

Business Results

for the Third Quarter of FY2017/3

February 3, 2017 (Fri.)
NH Foods Ltd.

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* III. Profit or loss of discontinued operations is stated separately, and reclassified figures are shown for the previous fiscal year.

I. Consolidated Business Results for FY2017/3 3Q

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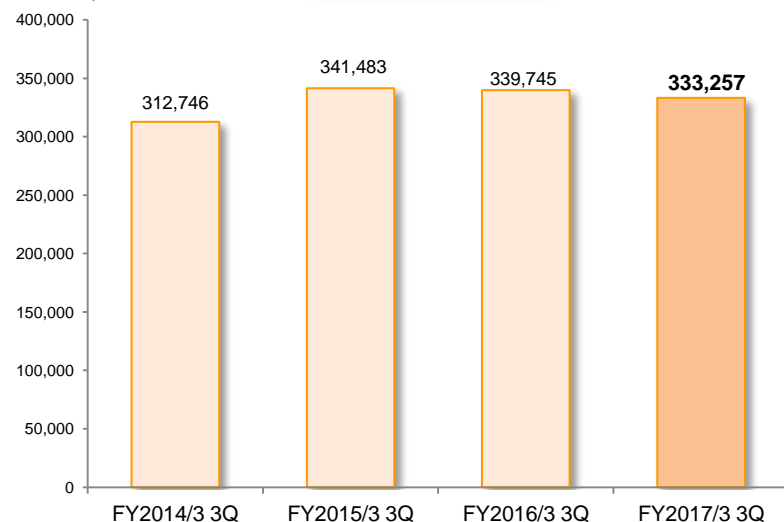
1. Operating Segment Data: 3Q (Oct.-Dec.)

(¥ million)

		FY2014/3 3Q	FY2015/3 3Q	FY2016/3 3Q	FY2017/3 3Q	Variance	Variance (%)
Processed Foods Business Division	Net sales	97,309	98,699	96,105	100,701	4,596	4.8
	Operating income	5,379	3,303	4,342	5,326	984	22.7
Fresh Meats Business Division	Net sales	184,583	201,419	205,827	199,573	(6,254)	(3.0)
	Operating income	9,547	11,975	13,590	15,363	1,773	13.0
Affiliated Business Division	Net sales	44,066	46,846	47,261	46,807	(454)	(1.0)
	Operating income	1,263	931	1,581	2,018	437	27.6
Overseas Business Division	Net sales	50,283	64,667	63,929	54,981	(8,948)	(14.0)
	Operating income	1,913	5,057	901	247	(654)	(72.6)
Eliminations, adjustments and others	Net sales	(63,495)	(70,148)	(73,377)	(68,805)	-	-
	Operating income	223	79	449	(21)	-	-
Consolidated	Net sales	312,746	341,483	339,745	333,257	(6,488)	(1.9)
	Operating income	18,325	21,345	20,863	22,933	2,070	9.9

 (¥ million)
 (Consolidated)

Net Sales

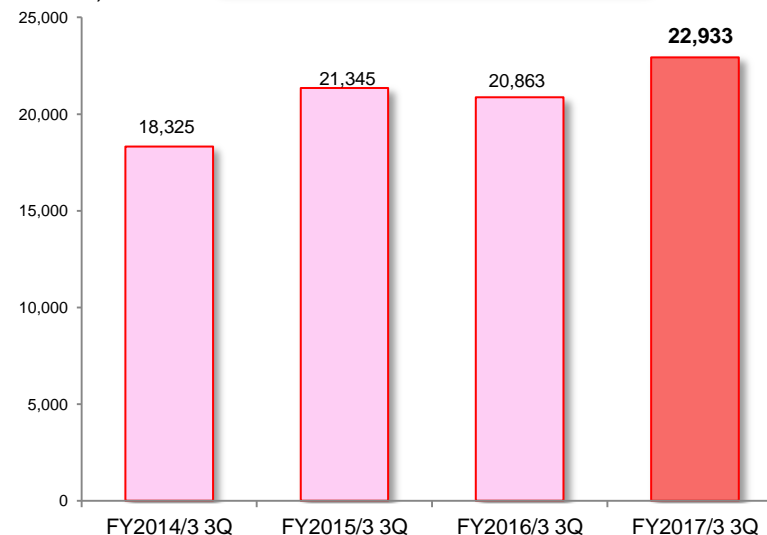


- Net sales for each segment include intersegment sales.

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

 (¥ million)
 (Consolidated)

Operating Income



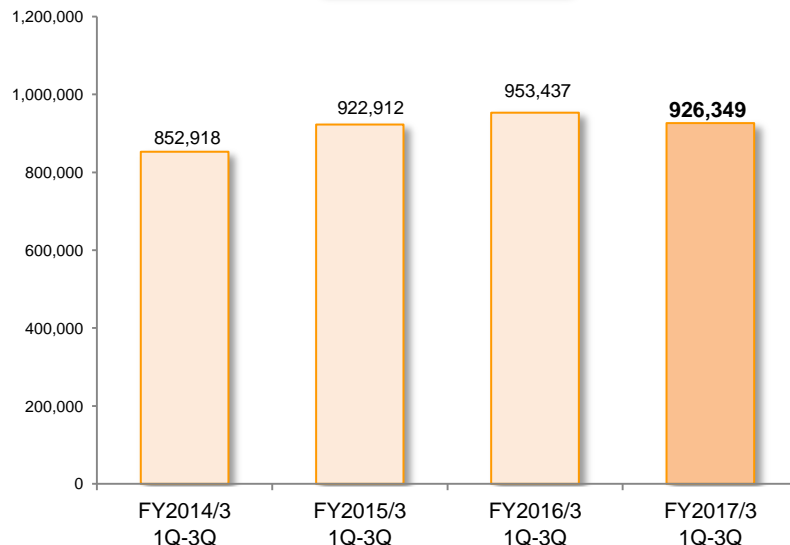
2. Operating Segment Data: 1Q-3Q (Apr.-Dec.)

(¥ million)

