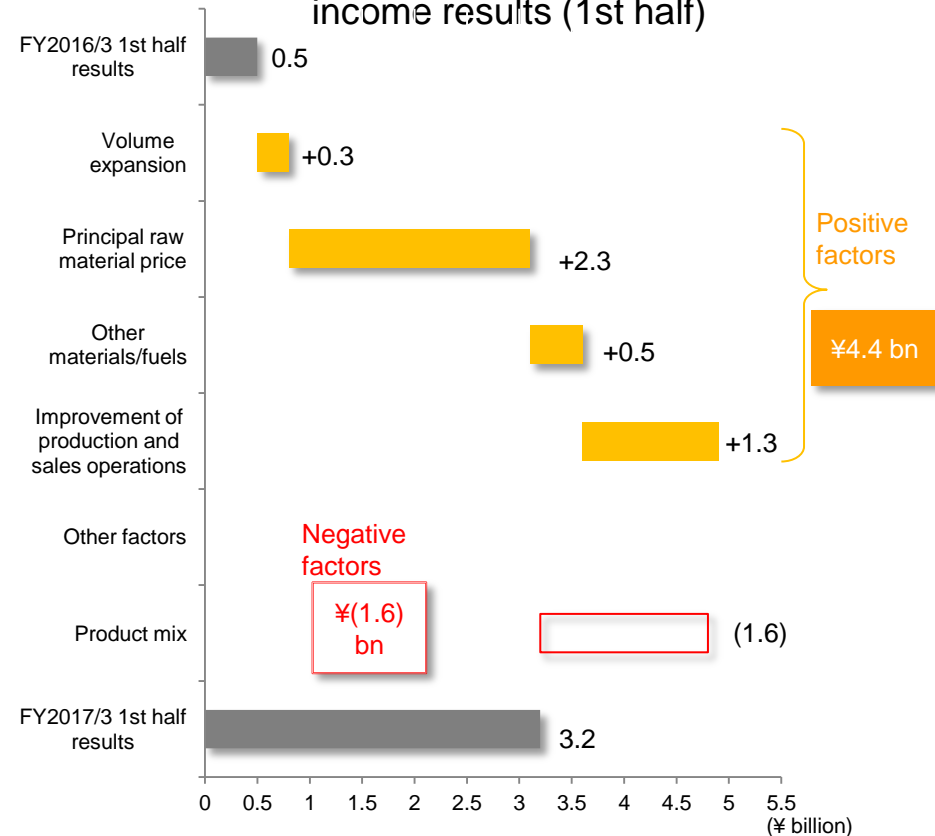
#### Factor Analysis: Changes in operating income

(¥ billion)

	FY2017/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
<b>Volume expansion</b>	0.1	0.2	0.4	0.3	(0.1)
<b>Profit margin improvement</b>	1.0	1.5	1.7	2.5	0.8
<i>External factors</i>	1.3	1.5	2.4	2.8	0.4
Principal raw material price	1.1	1.2	2.0	2.3	0.3
Other materials/fuels	0.2	0.3	0.4	0.5	0.1
<i>Internal factors</i>	(0.3)	0.0	(0.7)	(0.3)	0.4
Product mix (product renewal)	(0.7)	(0.9)	(1.7)	(1.6)	0.1
Improvement of production and sales operations	0.4	0.9	1.0	1.3	0.3
<b>Other factors</b>	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	1.1	1.7	2.1	2.8	0.7

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

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



#### ● Forecasts Variation Factor Analysis (FY2017/3 1st half)

[Volume expansion]

Operating income fell below the forecast due to delayed recovery of sales of consumer PB products in hams and sausages.

[Improvement of production and sales operations]

Operating income exceeded the forecast due to the improvement in factory productivity with increased sales volume for hams and sausages as well as deli and processed foods.

#### ● Summer gift product sales results

- FY2017/3 results:  
year on year, unit basis: 97%
- “*Utsukushi-no-Kuni*” gifts:  
year on year, unit basis: 101%  
(Sales ratio at 26%)

(Unit: thousands)

		FY2016/3 results	FY2017/3 results	
		Units	Units	Variance
Summer gift-giving season (results)	Overall unit sales	2,069	1,997	97%
	( <i>Utsukushi-no-Kuni</i> )	507	514	101%

#### ● Major brands sales results

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



*SCHAU ESSEN*  
performing favorably



*Kiwami-yaki Hamburg Steak*,  
a strong seller



*CHIKICHIKI Bone*, driver of  
robust sales in prefried group

Hams and sausages	FY2017/3	Deli and processed foods	FY2017/3
	1st half results		1st half results
<i>SCHAU ESSEN</i>	104%	<i>Ishigama Kobo</i>	99%
<i>Mori-no-Kaori</i> coarse-ground wieners	83%	<i>Chuka Meisai</i>	98%
<i>Irodori Kitchen Series</i>	91%	Prefried	105%
<i>Gourmet Steak</i>	105%	Hamburg and meatball	113%
<i>Yakibutas</i>	87%	Curries	107%
Consumer products total	97%	Consumer products total	104%

#### ● Sales results by channel

Reference: FY2017/3 1st half (year-on-year growth in sales by channel)

##### 1) Consumer products

Sales of hams and sausages were lower than last year due to slow recovery of PB products despite growth of NB products resulting from sales promotion carried out mainly for *SCHAU ESSEN* and introduction of products to meet demand of areas. Sales of deli and processed foods grew from last year, due to renewal of brand products and progress in new product launches.

##### 2) Commercial-use products

As for hams and sausages, introduction of regular products progressed mainly for restaurants.

Sales of deli and processed foods grew due to the introduction of mainstay products through CVS channels with large-scale markets.

		Volume	Amount
Hams and sausages	Consumer-use	100%	97%
	Commercial-use	105%	106%
	Total	101%	98%
Deli and processed foods	Consumer-use	106%	104%
	Commercial-use	105%	102%
	Total	105%	103%

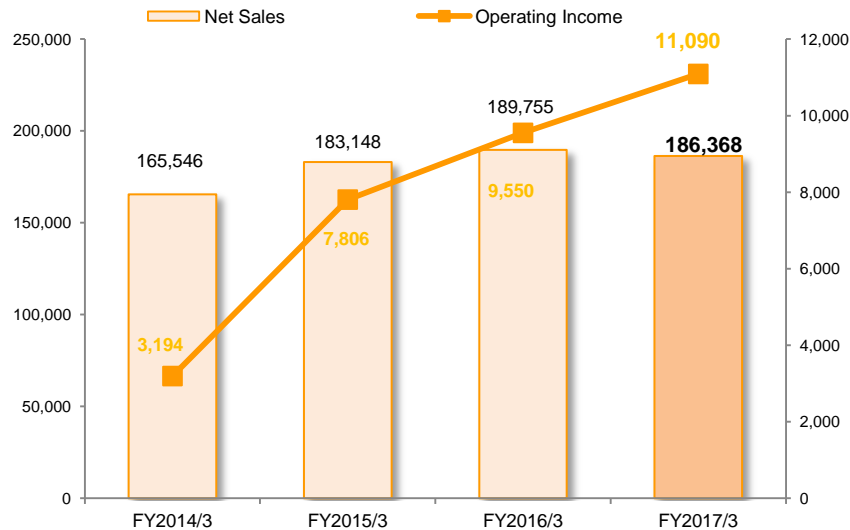


## 4. Operating Segment Data: Fresh Meats Business Division (1)

(Net sales: ¥ million)

