

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

November 7, 2016



**NH Foods Ltd.
President and Representative Director
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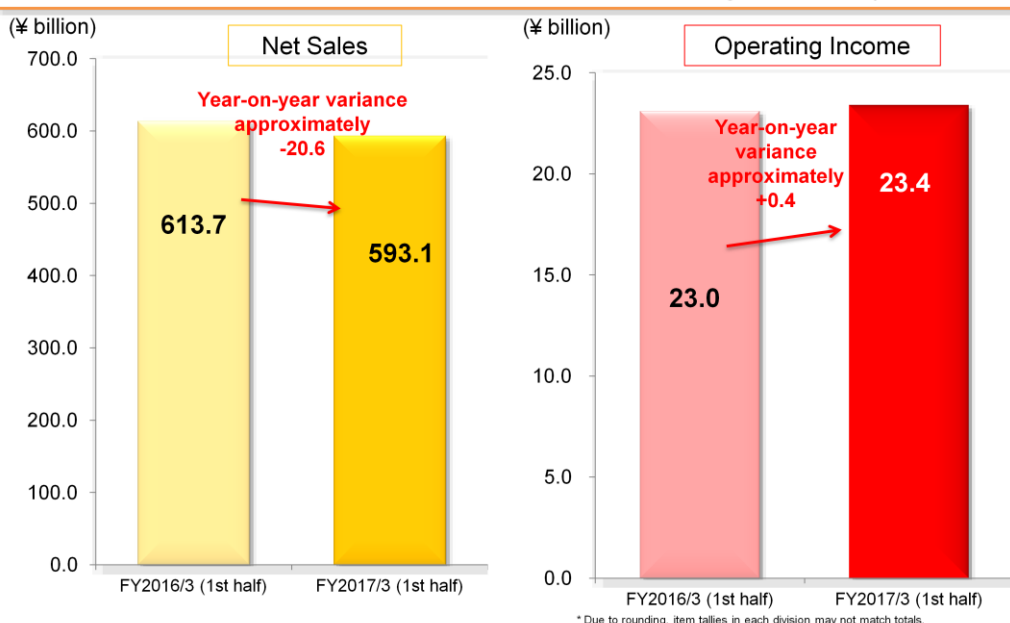


1. Business Results Overview for the First Half of
FY2017/3
2. Full Year Outlook for FY2017/3
3. Progress in the New Medium-Term Management Plan
Part 5

1. Business Results Overview for the First Half of FY2017/3

Although revenues fell, we marked a record high in operating income for first half.

* Excluding discontinued operations



Although net sales fell due to a drop in sales prices of fresh meats, we marked a record high in operating income for first half business results.