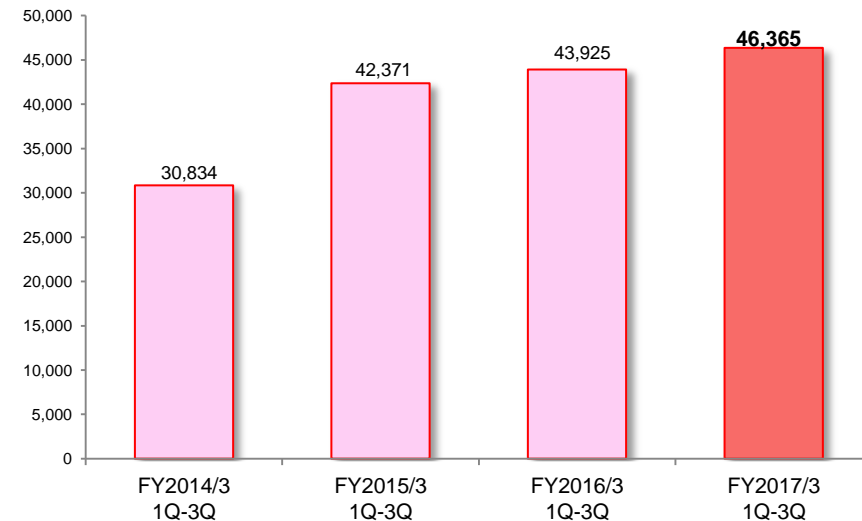
		FY2014/3 1Q-3Q	FY2015/3 1Q-3Q	FY2016/3 1Q-3Q	FY2017/3 1Q-3Q	Variance	Variance (%)
Processed Foods Business Division	Net sales	260,127	268,256	262,509	269,791	7,282	2.8
	Operating income	7,399	4,904	4,794	8,562	3,768	78.6
Fresh Meats Business Division	Net sales	511,136	556,888	582,762	570,234	(12,528)	(2.1)
	Operating income	16,329	25,980	32,243	34,782	2,539	7.9
Affiliated Business Division	Net sales	114,805	121,435	124,353	124,507	154	0.1
	Operating income	1,440	864	2,013	3,620	1,607	79.8
Overseas Business Division	Net sales	149,775	184,896	193,541	164,206	(29,335)	(15.2)
	Operating income	4,619	10,290	4,415	(352)	(4,767)	-
Eliminations, adjustments and others	Net sales	(182,925)	(208,563)	(209,728)	(202,389)	-	-
	Operating income	1,047	333	460	(247)	-	-
Consolidated	Net sales	852,918	922,912	953,437	926,349	(27,088)	(2.8)
	Operating income	30,834	42,371	43,925	46,365	2,440	5.6

 (¥ 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).

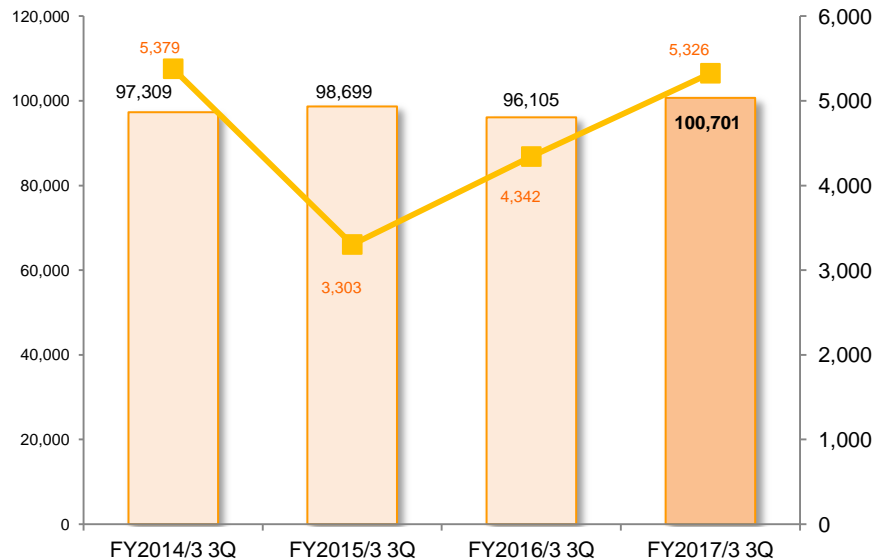
- Net sales for each segment include intersegment sales.

- 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)

3Q Results (Oct.–Dec.)

(Net sales: ¥ million)

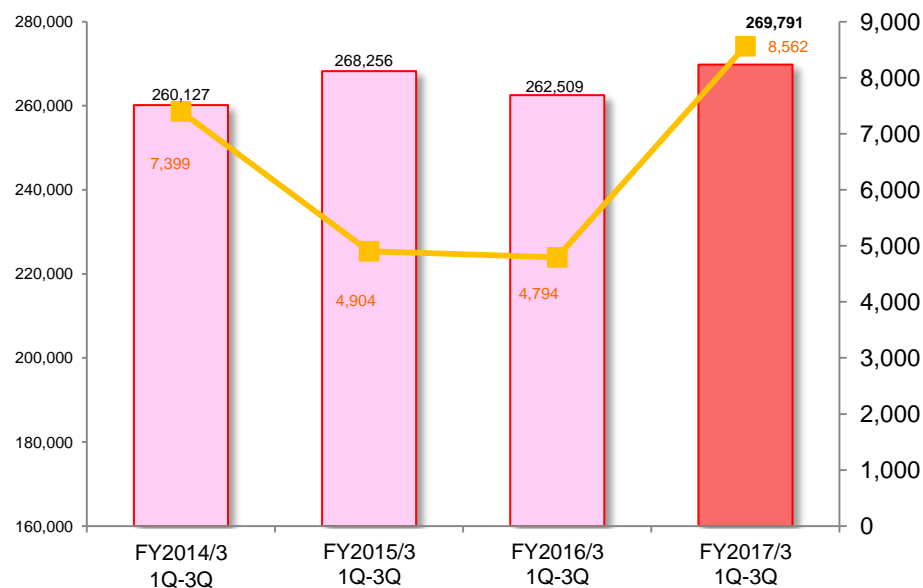


(¥ million)

	FY2016/3 3Q	FY2017/3 3Q	Variance	Variance (%)
Net sales	96,105	100,701	4,596	4.8
Operating income	4,342	5,326	984	22.7
Operating income ratio	4.5%	5.3%	-	-

1Q–3Q Results (Apr.–Dec.)

(Net sales: ¥ million)



(¥ million)

	FY2016/3 1Q-3Q	FY2017/3 1Q-3Q	Variance	Variance (%)
Net sales	262,509	269,791	7,282	2.8
Operating income	4,794	8,562	3,768	78.6
Operating income ratio	1.8%	3.2%	-	-

Net Sales in FY2017/3 1Q–3Q (Apr.–Dec.)

- Hams and sausages

As for consumer products, *SCHAU ESSEN* continued to grow, and sales volume of other mainstay brands also recovered.

Commercial-use products also grew as standard product launches through restaurant channels progressed.

- Deli and processed foods

As for consumer products, new products performed strongly, and sales volume of existing brands also grew. Revenue from commercial-use products increased as sales performance was strong for mainstay products through CVS channels.

Operating Income in FY2017/3 1Q–3Q (Apr.–Dec.)

Operating income increased due to stable raw materials prices, consistent cost reduction efforts bearing fruit, as well as a growth in sales volume.