### 2Q Results (Jul.–Sep.)

(Operating income: ¥ million) (Net sales: ¥ million)



(¥ million)

	FY2016/3 2Q	FY2017/3 2Q	Variance	Variance (%)
Net sales	189,755	186,368	(3,387)	(1.8)
Operating income	9,550	11,090	1,540	16.1
Operating income ratio	5.0%	6.0%	-	-

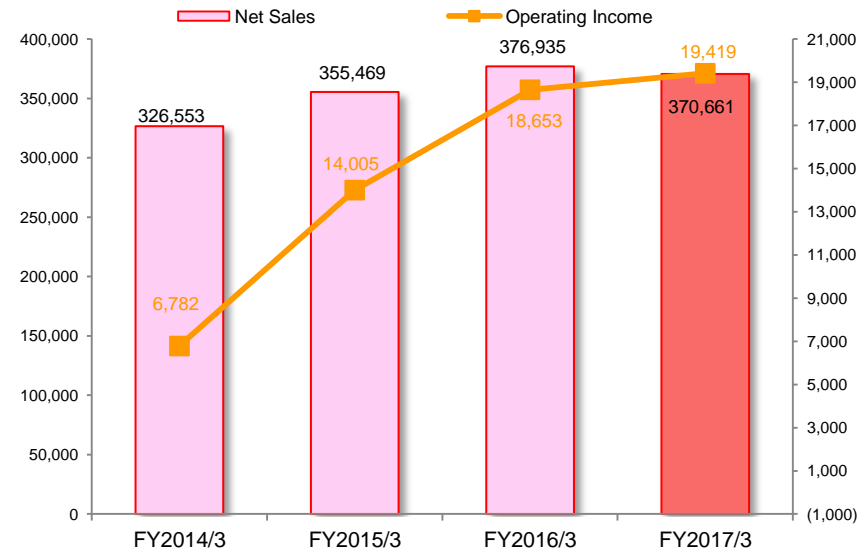
### Net Sales in FY2017/3 1st Half (Apr.–Sep.)

(Net sales)

Although both sales volume and amount for both domestic and imported beef grew and overall sales volume exceeded that of last year, revenues decreased due to a major drop in the price of chickens, particularly imported chickens.

### 1st Half Results (Apr.–Sep.)

(Operating income: ¥ million)



(¥ million)

	FY2016/3 1st half	FY2017/3 1st half	Variance	Variance (%)
Net sales	376,935	370,661	(6,274)	(1.7)
Operating income	18,653	19,419	766	4.1
Operating income ratio	4.9%	5.2%	-	-

### Operating Income in FY2017/3 1st Half (Apr.– Sep.)

Farming operations struggled as market prices for fresh meats declined compared to last year. Meanwhile, operating income was secured through expanded sales volume for imported beef overall as the falling market made the environment more favorable for sales of U.S. beef.

In addition, food companies' sales of branded fresh meats for volume retailers grew, and operating income increased overall.

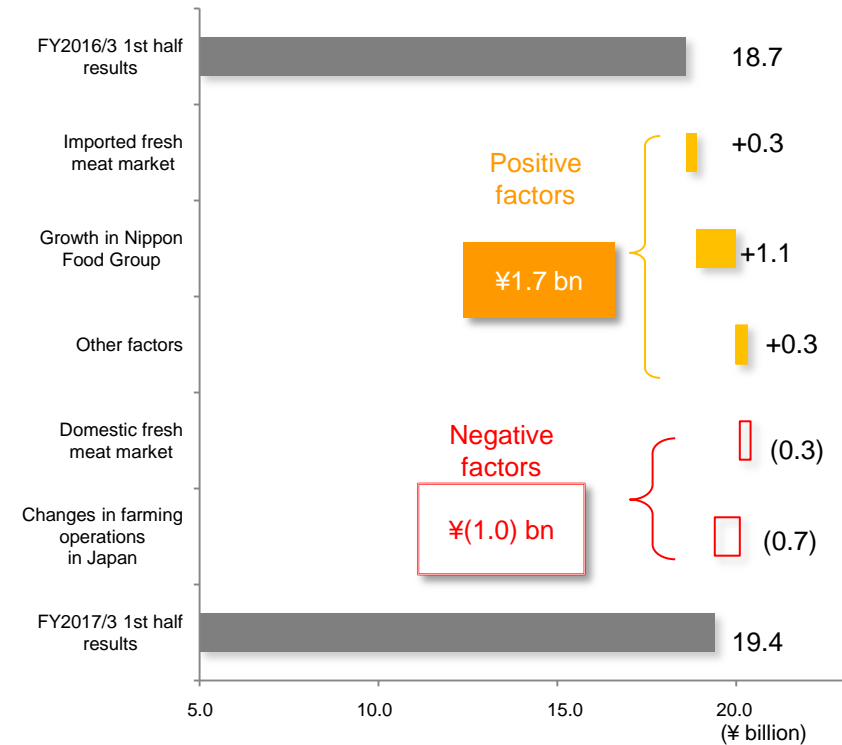
## 4. Operating Segment Data: Fresh Meats Business Division (2)

### Factor Analysis: Changes in operating income

(¥ billion)

	FY2017/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Imported fresh meat market	0.0	0.3	(0.2)	0.3	0.5
Domestic fresh meat market	(0.4)	0.2	(0.6)	(0.3)	0.4
Changes in farming operations in Japan	0.1	(0.8)	(0.5)	(0.7)	(0.2)
Growth in Nippon Food Group	0.5	0.6	0.8	1.1	0.3
Other factors	(1.0)	1.3	(0.4)	0.3	0.7
<b>Total</b>	<b>(0.8)</b>	<b>1.5</b>	<b>(0.8)</b>	<b>0.8</b>	<b>1.6</b>

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



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

### ● Forecasts Variation Factor Analysis (FY2017/3 1st Half)

[Imported fresh meat market]

Operating income exceeded the forecast due to growth in sales volume of imported beef, although imported chicken struggled due to delayed market recovery resulting from excessive inventories.

[Changes in farming operations in Japan]

Operating income fell below the forecast as the domestic chicken market price declined compared to last year.

[Growth in Nippon Food Group]

Operating income exceeded the forecast due to growth in sales of both domestic and imported beef products for volume retailers.