1. Business Results Overview for the First Half of FY2017/3

Variation Factors for the Operation Income Forecasts

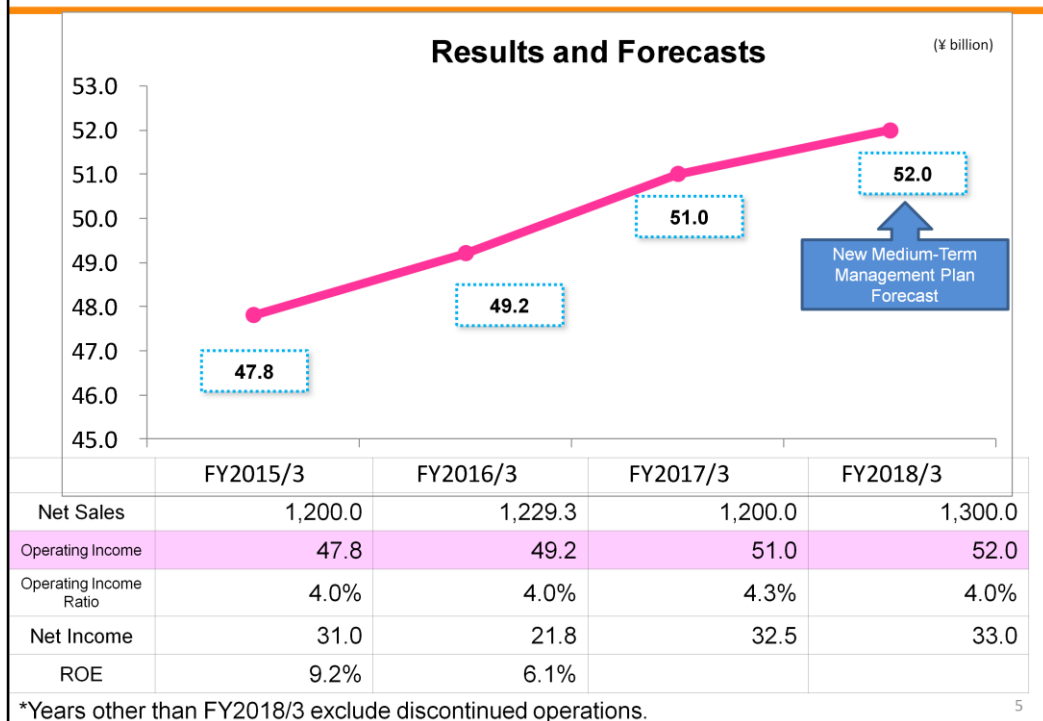
(¥ billion)

Business Division	Forecasts	Results	Variance	Variation Factors
Processed Foods Business	2.5	3.2	0.7	Operating income improved by recovering volume of commercial-use products, deli and processed foods and consumer products.
Fresh Meats Business	17.8	19.4	1.6	Operating income increased due to strong sales in Nippon Food Group.
Affiliated Business	1.5	1.6	0.1	Operating income increased due to growth in net sales of dairy products and the settling down of raw materials prices.
Overseas Business	(0.3)	(0.6)	(0.3)	North America and Europe Operations performed strongly, but Australia Operations struggled.
Eliminations, adjustments and others	0.3	(0.2)	(0.5)	
Total	21.8	23.4	1.6	Operating income increased driven by the fresh meats business.

* Forecasts are those that were revised as of the first quarter.
* Excluding discontinued operations.

Variation factors for operating income from forecasts

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



Progress in the New Medium-Term Management Plan Part 5
Operating income progressed ahead of schedule.

Initial forecast

FY2016/3 ¥41.0 billion ⇒ Results: ¥49.2 billion

FY2017/3 ¥46.0 billion ⇒ Results: ¥51.0 billion (Forecast revised upward)

Results have exceeded the forecast.

Forecast of ¥52.0 billion for FY2018/3 was left unchanged.

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

1. Continuous strengthening of profitability in domestic businesses

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

2. Expansion of overseas net sales at an early stage

- Further advance into large markets and emerging nations.
- Overseas development of a wide range of top brand products.

3. Promotion of strategic branding

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

4. Reinforcement of cross-Group corporate functions

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

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Before moving on to the progress in the New Mid-term Plan Part 5, I will summarize the management strategies in the New Mid-term Plan announced in May 2015.

My explanation will focus on four key management strategies.

1. Continuous strengthening of profitability in domestic businesses
2. Expansion of overseas net sales at an early stage
3. Promotion of strategic branding
4. Reinforcement of cross-Group corporate functions

I would like to explain the progress in the New Mid-term Plan Part 5 centered on continuous strengthening of profitability in domestic businesses and expansion of overseas net sales at an early stage.