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

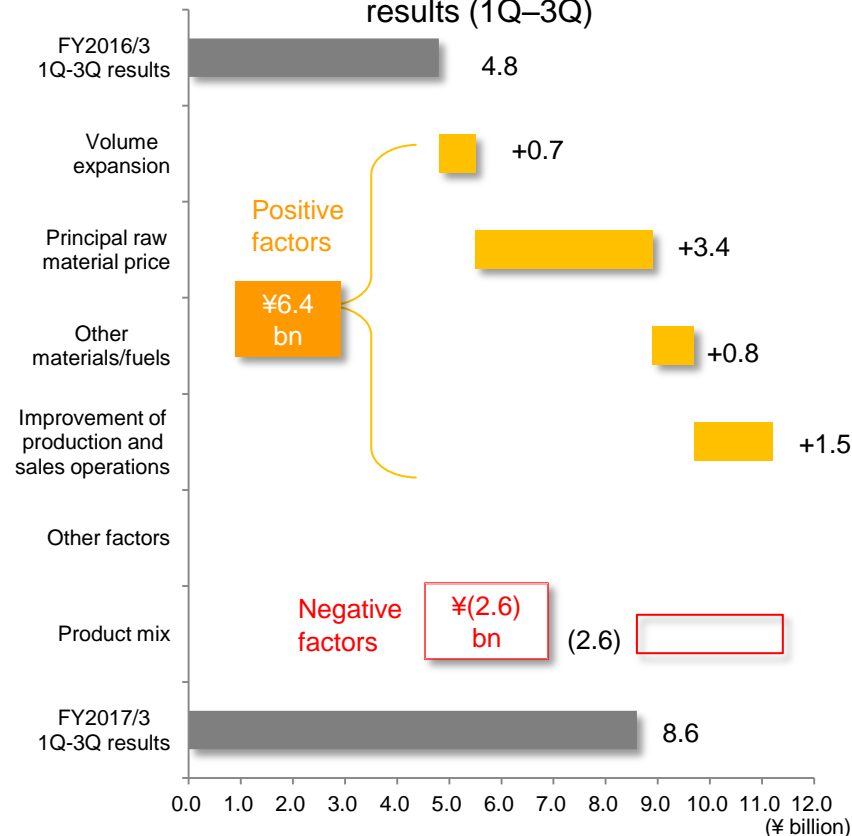
Factor Analysis: Changes in operating income

(¥ billion)

	FY2017/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Volume expansion	0.3	0.4	0.8	0.7	(0.1)
Profit margin improvement	2.5	0.6	3.4	3.1	(0.3)
External factors	2.8	1.4	3.7	4.2	0.5
Principal raw material price	2.3	1.1	3.0	3.4	0.4
Other materials/fuels	0.5	0.3	0.7	0.8	0.1
Internal factors	(0.3)	(0.8)	(0.3)	(1.1)	(0.8)
Product mix (product renewal)	(1.6)	(1.0)	(2.2)	(2.6)	(0.4)
Improvement of production and sales operations	1.3	0.2	1.9	1.5	(0.4)
Other factors	0.0	0.0	0.0	0.0	0.0
Total	2.8	1.0	4.2	3.8	(0.4)

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

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



● Forecasts Variation Factor Analysis (FY2017/3 1Q–3Q)

- Principal raw material price: Raw material prices continued improving and exceeded the forecast.
- Product mix: Following completion of the new Hyogo Plant, increased the product volume of *Irodori Kitchen Loin Ham* with a view to expanding share in the western Japan region. Operating income fell below the forecast due to factors such as increasing the product volume of mainstay brands for the purpose of expanding share in the next fiscal year.
- Improvement of production and sales operations: Operating income fell below the forecast due to the impact of an increase in temporary expenses mainly for the transfer of products following optimization of the manufacturing system.

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

● Gift product sales results

- FY2017/3 year-end gift-giving season results: year on year, unit basis: 108%
“Utsukushi-no-Kuni” gifts: year on year, unit basis: 115% (Sales ratio at 24%)
- FY2017/3 results (1Q-3Q): year on year, unit basis: 104%
“Utsukushi-no-Kuni” gifts: year on year, unit basis: 110% (Sales ratio at 24%)

FY2017/3 Gift product unit sales (Unit: thousands)

		FY2016/3 results	FY2017/3 results	
		Units	Units	Variance
Summer gift-giving season (results)	Overall unit sales	2,069	1,997	97%
	(Utsukushi-no-Kuni)	507	514	101%
Year-end gift-giving season (results)	Overall unit sales	3,878	4,189	108%
	(Utsukushi-no-Kuni)	865	998	115%
Total (results)	Overall unit sales	5,947	6,186	104%
	(Utsukushi-no-Kuni)	1,372	1,512	110%
	Sales ratio	23%	24%	-

● Major brands sales results

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



SCHAU ESSEN
continues to perform favorably



Pot-au-feu Soup
perfect for SCHAU ESSEN,
performed favorably since its launch

Hams and sausages	FY2017/3 results			Deli and processed foods	FY2017/3 results		
	1st half	3Q	1Q-3Q		1st half	3Q	1Q-3Q
SCHAU ESSEN	104%	109%	106%	Ishigama Kobo	99%	99%	99%
Mori-no-Kaori coarse-ground wieners	83%	100%	88%	Chuka Meisai	98%	97%	98%
Irodori Kitchen Series	91%	96%	93%	Prefried	105%	103%	104%
Gourmet Steak	105%	106%	105%	Hamburg and meatball	113%	109%	112%
Yakibutas	87%	96%	91%	Curries	107%	101%	105%
Consumer products total	97%	103%	99%	Consumer products total	104%	104%	104%

● Sales results by channel

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

1) Consumer products

Sales of hams and sausages were on a recovery trend as growth in SCHAU ESSEN and core products made up for the poor sales of PB products through sales promotion including the Fighters Sale celebrating their victory.

Sales of deli and processed foods exceeded those of last year, as the new products in the hamburg product group performed strongly, and the prefried group including CHIKICHIKI Bone also grew. The new field of normal temperature soups also performed well.

2) Commercial-use products

Sales of hams and sausages exceeded those of last year, as introduction of products progressed mainly in restaurant channels.

Sales of deli and processed foods exceeded those of last year, as introduction of mainstay products continued to progress through CVS channels.

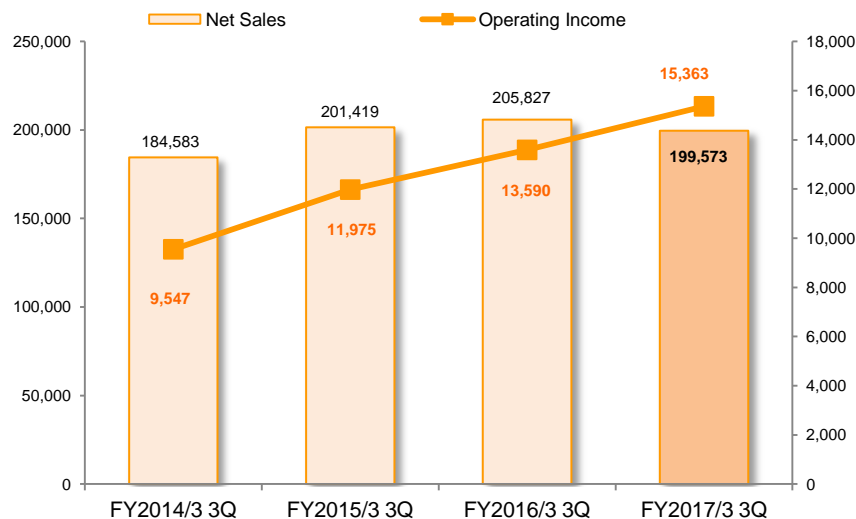
		Volume	Amount
Hams and sausages	Consumer	102%	99%
	Commercial-use	105%	106%
	Total	103%	101%
Deli and processed foods	Consumer	106%	104%
	Commercial-use	108%	105%
	Total	107%	105%

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

3Q Results (Oct.–Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



(¥ million)

	FY2016/3 3Q	FY2017/3 3Q	Variance	Variance (%)
Net sales	205,827	199,573	(6,254)	(3.0)
Operating income	13,590	15,363	1,773	13.0
Operating income ratio	6.6%	7.7%	-	-