## 5. Operating Segment Data: Affiliated Business Division

(Net sales: ¥ million)

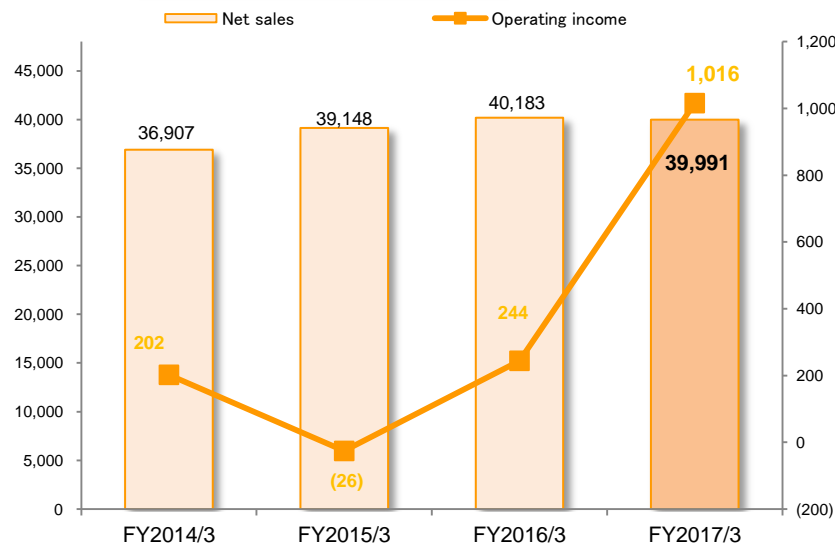
### 2Q Results (Jul.–Sep.)

(Operating income: ¥ million)

(Net sales: ¥ million)

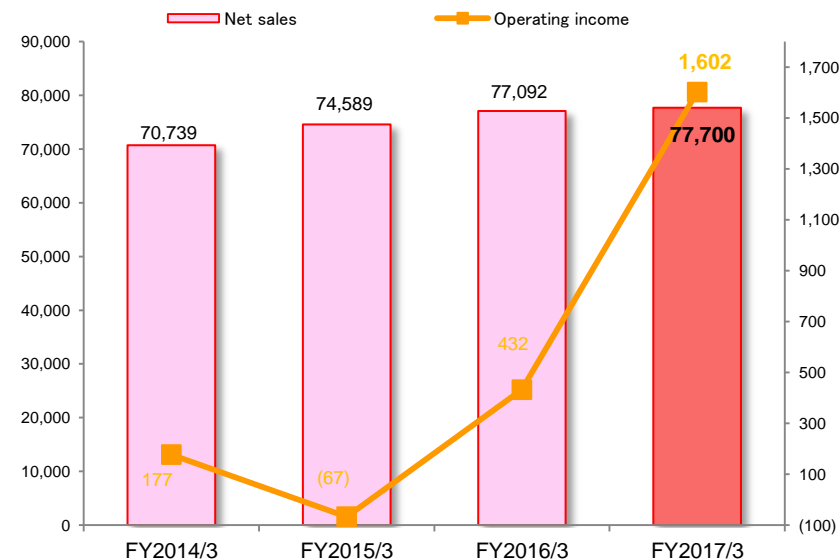
### 1st Half Results (Apr.–Sep.)

(Operating income: ¥ million)



(¥ million)

	FY2016/3 2Q	FY2017/3 2Q	Variance	Variance (%)
Net sales	40,183	39,991	(192)	(0.5)
Operating income	244	1,016	772	316.4
Operating income ratio	0.6%	2.5%	-	-



(¥ million)

	FY2016/3 1st half	FY2017/3 1st half	Variance	Variance (%)
Net sales	77,092	77,700	608	0.8
Operating income	432	1,602	1,170	270.8
Operating income ratio	0.6%	2.1%	-	-

### Net Sales in FY2017/3 1st Half (Apr.-Sep.)

As for marine products, revenues decreased due to struggles in raw material transactions despite growth in sales of mainstay sushi toppings for volume retail channels as well as in-house manufactured products.

Revenues increased due to sales growth of dairy products centered on yogurt and lactic acid bacteria beverages mainly for volume retail channels and strong sales of cheese for mainstay bread production channels and restaurant channels.

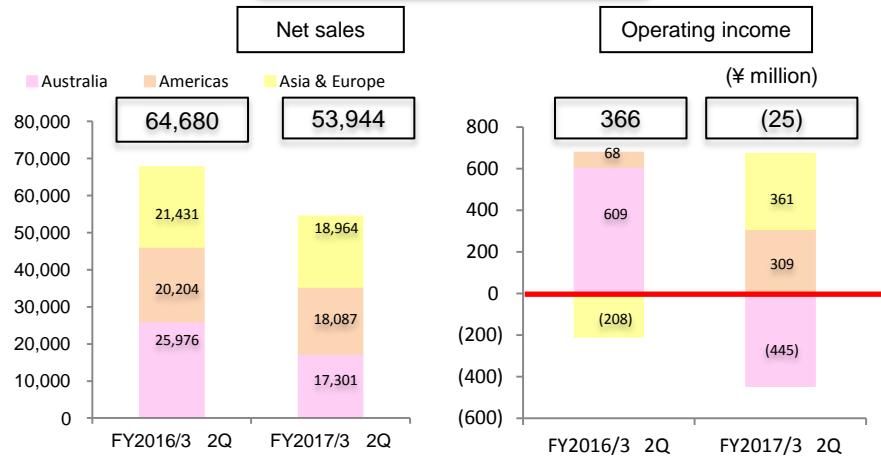
### Operating Income in FY2017/3 1st Half (Apr.-Sep.)

As for marine products, operating income increased due to improvement in gross profit margins resulting from sales growth mainly in in-house manufactured products as well as efforts focused on expanding sales of sushi toppings.

In dairy products, operating income increased as a result of sales growth and stabilized raw materials prices as well as a return to regular operations at a cheese production factory where operating rates declined last year due to relocation.

## 6. Operating Segment Data: Overseas Business Division (1)

### 2Q Results (Jul.–Sep.)



		FY2016/3 2Q	FY2017/3 2Q	Variance	Variance (%)
Overseas total	Net Sales	64,680	53,944	(10,736)	(16.6)
	Operating income	366	(25)	(391)	-
Australia	Net Sales	25,976	17,301	(8,675)	(33.4)
	Operating income	609	(445)	(1,054)	-
Americas	Net Sales	20,204	18,087	(2,117)	(10.5)
	Operating income	68	309	241	354.4
Asia & Europe	Net Sales	21,431	18,964	(2,467)	(11.5)
	Operating income	(208)	361	569	-

\* Amounts for Texas Farm, LLC have been excluded from the figures shown in these materials because it is a discontinued operation.

\* Net sales and operating income amounts prior to consolidation adjustments. (The figures for all overseas segments do not match the overseas total, by reason of the elimination of intersegment transactions.)

### Net Sales in FY2017/3 1st half (Apr.–Sep.)

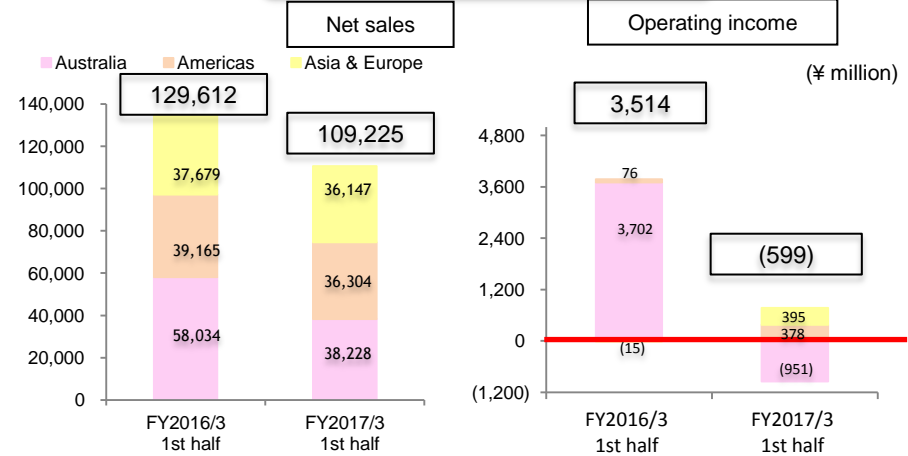
#### - Australia operations

Revenues decreased significantly due to struggling sales for the U.S. because of the impact of difficulties in collecting cattle livestock and continuing high prices of cattle livestock.