3. Progress

(1) Continuous strengthening of profitability in domestic businesses

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

Strengthen domestic upstream businesses and relations with overseas leading packers towards expanded market shares

(1) Strengthening of domestic upstream businesses

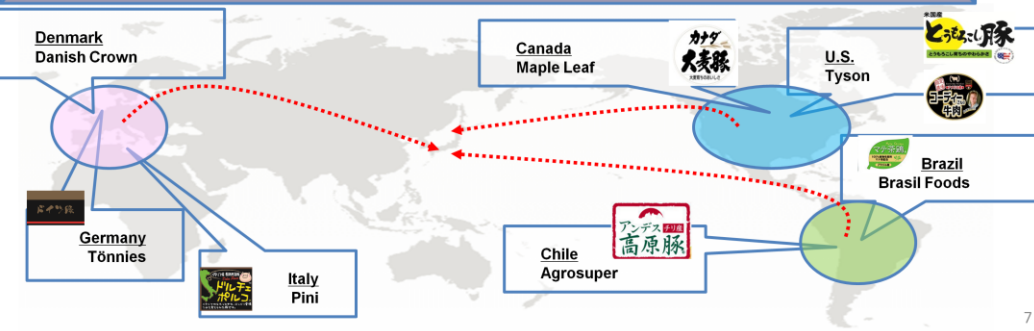
Progress of the plan for establishing frameworks to boost production

Delay in progress in boosting production – Final year of the New Mid-term Plan Part 5
Hogs; Number of hogs shipped: approximately 0.60 million hogs ⇒ approximately 0.63 million hogs (forecast variation (0.05) million hogs) ⇒ Delay in progress in boosting production due to the impact of diseases
Chickens; Number of chickens processed: approximately 66 million chickens ⇒ approximately 71 million chickens (forecast variation (1.0) million chickens)
(Frameworks to boost production in Hokkaido, the Northeast and Niigata)
⇒ Increase production by new farm operation

Increasing production of major brands

Sakurahime: Approximately 21 million chickens ⇒ approximately 28 million chickens
Mugikomachi: Approximately 0.10 million hogs ⇒ approximately 0.24 million hogs
⇒ Transition from increase in sales volume to production through links with promotions.
Koshinotori: 0.20 million chickens ⇒ 1.0 million chickens
⇒ Increase exposure mainly in the Kanto region through proposals focused on restaurant channels.

(2) Strengthen relations with leading fresh meat manufacturers ⇒ Achieve stable procurement of safe and secure products



(1) Continuous strengthening of profitability in domestic businesses

Strengthen procurement to expand market share

- Transition from investment in domestic upstream businesses to frameworks to boost production

Although there are some delays in initial forecast mainly for hogs, production is steadily increasing for branded fresh meats.

- Strengthen relations with leading packers worldwide

Amid growing global demand, overseas leading packers are strengthening sales to countries other than Japan. We are strengthening relations with overseas leading packers so as not to lose out in purchasing, aiming at stable procurement.

3. Progress

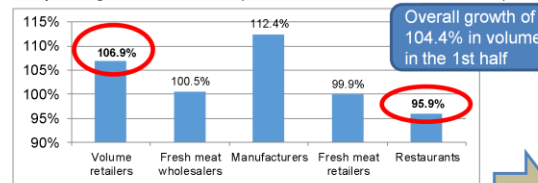
(1) Continuous strengthening of profitability in domestic businesses

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

Aim for further increase in sales, toward a share of 25% with the sales ability of Nippon food companies engaging in fresh meat sales.

Strategies of Nippon Food Companies

• Capturing each channel (Volume retailers, restaurants)



Toward further growth

• Develop a new brand following *Sakurahime*
>Domestic fresh meats:
Expand sales of *Mugikomachi* mainly at volume retailers

>Imported fresh meats
Expand sales by establishing new brands other than existing branded fresh meats for manufacturer and restaurant channels

• Nippon food companies: measures for restaurant channels
⇒ Despite growth of 120% last year, this has run its course, and growth fell year on year. Moving forward we will specialize more to meet restaurant needs.

• Number of new customers and effect on revenue
In Nippon food companies, we secured 1,770 new customers, increasing revenue by approximately ¥0.8 billion. Going forward, we will continue to actively promote development of new customers.