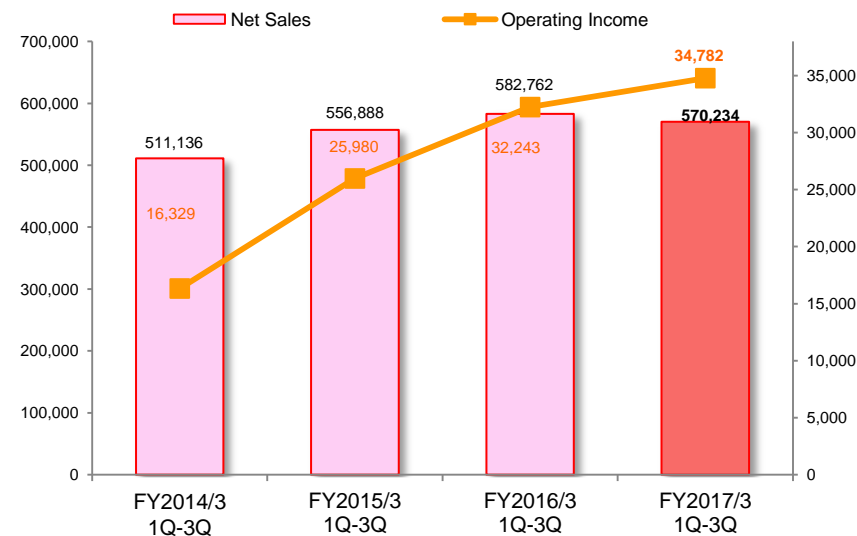
Net Sales in FY2017/3 1Q-3Q (Apr.-Dec.)

Although sales volume for both imported beef and domestic chicken significantly grew, net sales declined due to underperforming trends in market prices for fresh meats compared to last year, as well as delay in recovery of imported chicken prices.

1Q–3Q Results (Apr.–Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



(¥ million)

	FY2016/3 1Q-3Q	FY2017/3 1Q-3Q	Variance	Variance (%)
Net sales	582,762	570,234	(12,528)	(2.1)
Operating income	32,243	34,782	2,539	7.9
Operating income ratio	5.5%	6.1%	-	-

Operating Income in FY2017/3 1Q-3Q (Apr.-Dec.)

Although production businesses struggled with weak market prices for chicken compared to last year, operating income increased overall supported by growth in sales volume backed by enhanced sales activities of branded fresh meats including domestic chicken Sakurahime as well as market expansion for U.S. beef among imported beef.

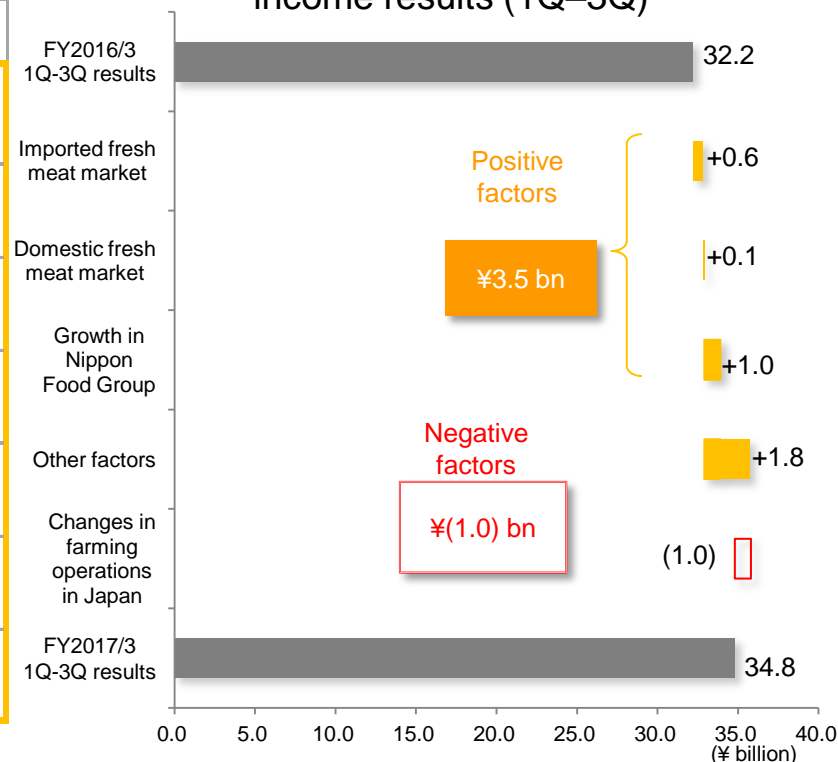
4. Operating Segment Data: Fresh Meats Business Division (2)

Factor Analysis: Changes in operating income (¥ billion)

	FY2017/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Imported fresh meat market	0.3	0.4	1.1	0.6	(0.5)
Domestic fresh meat market	(0.3)	0.3	(0.5)	0.1	0.6
Changes in farming operations in Japan	(0.7)	(0.3)	(1.6)	(1.0)	0.6
Growth in Nippon Food Group	1.1	(0.1)	0.5	1.0	0.5
Other factors	0.3	1.4	0.2	1.8	1.5
Total	0.8	1.8	(0.2)	2.5	2.8

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

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



● Forecasts Variation Factor Analysis (FY2017/3 1Q–3Q)

- Operating income fell below the forecast due to delayed market recovery for imported chicken, despite strong sales of imported beef among imported fresh meats.
- The farming operations in Japan managed to curb the decrease in operating income with improved productivity and increased production volume of branded fresh meats.
- Operating income exceeded the forecast due to increased sales volume with profitable pricing from strengthened sales of branded fresh meats in the food companies.

5. Operating Segment Data: Affiliated Business Division

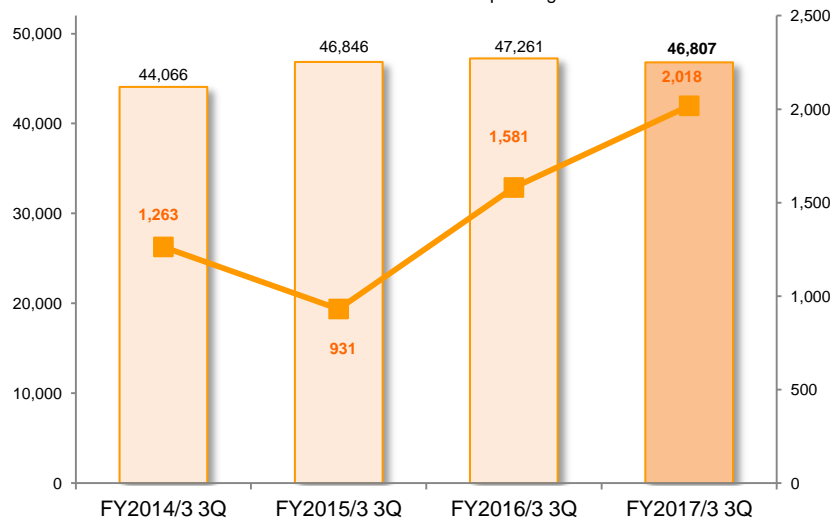
3Q Results (Oct.–Dec.)