#### - Americas operations

Revenues decreased, partly due to the impact of foreign exchange translation, despite strong sales at Day-Lee Foods, Inc.

### 1st Half Results (Apr.–Sep.)



		FY2016/3 1st half	FY2017/3 1st half	Variance	Variance (%)
Overseas total	Net Sales	129,612	109,225	(20,387)	(15.7)
	Operating income	3,514	(599)	(4,113)	-
Australia	Net Sales	58,034	38,228	(19,806)	(34.1)
	Operating income	3,702	(951)	(4,653)	-
Americas	Net Sales	39,165	36,304	(2,861)	(7.3)
	Operating income	76	378	302	397.4
Asia & Europe	Net Sales	37,679	36,147	(1,532)	(4.1)
	Operating income	(15)	395	410	-

### Operating income in FY2017/3 1st half (Apr.–Sep.)

#### - Australia operations

Operating income decreased as sale prices of beef to the U.S. failed to recover due to a recovery in American beef production amid historically high prices for cattle livestock.

#### - Americas operations

Operating income increased due to sales growth of processed foods at Day-Lee Foods, Inc.

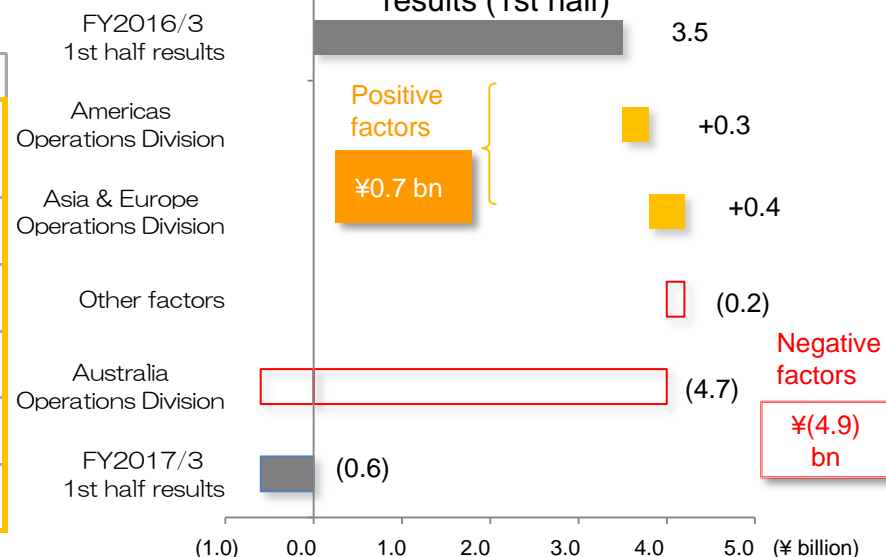
## 6. Operating Segment Data: Overseas Business Division (2)

### Factor Analysis: Changes in operating income

(¥ billion)

	FY2017/3 Forecasts				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Australia Operations Division	(3.6)	(1.1)	(4.7)	(4.7)	0.0
Americas Operations Division	0.1	0.2	0.6	0.3	(0.3)
Asia & Europe Operations Division	(0.2)	0.6	0.4	0.4	0.0
Other factors	0.0	(0.2)	0.0	(0.2)	(0.2)
Total	(3.7)	(0.4)	(3.7)	(4.1)	(0.4)

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



### Forecasts Variation Factor Analysis

#### ● Australia operations

Conditions were severe, as livestock procurement prices continued to soar, plant operating rates fell due to difficulties in collecting cattle, while on the sales front sales for the U.S. stagnated.

#### ● Americas operations

Although business was strong at Day-Lee Foods, Inc. in North America, income deteriorated in the marine products business in South America.

#### ● Asia & Europe operations

In addition to growth in volume of pork exports from Europe, results at Ege-Tav in Turkey improved in response to recovery in the market condition.

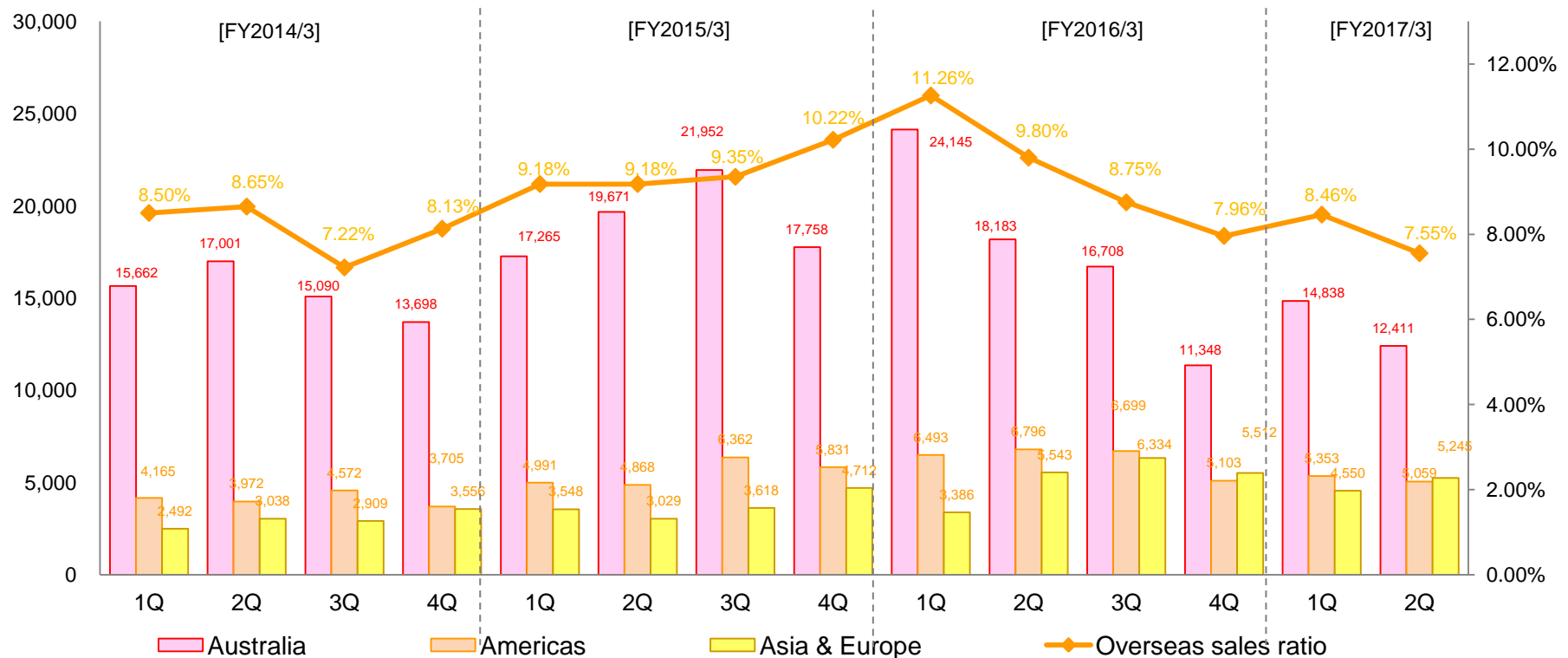
## 7. External Customer Net Sales Results in Major Overseas Geographical Areas