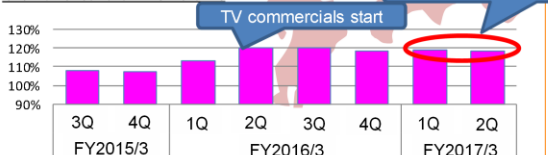
Nipponham Brand Strategy

• *Sakurahime* promotion

TV commercials: Kinki/Hokkaido in July, Chugoku/Shikoku/Kanto in October, and Hokkaido in November

⇒ Also rolled out radio commercials: Closed campaign linked to commercials

Growth of *Sakurahime* Volume



○ Increase sales volume aiming for 25% expansion in market share

Progress at Nippon food companies:

104.4% in the first half (imported beef grew significantly at 112%)

Sales to volume retailers and manufacturers were strong.

Growth in restaurant channels fell year on year in 2Q.

We will continue striving to exceed last year's results by developing new customers and raising the overall delivery quantity.

○ *Sakurahime*

Sakurahime continues year-on-year growth of nearly 120% on a sales basis, reflecting the effect of promotion.

• Future challenges

Develop a new brand following *Sakurahime*. First, focus on brand development of domestic pork *Mugikomachi*.

(1) Continuous strengthening of profitability in domestic businesses - Sales

Processed Foods Business Division

Strengthening of profitability through reform connecting production and sales

Sales

Strengthen sales and product appeal of consumer products

Enhancement of sales promotion for mainstay brands and active launch of new products

⇒ Sales of *SCHAU ESSEN*, our new *Kiwami-yaki Hamburg Steak* and others are growing and are on a recovery trend.

Introduce region-exclusive products

⇒ Introduced 16 items from the end of June, with focus on hams and sausages.

Creation of new categories/new channels

⇒ Introduced products matching market needs, with themes of "meals for one," "breakfast," and "simple and convenient."



Recover sales volume of commercial-use products

Secure major chain standard products

⇒ Secure standard products by strengthening menu proposals mainly for restaurant and CVS channels!! Recover sales volumes of hams and sausages and deli and processed foods to 105% year on year.

Enhance sales promotion of mainstay brands

⇒ Expand sales of *SCHAU ESSEN* using TV commercials and introduce and expand sales of increased-volume products of *Irodori Kitchen* commemorating completion of construction of the new Hyogo Plant.

Strengthen sales and develop lineups of exclusive product items for sales companies.

⇒ Continue to make proposals to uncaptured customers, and introduce items such as deep-fried chicken pieces and hamburgers.

Introduce products in normal temperature and frozen food markets

⇒ Introduce soups through collaboration with *SCHAU ESSEN*. Introduce entrée products such as hamburgers in the growing frozen food market.



Brush-up of existing products

⇒ Implement proposals leveraging the Group's comprehensive strength, including procurement of raw materials through collaboration with Fresh Meats Business Division.

Strengthen initiatives in uncaptured fields

⇒ Assign dedicated managers, and expand new business utilizing the Group's sales routes.

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We will promote a unified system of production and sales as the Processed Foods Business Division.

Consumer products

In hams and sausages, sales volume in the first half was 100% compared to last year due to growth of *SCHAU ESSEN* and the introduction of exclusive product items for sales companies.

First half sales volume for deli and processed foods was 106% year on year due to growth in new products *Kiwami-yaki Hamburg Steak*, *Ishigama Kobo* pizza using the branded fresh meat *Dolce Porco*, and the effect of increased-volume packaging for *CHIKI-CHIKI Bone*.

We will continue efforts to increase sales volume by introducing products using branded fresh meats, and introducing products such as *Fruit Granola Focaccia* targeting "breakfast" demand.

Commercial-use channels

Sales volume in the first half recovered to 105% year on year in both hams and sausages and deli and processed foods as a result of introducing major products and securing standard products for large restaurant chains and CVS channels.