(Net sales: ¥ million)

Net sales

(Operating income: ¥ million)

Operating income



(¥ million)

	FY2016/3 3Q	FY2017/3 3Q	Variance	Variance (%)
Net sales	47,261	46,807	(454)	(1.0)
Operating income	1,581	2,018	437	27.6
Operating income ratio	3.3%	4.3%	-	-

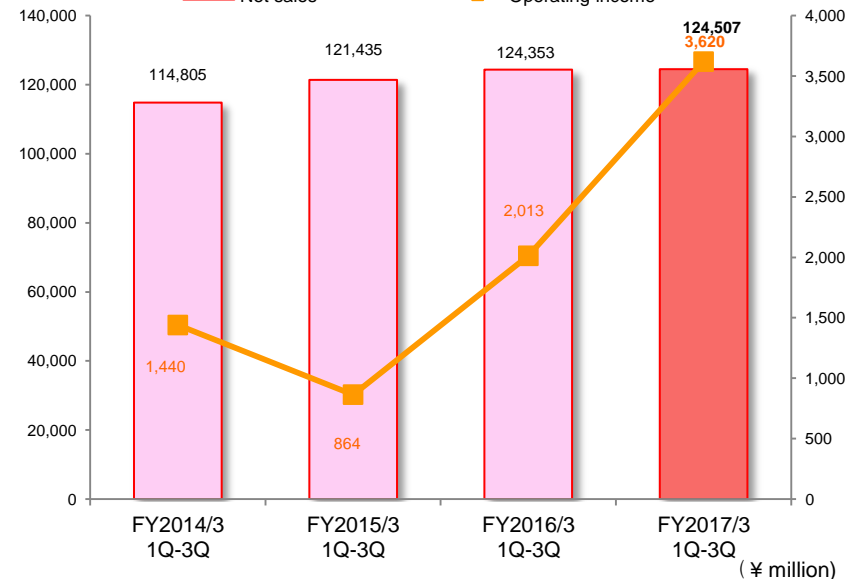
1Q–3Q Results (Apr.–Dec.)

(Net sales: ¥ million)

Net sales

(Operating income: ¥ million)

Operating income



(¥ million)

	FY2016/3 1Q-3Q	FY2017/3 1Q-3Q	Variance	Variance (%)
Net sales	124,353	124,507	154	0.1
Operating income	2,013	3,620	1,607	79.8
Operating income ratio	1.6%	2.9%	-	-

Net Sales in FY2017/3 1Q-3Q (Apr.-Dec.)

As for marine products, mainstay fish species struggled due to declined catches, decreased overseas supply, and the resulting soaring market prices, but net sales were on par with last year due to the growth of in-house manufactured products and price revision.

Revenues from dairy products increased due to strong sales of both cheese and yogurt.

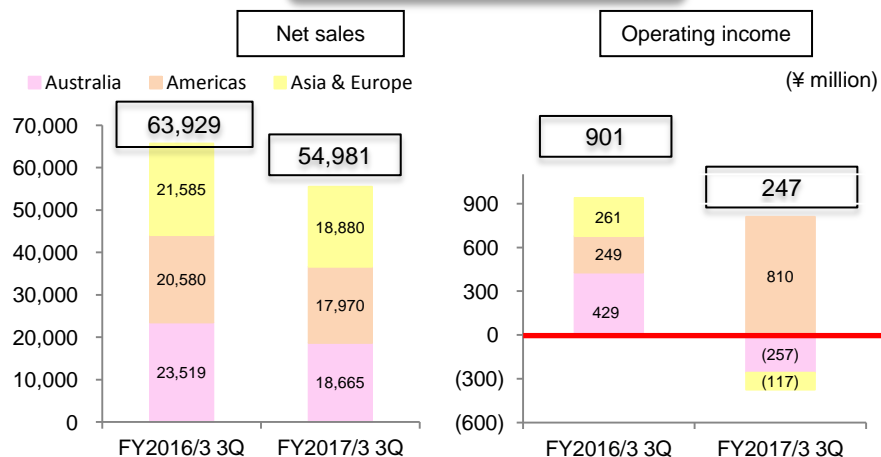
Operating Income in FY2017/3 1Q-3Q (Apr.-Dec.)

As for marine products, operating income increased due to an increased ratio of in-house manufactured products and the price revision effect.

In dairy products, operating income increased due to increased sales volume of cheese and yogurt, as well as improved plant operating rates.

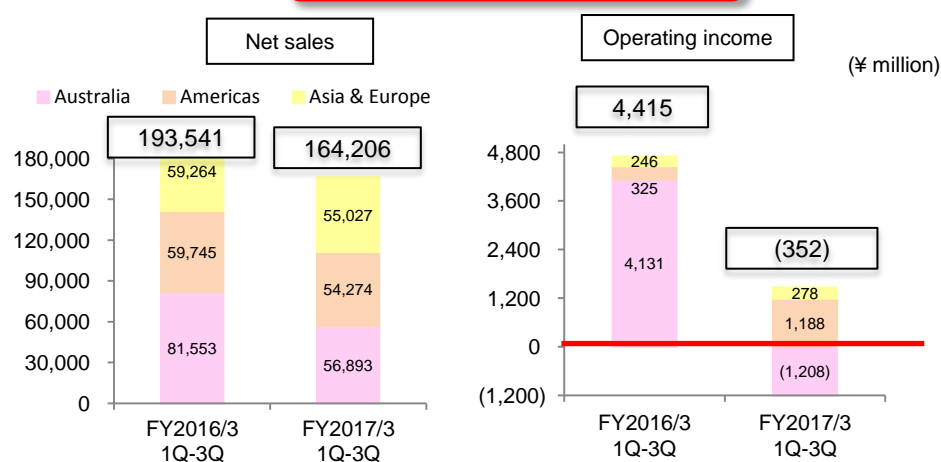
6. Operating Segment Data: Overseas Business Division (1)

3Q Results (Oct.–Dec.)



		FY2016/3 3Q	FY2017/3 3Q	Variance	Variance (%)
Overseas total	Net Sales	63,929	54,981	(8,948)	(14.0)
	Operating income	901	247	(654)	(72.6)
Australia	Net Sales	23,519	18,665	(4,854)	(20.6)
	Operating income	429	(257)	(686)	-
Americas	Net Sales	20,580	17,970	(2,610)	(12.7)
	Operating income	249	810	561	225.3
Asia & Europe	Net Sales	21,585	18,880	(2,705)	(12.5)
	Operating income	261	(117)	(378)	-

1Q–3Q Results (Apr.–Dec.)



		FY2016/3 1Q-3Q	FY2017/3 1Q-3Q	Variance	Variance (%)
Overseas total	Net Sales	193,541	164,206	(29,335)	(15.2)
	Operating income	4,415	(352)	(4,767)	-
Australia	Net Sales	81,553	56,893	(24,660)	(30.2)
	Operating income	4,131	(1,208)	(5,339)	-
Americas	Net Sales	59,745	54,274	(5,471)	(9.2)
	Operating income	325	1,188	863	265.5
Asia & Europe	Net Sales	59,264	55,027	(4,237)	(7.1)
	Operating income	246	278	32	13.0

* Amounts for Texas Farm, LLC have been excluded from the figures shown in this presentation 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 1Q-3Q (Apr.-Dec.)

- Australia operations

Revenues decreased as the number of cattle processed fell below that of last year due to the continuing difficulty in collecting cattle livestock and the delayed recovery of sales for the U.S.