(¥ million, %)

	FY2014/3	FY2015/3	FY2016/3					FY2017/3	
	Full year	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q
Australia	61,451	76,646	24,145	18,183	16,708	11,348	70,384	14,838	12,411
Americas	16,414	22,052	6,493	6,796	6,699	5,103	25,091	5,353	5,059
Asia & Europe	11,995	14,907	3,386	5,543	6,334	5,512	20,775	4,550	5,245
Overseas total	89,860	113,605	34,024	30,522	29,741	21,963	116,250	24,742	22,713
Overseas sales ratio	8.09%	9.47%	11.26%	9.80%	8.75%	7.96%	9.46%	8.46%	7.55%

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

(Net sales: ¥ million)

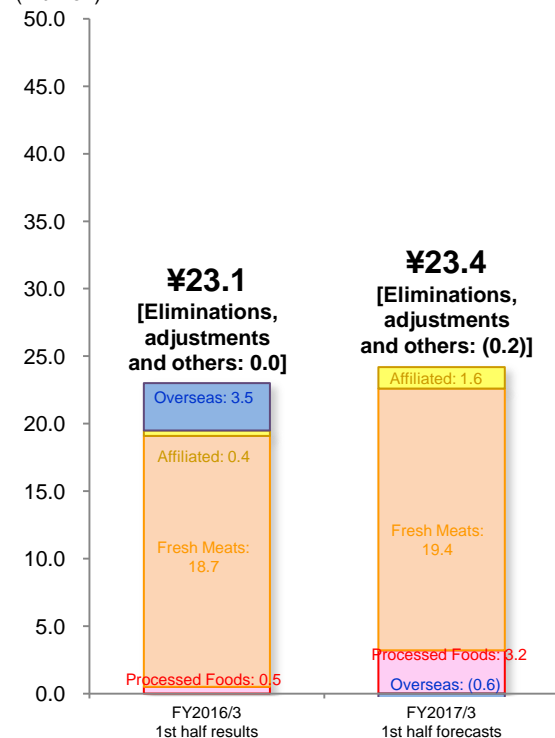


## **II. Outlook for FY2017/3**

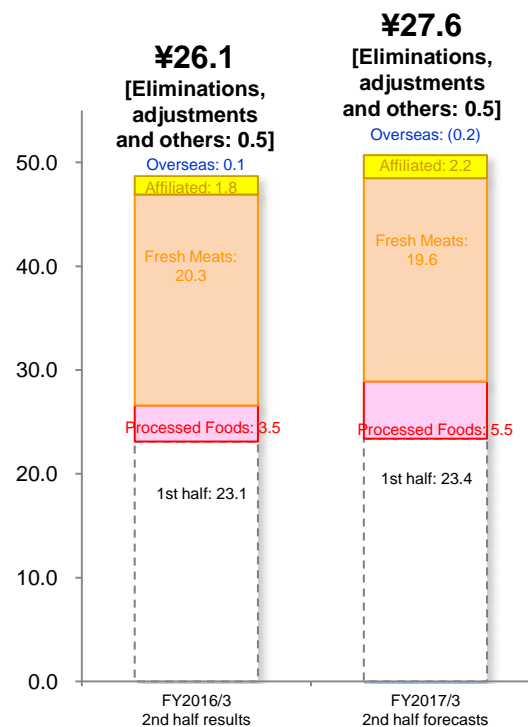
- 1. FY2017/3 Operating Income Forecasts**
- 2. Processed Foods Business Division: Outlook**
- 3. Fresh Meats Business Division: Outlook**
- 4. Affiliated Business Division: Outlook**
- 5. Overseas Business Division: Outlook**

# 1. FY2017/3 Operating Income Forecasts (1)

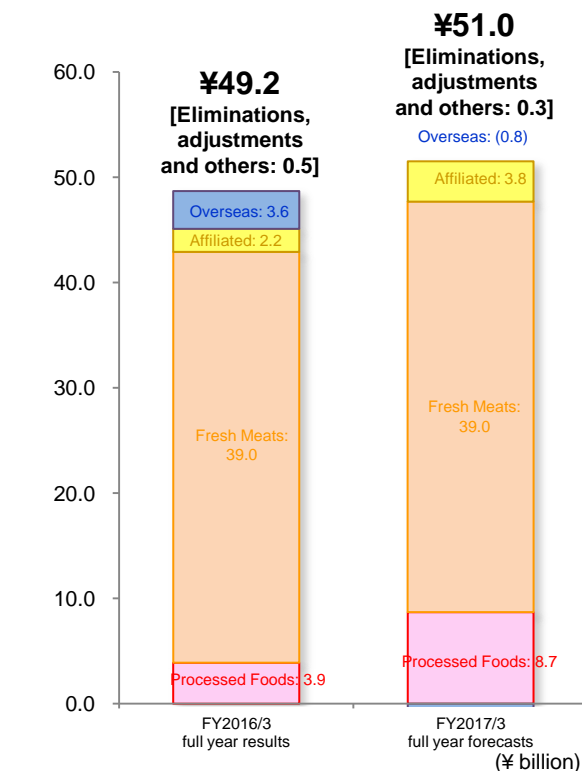
(¥ billion)



(¥ billion)



(¥ billion)



	FY2017/3 1st half results			FY2017/3 2nd half forecasts			FY2017/3 full year forecasts		
	FY2016/3 1st half results		Variance	FY2016/3 2nd half results		Variance	FY2016/3 full year results		Variance
Processed Foods Business Division	0.5	3.2	2.8	3.5	5.5	2.0	3.9	8.7	4.8
Fresh Meats Business Division	18.7	19.4	0.8	20.3	19.6	(0.7)	39.0	39.0	0.0
Affiliated Business Division	0.4	1.6	1.2	1.8	2.2	0.4	2.2	3.8	1.6
Overseas Business Division	3.5	(0.6)	(4.1)	0.1	(0.2)	(0.3)	3.6	(0.8)	(4.4)
Eliminations, adjustments and others	0.0	(0.2)	(0.2)	0.5	0.5	0.0	0.5	0.3	(0.2)
<b>Total</b>	<b>23.1</b>	<b>23.4</b>	<b>0.3</b>	<b>26.1</b>	<b>27.6</b>	<b>1.5</b>	<b>49.2</b>	<b>51.0</b>	<b>1.8</b>



# 1. FY2017/3 Operating Income Forecasts (2)

Variance from the forecasts revised at 1Q

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

(¥ billion)