We will make maximum use of the effects of Group collaboration, a continuous effort, to strengthen comprehensive proposals including selection of raw materials, procurement, and supply capabilities, and fulfill our role as a supplier.

With regard to uncaptured customers and fields, we will assign dedicated managers and expand new business utilizing the Group's sales routes.

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

(1) Continuous strengthening of profitability in domestic businesses - Production

Processed Foods Business Division

Strengthening of profitability through reform connecting production and sales

Production

Outline of the new Hyogo Plant

Location	Ono City, Hyogo Prefecture
Investment amount	Approximately ¥4.5 billion (extended)
Capacity	23,500 tons/year
Products	SCHAU ESSEN, Irodori Kitchen series, etc.



Optimize hams and sausages production structure upon starting operations of the New Hyogo Plant

We plan to **reduce plant production costs by 8%** (from FY2016/3) by the end of March 2018 by building an optimized production structure suited to characteristics of the lines of each plant.

Mainstay rationalized plant
Greatly reduce production costs of major products through two shift production lines, utilization of high-capacity lines, consolidation of production items, etc.

Regional/commercial-use products plant
Capable of producing products that showcase regional characteristics and commercial-use products for major chains. Meet customer needs by producing products in collaboration with sales divisions in each region.

Others (production of high value-added products, dedicated plants, etc.)
A plant aiming at increased profitability through development of proprietary brands, and production and expanded sales of high value-added products such as cured ham.

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From October, we integrated our two plants in Hyogo Prefecture (the former Hyogo Plant and the Ono Plant) as the new Hyogo Plant and started operations. As a production base for Western Japan, we introduced high-capacity lines for sausages and sliced meats including loin ham at the new Hyogo Plant. It produces consumer products including *SCHAU ESSEN*, *Winny*, and *Irodori Kitchen* loin ham and bacon.

By establishing the new Hyogo Plant, we will optimize our production system firstly in the Hams and Sausages Division.

Mainstay plants

At our newly-established Hyogo Plant, Ibaraki Plant, and Shizuoka Plant, we will pursue improved productivity and reduced production costs through selection and concentration of production items and utilization of high-capacity lines as our mainstay rationalized plants.

Regional/commercial-use products plants

With the goal of establishing plants that meet customer needs, plants belonging to other Nipponham factories and regional plants will be positioned as production bases for manufacturing regionally specialized products and commercial-use products in collaboration with the sales divisions and commercial-use product sales divisions of each region.

Others (Kamakura Ham, Carl Raymon, etc.)

A plant to develop proprietary brands and produce high value-added products such as cured ham.

Although production will be for small lots, we will aim to enhance profitability by giving high added value.

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

(1) Continuous strengthening of profitability in domestic businesses

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

We build our future growth strategy by responding to increased demands and a greater percentage of in-house manufactured products.

The Marine Foods



MarineFoods

- Increase in ratio of in-house manufactured products and strengthening initiatives in growth markets
- Strengthening development of high value-added products through utilization of ultra-high pressure processing machines

Hoko



- Sales expansion by strengthening collaboration within the Group
- Continuing expansion of the cheese market – growth of consumer products

Nippon Luna



- Introduction of new products capturing health trends
- Securing manufacturing platforms to respond to growing markets

- Sales expansion of Hokkaido brand products utilizing Kushiro Marusui and Mie Plant products, such as the surf clam salad, to strengthen sales of in-house manufactured products
- Strengthening proposals of sushi toppings in the growing ready-made meal channel
- Strengthening development of *Ryoshimachi Bar* (fishing village bar) series and long-life chilled products for CVS

- Utilization of sales networks of Nippon food companies to enhance sales of frozen foods, using branded fresh meats such as *Sakurahime* and *Dolce Porco*
- Establishing frameworks to boost production of consumer products, with a focus on baby cheese and smoked cheese

- Development of the smoothie series (*Green, Red, and Yellow*)
- Construction of the new Takasaki Plant scheduled to complete in January 2019
- Business alliance with Hokkaido Milk Products Co., Ltd.