- Americas operations

Revenues decreased partly due to the impact of foreign exchange translation, despite sales growth of processed foods and strong fresh meat exports to Japan at Day-Lee Foods, Inc.

Operating Income in FY2017/3 1Q-3Q (Apr.-Dec.)

- Australia operations

Although the environment remains harsh, proceeded with shift of costs to sales price centered on branded beef on the back of cattle livestock prices somewhat settling down.

- Americas operations

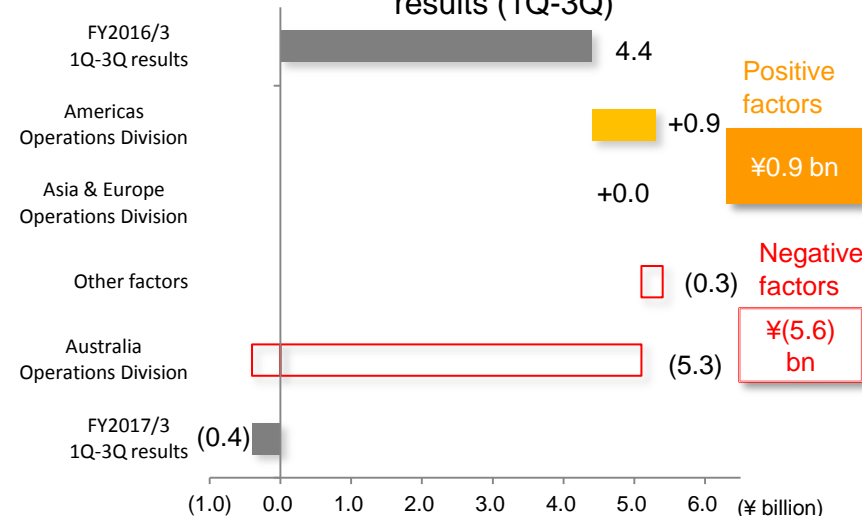
Manufacturing and sales of processed foods at Day-Lee Foods, Inc. and pork exports to Japan contributed to strong operating income.

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

Factor Analysis: Changes in operating income (¥ billion)

	FY2017/3 Forecasts				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Australia Operations Division	(4.7)	(0.7)	(5.4)	(5.3)	0.1
Americas Operations Division	0.3	0.6	0.7	0.9	0.2
Asia & Europe Operations Division	0.4	(0.4)	0.1	0.0	(0.1)
Other factors	(0.2)	(0.2)	(0.3)	(0.3)	0.0
Total	(4.1)	(0.7)	(5.0)	(4.8)	0.3

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



Forecasts Variation Factor Analysis

● Australia operations

Conditions improved in 3Q due to the shift of costs to sales price in branded beef for Japan and the EU, as well as the settling down of procurement prices.

● Americas operations

Manufacturing and sales of processed foods at Day-Lee Foods, Inc. and fresh meat exports primarily of pork contributed to operating income.

● Asia & Europe operations

Sales volume and net sales both grew for Ege-Tav in Turkey, but cost increases due to the weak Turkish lira caused the company to struggle.

Medium to long term highs in market prices continued for pork exports from the EU to Japan, restricting income.

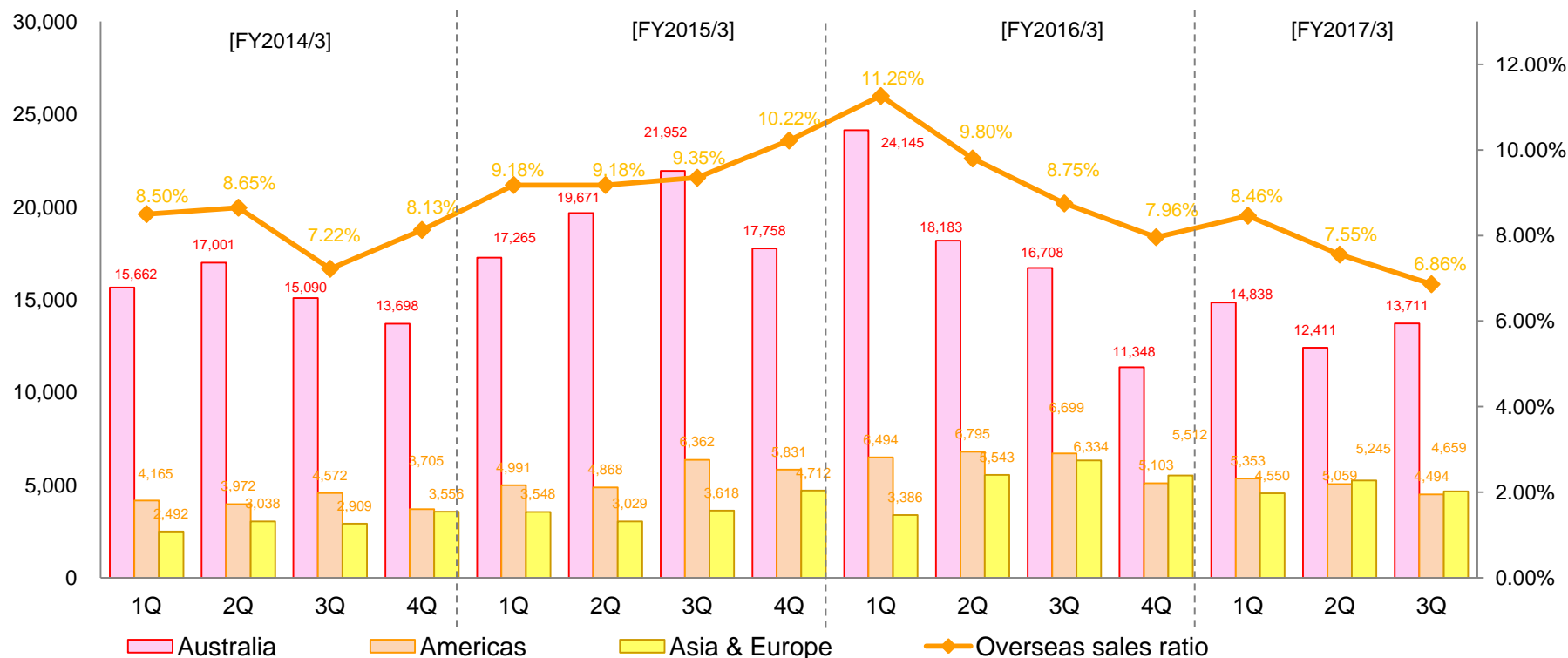
7. External Customer Net Sales Results in Major Overseas Geographical Areas

(¥ million, %)

	FY2014/3	FY2015/3	FY2016/3					FY2017/3		
	Full year	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q
Australia	61,451	76,646	24,145	18,183	16,708	11,348	70,384	14,838	12,411	13,711
Americas	16,414	22,052	6,494	6,795	6,699	5,103	25,091	5,353	5,059	4,494
Asia & Europe	11,995	14,907	3,386	5,543	6,334	5,512	20,775	4,550	5,245	4,659
Overseas total	89,860	113,605	34,024	30,522	29,741	21,963	116,250	24,742	22,713	22,866
Overseas sales ratio	8.09%	9.47%	11.26%	9.80%	8.75%	7.96%	9.46%	8.46%	7.55%	6.86%

*Net sales figures represent net sales to external customers.