	FY2017/3 1st half results			FY2017/3 3Q forecasts			FY2017/3 4Q forecasts			FY2017/3 full year forecasts			
	Forecasts announced at 1Q excluding discontinued operations		Variance	Forecasts announced at 1Q excluding discontinued operations		Variance	Forecasts announced at 1Q excluding discontinued operations		Variance	Forecasts announced at 1Q including discontinued operations	Forecasts announced at 1Q excluding discontinued operations		Variance
Processed Foods Business Division	2.5	<b>3.2</b>	0.7	5.8	5.8	0.0	(0.3)	<b>(0.3)</b>	0.0	8.0	8.0	<b>8.7</b>	0.7
Fresh Meats Business Division	17.8	<b>19.4</b>	1.6	12.0	12.6	0.6	6.5	<b>7.0</b>	0.5	36.3	36.3	<b>39.0</b>	2.7
Affiliated Business Division	1.5	<b>1.6</b>	0.1	1.9	2.0	0.1	(0.1)	<b>0.2</b>	0.3	3.3	3.3	<b>3.8</b>	0.5
Overseas Business Division	(0.3)	<b>(0.6)</b>	(0.3)	1.6	0.0	(1.6)	0.9	<b>(0.2)</b>	(1.1)	<b>0.8</b>	<b>2.3</b>	<b>(0.8)</b>	(3.1)
Eliminations, adjustments and others	0.3	<b>(0.2)</b>	(0.5)	(0.1)	0.2	0.3	0.4	<b>0.3</b>	(0.1)	0.6	0.6	<b>0.3</b>	(0.3)
Total	21.8	<b>23.4</b>	1.6	21.2	20.6	(0.6)	7.4	<b>7.0</b>	(0.4)	49.0	50.5	<b>51.0</b>	0.5

## Factor Analysis: Changes in operating income

(¥ billion)

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

(¥ billion)

Processed Foods Business Division	Variance from initial forecasts								
	3Q forecasts			4Q forecasts			Full year forecasts		
	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance
Volume expansion	0.4	0.5	0.1	0.1	0.2	0.1	0.9	1.0	0.1
Profit margin improvement	1.0	0.9	(0.1)	0.5	0.4	(0.1)	3.2	3.8	0.6
External factors	0.9	0.9	0.0	0.7	0.5	(0.2)	4.0	4.2	0.2
Principal raw material price	0.7	0.7	0.0	0.3	0.3	0.0	3.0	3.3	0.3
Other materials/fuels	0.2	0.2	0.0	0.4	0.2	(0.2)	1.0	0.9	(0.1)
Internal factors	0.2	0.0	(0.2)	(0.2)	(0.1)	0.1	(0.7)	(0.4)	0.3
Product mix (product renewal)	(0.6)	(0.6)	0.0	(0.4)	(0.3)	0.1	(2.7)	(2.5)	0.2
Improvement of production and sales operations	0.8	0.6	(0.2)	0.2	0.2	0.0	2.0	2.1	0.1
Other factors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	1.4	1.4	0.0	0.6	0.6	0.0	4.1	4.8	0.7

Fresh Meats Business Division	Variance from initial forecasts								
	3Q forecasts			4Q forecasts			Full year forecasts		
	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance
Imported fresh meat market	0.4	0.8	0.4	1.2	1.6	0.4	1.4	2.8	1.4
Domestic fresh meat market	(0.6)	(0.2)	0.4	(0.1)	0.1	0.2	(1.4)	(0.4)	1.0
Changes in farming operations in Japan	(0.6)	(0.9)	(0.3)	0.1	(0.4)	(0.5)	(1.0)	(1.9)	(0.9)
Growth in Nippon Food Group	(0.8)	(0.6)	0.2	(1.2)	(0.8)	0.3	(1.1)	(0.4)	0.7
Other factors	0.1	(0.1)	(0.2)	(0.2)	(0.3)	0.0	(0.5)	0.0	0.5
Total	(1.6)	(1.0)	0.6	(0.2)	0.3	0.5	(2.7)	0.0	2.7

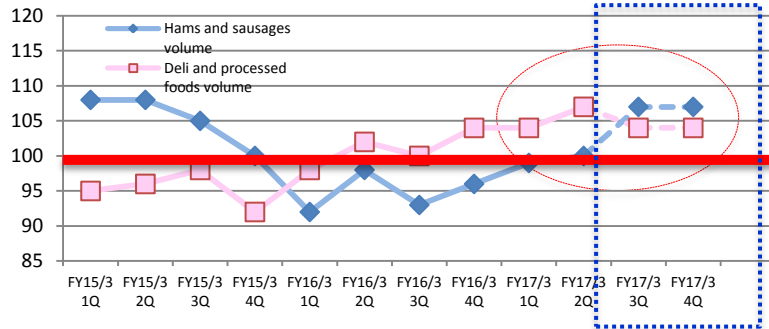
•Due to rounding, item tallies in each division may not match totals.

## 2. Processed Foods Business Division: Outlook

### ● Measures to expand consumer products sales

Consumer Products: Volume and Amount, Second Half Forecast

Deli and processed foods passed last year's levels from 1Q on.  
Hams and sausages passed last year's levels in 2Q. Aim for further expansion.



\* Figures for FY2017/3 3Q and 4Q are forecast values.

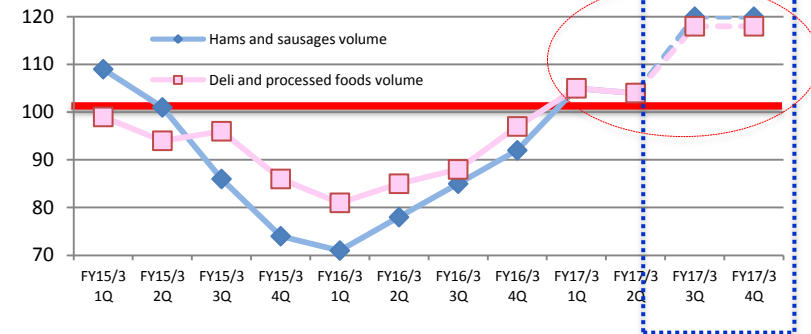
- Further expand sales of **SCHAU ESSEN** using TV commercials in November.
- Expand sales by strengthening product launches for new channels such as normal temperature and frozen food channels.
- Enhance products exclusively sold by distributors and cultivate existing customers for sales expansion.



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

Commercial-Use Products: Volume and Amount, Second Half Forecast

Hams and sausages, deli and processed foods both passed last year's levels in the current quarter. Aim for further sales growth by taking over the position of standard product in restaurant and CVS channels.



\* Figures for FY2017/3 3Q and 4Q are forecast values.

- Strengthen presentation and introduce major products for CVS channels.
- Brush up existing products for restaurant channels and secure major products.
- Reinforce presentation among uncaptured restaurant business customers with the aim of taking over position as standard products.

### ● Measures to expand sales of Gift products

- Target 110% year-on-year sales in year-end gifts.
- Target 120% year-on-year sales for *Utsukushi-no-Kuni*.
- Strengthen products to respond to a variety of needs.