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• The Marine Foods

Improving the ratio of in-house manufactured products and sales enhancement of high value-added products

⇒ Strengthen sales of Hokkaido brand products utilizing Kushiro Marusui.

Enhance the development and sales of long-life chilled products for CVS utilizing ultra-high pressure processing machines.

Expand sales of Mie Plant products aimed at improving the ratio of in-house manufactured products.

• Hoko

Frozen Foods

⇒ Utilize sales networks of Nippon food companies to sell products using branded fresh meats such as *Dolce Porco* and *Sakurahime*.

Cheese

⇒ Enhance sales of consumer products such as baby cheese and smoked cheese utilizing the Yamato Plant.

• Nippon Luna

Explaining on the following page, our initiatives toward growing demand.

(1) Continuous strengthening of profitability in domestic businesses

In response to the expanding yogurt market, we will develop a production structure to seek further sales expansion.

The new Takasaki Plant

Investment amount	Approximately ¥7.0 billion (excluding land price)
Completion schedule	Starts operations in January 2019
Production capacity	24,000 tons
Production items	Vanilla Yogurt, yogurt beverages, TOPCUP series, etc.

Image of the new Takasaki Plant



Business alliance with Hokkaido Milk Products Co., Ltd.

Outline of Hokkaido Milk Products Co., Ltd.

Business details Production and sales of market milk and dairy products

- We consign OEM production of products of Nippon Luna, Inc. We aim at further sales expansion with future plans to establish a joint venture to produce yogurt.

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We will develop a production structure in response to the expanding yogurt market.

⇒ We will build a new plant as our eastern production base in Takasaki City, Gunma Prefecture.

Our current plants are operating at full capacity, so increasing manufacturing capacity is an urgent necessity.

Business alliance with Hokkaido Milk Products Co., Ltd.

- We consign OEM production of products of Nippon Luna, Inc.

Business alliance with an eye on product manufacturing using raw milk produced in Hokkaido.

Examine establishing a joint venture that manufactures yogurt and further increase sales in the future.

(1) Continuous strengthening of profitability in domestic businesses

Advance cross-division projects ⇒ Development in both the hard and soft aspects

1. Hybrid offices

⇒ Achieve synergy between Nippon food companies engaging in fresh meats business and logistics of processed foods business

Nishi Nippon Food, Inc. Construction of new Okayama Business Office building is scheduled to be completed in January 2017

Establish a logistics company office for processed foods business at a sales office of fresh meat sales company

- Streamline growing distribution from Nippon food companies to volume retailers
- Support increasingly diverse channels



2. Enhance sales of each region

⇒ Nationwide network for fresh meats: Utilize existing offices of Nippon food companies to strengthen marketing capabilities in processed foods business

Nippon food company locations: 114



Plan to start with Kanto, Sanin, and Hokkaido, expanding to 10 locations during FY2017.

3. Leverage Group strength to introduce new products with market-oriented ideas

Introduce products utilizing branded fresh meats and products combining strengths of each business division to respond to sales contacts for each commercial-use channel and volume retailer.

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○ Advance cross-division projects

Make maximum use of assets held by divisions.

Promote this mainly from the three perspectives of offices, sales, and products.

• Hybrid offices

Rebuild the Okayama Business Office of Nishi Nippon Food as a business office with a new style.

Increased sales to volume retailer channels has caused issues in logistics support.

By making use of the logistics of processed foods business, Nippon food companies can shift employees' energies from logistics exclusively to sales.

Also for the processed foods business, increased logistics volume will mean good synergy.

• Reinforce regional sales

Sales staff from the processed foods business will use Nippon food company sales offices.

> Goals

Strengthen sales in regions ⇒ We can reduce costs and expand by using existing offices of Nippon food companies.