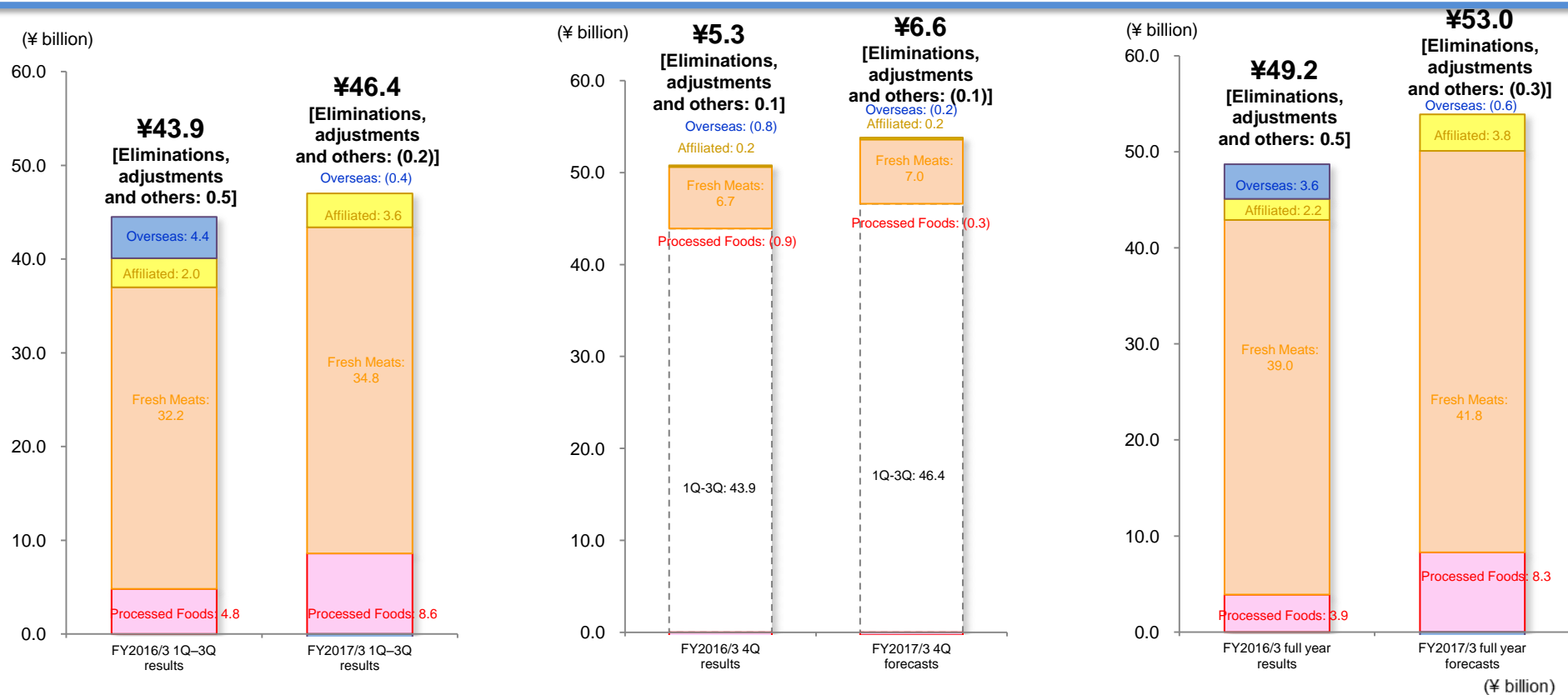
(Net sales: ¥ million)



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)



	FY2017/3 1Q-3Q results			FY2017/3 4Q forecasts			FY2017/3 full year forecasts		
	FY2016/3 1Q-3Q results		Variance	FY2016/3 4Q results		Variance	FY2016/3 full year results		Variance
Processed Foods Business Division	4.8	8.6	3.8	(0.9)	(0.3)	0.6	3.9	8.3	4.4
Fresh Meats Business Division	32.2	34.8	2.6	6.7	7.0	0.3	39.0	41.8	2.8
Affiliated Business Division	2.0	3.6	1.6	0.2	0.2	0.0	2.2	3.8	1.6
Overseas Business Division	4.4	(0.4)	(4.8)	(0.8)	(0.2)	0.6	3.6	(0.6)	(4.2)
Eliminations, adjustments and others	0.5	(0.2)	(0.7)	0.1	(0.1)	(0.2)	0.5	(0.3)	(0.8)
Total	43.9	46.4	2.5	5.3	6.6	1.3	49.2	53.0	3.8

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

1. FY2017/3 Operating Income Forecasts (2)

Variance from the forecasts revised at 2Q

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

(¥ billion)

	FY2017/3 1Q-3Q results			FY2017/3 4Q forecasts			FY2017/3 2nd half forecasts			FY2017/3 full year forecasts		
	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance
Processed Foods Business Division	9.0	8.6	(0.4)	(0.3)	(0.3)	0.0	5.5	5.1	(0.4)	8.7	8.3	(0.4)
Fresh Meats Business Division	32.0	34.8	2.8	7.0	7.0	0.0	19.6	22.4	2.8	39.0	41.8	2.8
Affiliated Business Division	3.6	3.6	0.0	0.2	0.2	0.0	2.2	2.2	0.0	3.8	3.8	0.0
Overseas Business Division	(0.6)	(0.4)	0.2	(0.2)	(0.2)	0.0	(0.2)	0.0	0.2	(0.8)	(0.6)	0.2
Eliminations, adjustments and others	0.0	(0.3)	(0.3)	0.3	(0.1)	(0.4)	0.5	(0.1)	(0.6)	0.3	(0.3)	(0.6)
Total	44.0	46.4	2.4	7.0	6.6	(0.4)	27.6	29.6	2.0	51.0	53.0	2.0

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

Factor Analysis: Changes in operating income

(¥ billion)

Processed Foods Business Division	Variance from the forecasts revised at 2Q								
	4Q forecasts			2nd half forecasts			Full year forecasts		
	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance
Volume expansion	0.2	0.2	0.0	0.7	0.6	(0.1)	1.0	0.9	(0.1)
Profit margin improvement	0.4	0.4	0.0	1.3	1.0	(0.3)	3.8	3.5	(0.3)
External factors	0.5	0.8	0.3	1.4	2.2	0.8	4.2	5.0	0.8
Principal raw material price	0.3	0.6	0.3	1.0	1.7	0.7	3.3	4.0	0.7
Other materials/fuels	0.2	0.2	0.0	0.4	0.5	0.1	0.9	1.0	0.1
Internal factors	(0.1)	(0.4)	(0.3)	(0.1)	(1.2)	(1.1)	(0.4)	(1.5)	(1.1)
Product mix (product renewal)	(0.3)	(0.4)	(0.1)	(0.9)	(1.4)	(0.5)	(2.5)	(3.0)	(0.5)
Improvement of production and sales operations	0.2	0.0	(0.2)	0.8	0.2	(0.6)	2.1	1.5	(0.6)
Other factors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.6	0.6	0.0	2.0	1.6	(0.4)	4.8	4.4	(0.4)

(¥ billion)