Reference: Unit sales of gift products for FY2016/3 results and FY2017/3 results and forecasts

		FY2016/3 results	FY2017/3 results and forecasts	
		Units	Units	Variance
Summer gift-giving season (results)	Overall unit sales	2,069	1,997	97%
	( <i>Utsukushi-no-Kuni</i> )	507	514	101%
Year-end gift-giving season (forecasts)	Overall unit sales	3,878	4,265	110%
	( <i>Utsukushi-no-Kuni</i> )	865	1,038	120%
Total (forecasts)	Overall unit sales	5,947	6,262	105%
	( <i>Utsukushi-no-Kuni</i> )	1,372	1,552	113%
	(Sales ratio)	23%	25%	-

#### ● Production businesses in Japan

- Grain market prices are weakening in response to abundant harvests in the U.S., Brazil, and other countries, and the outlook is unclear after the turn of the year.
- With regard to pork, hog shipments are expected to stabilize nationwide, and the market is expected to improve toward the end of the year due to increased demand.
- With regard to chicken, the impact of a switch to U.S. breeding hens is expected to be shown toward the end of the year, and total shipments are expected to remain on the same level as last year.

#### ● Domestic fresh meat market

- As wagyu prices are soaring, domestic beef prices are expected to rise toward the end of the year.
- Market prices for domestic pork are expected to fall as production stabilizes nationwide in the second half.
- While market prices for domestic chicken are expected to rise toward the end of the year, it is believed that they will not reach the levels as high as last year.

#### ● Imported fresh meat market

- Prices for imported beef are expected to rise due to higher demand, despite recovery of production volume in the U.S. and expansion of the market.
- Imported pork needs careful attention as U.S. production expands while Denmark sees an increase in sales to China and a decrease in the number of hogs processed domestically.
- While it is expected that the market for imported chicken will trend upward due to anticipated high local prices in the future, inventory adjustments are expected after the New Year.

#### ● Fresh meat sales (food companies)

- Run TV commercials for *Sakurahime* in the Chugoku, Shikoku, and Kanto areas in October and in Hokkaido in November to achieve an increase in *Sakurahime* sales volume.
- Advance sales expansion of U.S. chilled beef and chilled pork, which are expected to see increased imports due to recovery of production.
- Develop new markets and increase transactions to make up for sales to restaurants that were lower than last year.
- Strengthen sales of branded fresh meats for volume retailers in order to achieve stable transactions.

# 4. Affiliated Business Division: Outlook

## ● Measures to expand sales of marine products business

### (Marine Foods)

Expand sales of high value-added products at Kushiro Marusui Co., Ltd. through use of Hokkaido Fairs.

Expand sales of in-house manufactured products by using ultra-high pressure processing machines to develop new long-life chilled products, and brushing up existing products.



Sea Salad

using ultra-high pressure processing machines



Aomori no Shojiki

canned mackerel series

### (Hoko)

Expand sales of canned mackerel by airing TV commercials to capture areas, and expand sales of Hachinohe factory products through the use of campaigns, etc.

## ● Measures to expand sales of dairy products business

### (Cheese)

Expand sales of consumer products, particularly baby cheese and smoked cheese.

Expand sales of commercial-use products such as sliced cheese mainly for bread production and restaurant channels.



ROLF

Baby Cheese for Adults  
(Spiced cod roe flavor)



ROLF

SMOKED CHEESE

### (Yogurt)

Expand sales through snacking (healthy eating between meals) proposals and by introducing new products aimed at health trends, such as smoothies using chia seeds and other superfoods.

Strengthen proposals for commercial-use products for bread production channels, etc., using sales networks within the Group.

## ● Trends in the price of principal raw materials and other materials

Prices for cheese ingredients are trending upward, due to reduced production of raw milk in Europe, and there is a strong possibility that prices in Oceania will also increase under this impact.

Prices for domestic skim milk powder are tending to rise, reflecting a decrease in domestic production due to typhoon damage in production areas.



TOPCUP

Cafe Yogurt BOWL



Tokimeki Café Yellow  
Smoothie,  
containing baobab

## 5. Overseas Business Division: Outlook

### ● Australia Operations Division

- Strengthen sales in Australia mainly for branded beef because sales for the U.S. are not expected to recover for a while.
- Take a close look at appropriate operations at processing plants since the high procurement price/low selling price structure is not going to change for a while.

### ● Americas Operations Division

- Local sales operations for North American processed foods, fresh meats, and marine products are performing strongly.
- Exports to Japan are expected to increase due to the weak dollar and growing production volume of beef and pork in the U.S.

### ● Asia & Europe Operations Division

- Pork exports to Japan from Europe are expected to remain strong.

Reference: FY2017/3 2Q Australia operations sales results

Major countries for sales	Volume (ratio breakdown)	Volume (variance year on year)
Japan	29%	102%
United States	13%	33%
South Korea	13%	98%
China	6%	66%
Taiwan	5%	82%
Australia	16%	96%
Others	18%	90%
<b>Total</b>	<b>100%</b>	<b>75%</b>

FY2017/3 Overseas Business Division: Factors for changes and operating income forecasts

(¥ billion)

Overseas Business Division	Variance from initial forecasts							
	3Q forecasts			4Q forecasts			Full year forecasts	
	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q		Variance	Forecasts announced at 1Q	Variance
Australia Operations Division	0.6	(0.8)	(1.4)	1.6	0.1	(1.5)	(2.5)	(5.3)
Americas Operations Division	0.1	0.4	0.3	(0.1)	0.3	0.4	0.6	0.9
Asia & Europe Operations Division	0.3	(0.3)	(0.6)	0.4	0.3	(0.1)	1.1	0.4
Other factors	(0.2)	(0.2)	0.0	(0.2)	(0.1)	0.0	(0.5)	(0.4)
<b>Total</b>	<b>0.7</b>	<b>(0.9)</b>	<b>(1.6)</b>	<b>1.8</b>	<b>0.7</b>	<b>(1.1)</b>	<b>(1.3)</b>	<b>(3.1)</b>

Operating income forecasts					
3Q forecasts		4Q forecasts		Full year forecasts	
Forecasts announced at 1Q	Forecasts	Forecasts announced at 1Q	Forecasts	Forecasts announced at 1Q	Forecasts
1.0	(0.4)	0.9	(0.6)	0.9	(1.9)
0.3	0.6	0.1	0.5	1.1	1.5
0.6	0.0	0.2	0.1	1.1	0.4
(0.3)	(0.2)	(0.2)	(0.2)	(0.8)	(0.8)
<b>1.6</b>	<b>0.0</b>	<b>0.9</b>	<b>(0.2)</b>	<b>2.3</b>	<b>(0.8)</b>

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

### **III. Consolidated Financial Results for FY2017/3 2Q**

- 1. FY2017/3 Business Results at a Glance and Full Year Forecasts**
- 2. Selling, General and Administrative Expenses / Other Operating Costs and Expenses / Other Income**
- 3. Balance Sheets / Capital Expenditures / Depreciation and Amortization**
- 4. Cash Flows**

# 1. FY2017/3 Business Results at a Glance and Full Year Forecasts

(¥ million, %)