• Products leveraging Group strength

We intend to introduce new products through next year.

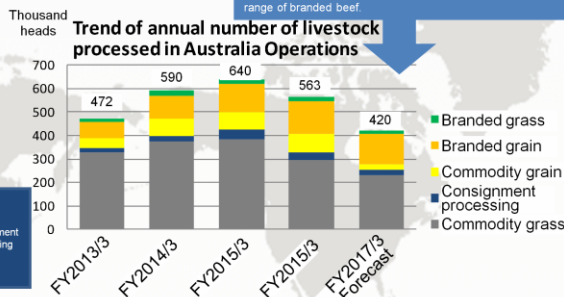
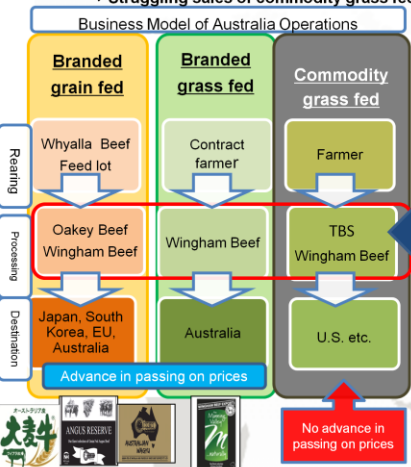
3. Progress

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

Overseas Business Division Measures for revenue stabilization of the Australia Operations

External environment: Continued historically high livestock procurement prices; recovery of U.S. beef production

⇒ Struggling sales of commodity grass fed beef



Toward next fiscal year

- Reduce the ratio of processing of commodity grass fed beef which is facing a severe condition, and increase processing of grain fed and premium grass fed beef with a focus on branded beef
- Increase number of livestock for consignment processing to increase capacity utilization and reduce fixed cost ratio
- ⇒ Increase the ratio through next year of grain fed, branded grass fed, and consignment processing, which is expected to comprise 45% of the total this year.

○Future challenges

Necessity of increasing suppliers in order to increase the scale of processing of grain fed beef, especially branded beef

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○Australia Operations

The rise in cattle livestock prices and low selling price is continuing to damage business environment.

The number of heads shipped decreased and prices rose throughout the first half due to the influence of a shortage of livestock and rainfall.

In particular, amid the surge in procurement prices, sales prices fell especially of grass fed mainly in the U.S., which took away from revenue.

For grass fed, we examined optimized plant operation while keeping an eye on profit and loss.

Brand development is proceeding for grain fed, and therefore, there was progress in passing on prices.

The issue is how much we reduce the processing ratio of grass fed and increase grain fed, centered on branded grain fed which can stabilize revenue.

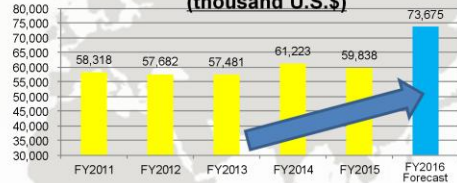
3. Progress

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

Overseas Business Division Outlook for the Americas Operations

- Sale of Texas Farm, LLC (hog-raising business)
- ⇒ Although overseas sales are expected to fall by approximately ¥10.0 billion, earnings capabilities increasing in the Americas Operations. Urgently focusing resources in growth fields.
- Expand business of North America-based Day-Lee Foods, Inc.
- ⇒ External customer sales forecast for current fiscal year: approximately U.S.\$150 million (16% year-on-year increase)
- Expand fresh meats and marine wholesale businesses and further expand the processed foods business in the U.S.

Sales trends of U.S. wholesale business
(thousand U.S.\$)



○Expand offices
Following key offices in Los Angeles and San Francisco, successively start operations in Seattle, Miami, and New Jersey.

○Increasing suppliers
Utilize worldwide Group offices to expand lineups of fresh meats and marine products.



Sales trends of processed foods business
(thousand U.S.\$)



"Crazy Cuisine" brand contributing to growth. Key to expanding sales is to shift from current focus on the West Coast to expand sales into the East Coast.

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○Americas Operations

Aim for expansion by concentrating resources.

Focus on expanding business of Day-Lee Foods, Inc. to increase revenue.

• Sale of Texas Farm, LLC

Due to the sale, overseas sales are expected to fall by approximately ¥10.0 billion.

However, the ¥(1.5) billion of operating loss planned this year will not realize, so revenue will stabilize.

• Expand sales at Day-Lee Foods

>U.S. wholesale business (local sales)

Measures: Expansion of offices and suppliers

Offices: Following offices in Los Angeles and San Francisco, we have opened offices in Seattle, Miami, and New Jersey.

As Japanese restaurants are its primary customers, we will establish a brand with Chinese-produced eel and enhance procurement of marine products such as Vietnamese-produced tuna to achieve greater sales.

>Processed foods business

Both sales and profits of consumer frozen foods grew, mainly for the Crazy Cuisine brand.

We expect growth to be strong through this fiscal year.

Development in the East Coast for sales expansion will be our ongoing challenge.

3. Progress

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

Overseas Business Division Towards expansion in Asia & Europe Operations

ASEAN

Thai Nippon Foods Co., Ltd. :

Expand from the current focus on sales to Japanese CVS, to include strengthening of sales to ASEAN and EU.

NH Foods Singapore Pte. Ltd. :

Utilize production bases in Thailand and Malaysia to strengthen local sales.

NHF Manufacturing (Malaysia) Sdn. Bhd.:

Strengthen the foundation of the joint venture with Lay Hong Berhad.

NH Foods Vietnam:

Establish new plant in Hanoi (construction scheduled to complete in October 2017) and expand sales area in Vietnam (investment of ¥0.8 billion).



Consumer products developed with Lay Hong Berhad (prototype)



Image drawing of new plant of NH Foods Vietnam

China

Promote conversion of business model from an exporting base for Japan to a sales base for the local market.

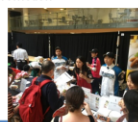
EU

NH Foods U.K. Ltd.

Strengthen export of European pork to Asia centering on Japan.

In the future, sell Thai Nippon Foods products and European-manufactured OEM processed foods in Europe.

Selling products at an event for promotion



Doria (rice casserole) to be marketed in Europe by NH Foods U.K. Ltd.

Turkey

Ege-Tav

Promote conversion of business model from both the aspects of production and sales to stabilize business.

- Streamline production ⇒ Establish breeding hen farm and introduce gutting machines
- Revamp sales model ⇒ Strengthen sales of value-added products (branded/cut meats), and deal directly with volume retailers



New farm



Point of sale of cut meats

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○Asia & Europe Operations

Although it is a broad framework, we will develop distinctive businesses in each region.

>ASEAN

In ASEAN, we will focus on the four markets we are currently developing in (Thailand, Singapore, Malaysia, and Vietnam).

In Malaysia, we will develop our joint business with Lay Hong Berhad to achieve synergy in Malaysia and in Singapore.

We will utilize the manufacturing and sales base of Lay Hong Berhad to launch consumer products drawing on the development capabilities of Lay Hong Berhad and Nipponham Group.

>China

While manufacturing bases in China were utilized for products to Japan so far, the production volume of products to Japan is declining, and the ratio of local sales are increasing. We intend to expand our sales offices in China, and focus on domestic sales in China.

>EU

Currently the main focus is on pork exports to Asia, mainly Japan.

Doria is a processed food product developed in Japan. We will promote sales of the item in Europe, albeit gradually.

>Turkey

Last year, situation was severe with operating income at ¥(0.3) billion.

Although there were signs of recovery in the first half, political instability in the second half has stagnated market conditions, reverting to severe conditions.

We will switch to a business model that generates stable revenue by promoting streamlining of production and conversion of sales models.



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

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