	FY 2016/3 results			FY 2017/3 results and forecasts								
	1st half results	2nd half results	Full year results	1st half results	Variance	Volume growth rate	2nd half forecasts	Variance	Volume growth rate	Full year forecasts	Variance	Volume growth rate
Net Sales	613,692	615,632	1,229,324	593,092	(3.4)	-	606,908	(1.4)	-	1,200,000	(2.4)	-
Hams and sausages	69,972	71,487	141,459	68,301	(2.4)	0.3	75,999	6.3	9.5	144,300	2.0	4.8
Processed foods	107,799	113,509	221,308	113,331	5.1	5.2	122,469	7.9	10.5	235,800	6.5	7.9
Fresh meats	357,237	348,258	705,495	335,458	(6.1)	4.9	329,842	(5.3)	1.7	665,300	(5.7)	3.3
Beef	149,389	139,587	288,976	136,202	(8.8)	2.9	130,298	(6.7)	(4.0)	266,500	(7.8)	(0.4)
Pork	110,241	111,682	221,923	109,436	(0.7)	4.7	109,964	(1.5)	4.0	219,400	(1.1)	4.3
Chicken	84,892	85,496	170,388	77,297	(8.9)	6.5	77,003	(9.9)	2.7	154,300	(9.4)	4.5
Other fresh meats	12,715	11,493	24,208	12,523	(1.5)	4.4	12,577	9.4	5.6	25,100	3.7	5.0
Marine products	45,191	49,513	94,704	43,527	(3.7)	(10.3)	48,373	(2.3)	(9.5)	91,900	(3.0)	(9.9)
Dairy products	15,856	15,540	31,396	16,473	3.9	6.0	16,527	6.4	8.2	33,000	5.1	7.0
Others	17,637	17,325	34,962	16,002	(9.3)	-	13,698	(20.9)	-	29,700	(15.1)	-
Cost of goods sold	503,351	502,295	1,005,646	481,159	(4.4)							
Gross profit	110,341	113,337	223,678	111,933	1.4							
Gross profit ratio	18.0%	18.4%	18.2%	18.9%	-							
SG&A expenses	87,279	87,192	174,471	88,501	1.4							
Operating Income	23,062	26,145	49,207	23,432	1.6		27,568	5.4		51,000	3.6	
Income before income taxes	22,146	13,163	35,309	21,870	(1.2)		25,130	90.9		47,000	33.1	
Profit or loss from discontinued operations	(1,403)	(1,827)	(3,230)	(12)	-		0	-		0	-	
Net income attributable to NH Foods Ltd.	15,366	6,413	21,779	14,749	(4.0)		17,751	176.8		32,500	49.2	

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

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

(¥ million, %)

	SG&A expenses	FY2016/3 1st half results	FY2017/3	
			1st half results	Variance (%)
★(1)	Selling, general and administrative expenses	87,279	88,501	1.4
	Personnel	33,777	34,363	1.7
	Advertising	5,965	5,664	(5.0)
★(2)	Logistics	26,057	26,481	1.6
	Others	21,480	21,993	2.4

Major reasons for  
increase/decrease

★(1) **SG&A expenses:** The ratio of SG&A expenses to net sales increased 0.7 points from 14.2% to 14.9%.

★(2) **Logistics:** Logistics costs increased approximately ¥0.4 billion due to an increase in sales volume of fresh meats, etc.

(¥ million)

	FY2016/3 1st half results	FY2016/3 Full year results	FY2017/3	
			1st half results	Variance
Other operating costs and expenses (income) - net	398	11,849	791	393
Fixed assets	398	11,858	704	306
Others	-	(9)	87	87
★(1) Other income (expenses) - net	187	(665)	(171)	(358)
Interest and dividends income	564	1,031	543	(21)
Foreign exchange gains (losses)	(279)	(1,706)	(1,192)	(913)
Others	(98)	10	478	576
Interest expense	705	1,384	600	(105)

Major reasons for  
increase/decrease

★(1) **Other income (expenses) – net:** Deteriorated by approximately ¥0.4 billion due mainly to foreign exchange gains and losses



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

(¥ million, %)

Consolidated balance sheets		FY2016/3 Year-end results	FY2017/3 2Q results	Variance (%)	Variance
★(1)	Total assets	682,855	690,956	1.2	8,101
	Cash and cash equivalents	67,321	83,246	23.7	15,925
★(2)	Trade notes and accounts receivable	128,285	127,611	(0.5)	(674)
★(3)	Inventories	133,518	131,303	(1.7)	(2,215)
	Property, plant and equipment - at cost, less accumulated depreciation	264,014	267,585	1.4	3,571
	Investments and other assets	40,515	41,101	1.4	586
	Deferred income taxes - non-current	9,321	9,089	(2.5)	(232)
	Total liabilities	321,495	327,187	1.8	5,692
	Trade notes and accounts payable	94,276	101,226	7.4	6,950
★(4)	Interest-bearing debt	154,583	153,256	(0.9)	(1,327)
	Liability under retirement and severance program	14,426	14,790	2.5	364
	Total NH Foods Ltd. Shareholders' equity	356,353	359,357	0.8	3,004
	Noncontrolling interests	5,007	4,412	(11.9)	(595)
	Total equity	361,360	363,769	0.7	2,409

Major reasons for increase/decrease

- ★(1) **Total assets:** Increased by approximately ¥8.1 billion including (2) and (3).
- ★(2) **Trade notes and accounts receivable:** Decreased by approximately ¥0.7 billion from the end of the previous fiscal year due to a drop in the unit sales price of fresh meats.
- ★(3) **Inventories:** Decreased by approximately ¥2.2 billion from the end of the previous fiscal year due to reduction in fresh meats inventories, etc.
- ★(4) **Interest-bearing debt** Decreased by approximately ¥1.3 billion from the end of the previous fiscal year due to reduction in lease obligations, etc.

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2016/3 1st half results	FY2017/3		FY2017/3	
		1st half results	Variance (%)	Variance	Full year forecasts
Capital expenditures	18,651	15,770	(15.4)	(2,881)	52,000
Production facilities	9,586	8,635	(9.9)	(951)	20,900
Marketing and logistics facilities	1,559	1,949	25.0	390	8,900
Farms and processing facilities	2,518	2,214	(12.1)	(304)	10,100
Overseas business facilities	1,773	1,828	3.1	55	6,100
Other facilities	3,215	1,144	(64.4)	(2,071)	6,000
Depreciation and amortization	9,519	9,814	3.1	295	20,000

## 4. Cash Flows

(¥ million)

Consolidated statements of cash flows	FY2016/3	FY2017/3		FY2017/3
	1st half results	1st half results	Variance	Full year forecasts
Cash flow from operating activities	13,179	33,640	20,461	58,500
★(1) Cash flow from investing activities	(31,628)	(6,769)	24,859	(38,600)
★(2) Cash flow from financing activities	21,236	(8,622)	(29,858)	(7,400)

### Major reasons for increase/decrease

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

	FY2016/3	FY2017/3	
	1st half results	1st half results	Variance
Purchase and sales of business	(8,563)	5,372	13,935

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

	FY2016/3	FY2017/3	
	1st half results	1st half results	Variance
Cash dividends	(9,411)	(6,744)	2,667

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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.