Fresh Meats Business Division	Variance from the forecasts revised at 2Q								
	4Q forecasts			2nd half forecasts			Full year forecasts		
	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance
Imported fresh meat market	1.6	1.2	(0.4)	2.5	1.6	(0.9)	2.8	1.9	(0.9)
Domestic fresh meat market	0.1	0.2	0.1	(0.1)	0.5	0.6	(0.4)	0.2	0.6
Changes in farming operations in Japan	(0.4)	(0.3)	0.1	(1.3)	(0.6)	0.7	(1.9)	(1.2)	0.7
Growth in Nippon Food Group	(0.8)	0.0	0.8	(1.5)	(0.1)	1.4	(0.4)	1.0	1.4
Other factors	(0.3)	(0.8)	(0.5)	(0.4)	0.6	1.0	0.0	1.0	1.0
Total	0.3	0.3	0.0	(0.7)	2.1	2.8	0.0	2.8	2.8

•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, 4Q Forecast



- Further expand sales of **SCHAU ESSEN** as well as develop and expand sales of new sausage branded products to follow up **SCHAU ESSEN**.
- Introduce hams and sausages and deli and processed foods for dinner products. Enhance proposals for new dining scenes.
- Secure new point of sales by introducing new fields of products such as chilled curry and normal temperature products such as soups.
- Carry out aggressive sales promotion activities, including TV commercials, and expand the point of sales of core products.



Hojun coarse-ground wieners
are praised at exhibitions



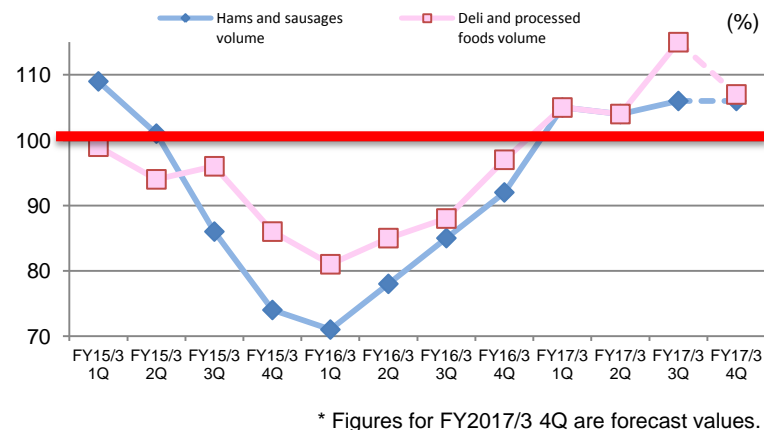
Roll Steak
provides a new dining
scene for ham



Butter Chicken Curry
creates a new field,
the chilled curry market

● Measures to expand commercial-use products sales

Commercial-Use Products: Volume and Amount, 4Q Forecast



- Enhance product development and expand sales to support business partners in “streamlining operations” and consumer trends toward “health,” “savings,” “raw materials” and “cooking method.”

- Implement comprehensive proposals that utilize cross-Group projects such as sharing of business partners, making joint presentations and implementing product development using branded fresh meats with other business divisions.



*Roku-shu no (6 types of)
Spice & Herb Bacon*
contains *Dolce Porco®*
using branded fresh meats



Yakime-iri Wieners
(burned wieners) reduce
user's operation burden!
Just defrost and they are
ready for use

3. Fresh Meats Business Division: Outlook

● Production businesses in Japan

- Although feed prices are expected to rise due to depreciation of the yen from the third quarter, impact for this year will be limited.
- Pork production has stabilized, and further efforts will be made to improve productivity.
- The epidemic prevention system will be thoroughly implemented amid frequent breakouts of avian influenza, an unpredictable situation.

● Domestic fresh meat market

- Wagyu shipments are low and market prices are expected to remain high.
- Chicken prices, for breast meat in particular, are expected to stay strong due to soaring market prices of imported chicken.

● Imported fresh meat market

- Although the market for U.S. beef continues to expand, attention must be paid to market situation.
- Stable market conditions are expected for imported pork because of increased production volume in the U.S.
- Imported chicken inventories in the market have decreased since January and the market has surged mainly for Brazilian chicken.

● Fresh meat sales (food companies)

- Work to expand sales of domestic pork *Mugikomachi*, as an in-house produced brand to follow up the domestic chicken brand *Sakurahime*.
- Work to expand sales of U.S. beef *ANGUS Valley*, which we will start importing from the U.S. in collaboration with Tyson Foods, Inc.
- Continue to cultivate and expand sales to growing volume retailers, and bring channels such as restaurants back to last year's level.



Domestic pork
brand
Mugikomachi



New brand in
imported beef,
U.S. beef
ANGUS Valley

4. Affiliated Business Division: Outlook

● Measures to expand sales of marine products business

(Marine Foods)

- Enhance sales of *Ran'o Sauce* (egg yolk sauce) and the *Beer no Aru Shokutaku* Series, using ultra-high pressure heat processing machines, and expand sales of in-house manufactured products.
- Expand sales of *Umami Tako* (tasty octopus), a product utilizing Kushiro Marusui Co., Ltd., and vinegared mackerel using Hokusen Saba.



*Beer no Aru Shokutaku
Mushi-dori Chuka Kurage*
using ultra-high pressure
heat processing machines



Umami Tako (tasty octopus)
Kushiro Marusui Co., Ltd.

(Hoko)

- Expand sales by introducing *THE BAR* series to the growing snack market.
- Expand sales of canned mackerel with effective commercials targeted at certain areas.



Mutsu-wan san Hotate Ajillo *Yakitori Momo Tare-aji*
THE BAR series
introducing to the growing snack market



● Measures to expand sales of dairy products business

(Cheese)

- Expand sales by newly adding *Mentaiko* flavor to strongly performing smoked cheese.
- Expand sales of commercial-use products by responding meticulously to user needs.

(Yogurt)

- Expand sales of Vanilla Yogurt with effective commercials targeted at certain areas.
- Expand sales by introducing new products to the strongly performing smoothie series, catering to health-minded consumers.



Vanilla Yogurt
seeking to expand sales
with area targeted
commercials



Purple Smoothie
The popular new
smoothie series product
matching the health
needs of consumers

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

- Marine product raw material prices are expected to remain high overall as the effects of declining catches (mainly autumn-run salmon and squid) and reduced overseas supply (especially of salmon and trout) continue.
- Prices for dairy product raw materials are expected to rise for the time being due to reduced production and adjustments of raw milk in the EU and Oceania.

5. Overseas Business Division: Outlook

Reference: FY2017/3 1Q-3Q Australia operations sales results

● Australia Operations Division

- Expecting to curb losses compared to forecasts backed by rise in sales price centered on branded beef as well as slight settling down of procurement prices.
- Strengthen sales capability through marketing activities under a continued harsh environment.

● Americas Operations Division

- Sales of processed foods are expected to be strong in North America, leading to increased income.
- Although fresh meat exports to Japan are expected to slow down compared to the first half partly due to the impact of the strong dollar since November, income is stable with prices of both U.S. beef and pork trending at competitive levels.

● Asia & Europe Operations Division

- Ege-Tav in Turkey is expected to have improved income as the market is on a recovery trend, despite the harsh geopolitical environment.

Major countries for sales	Volume (ratio breakdown)	Volume (variance year on year)
Japan	28%	98%
United States	12%	36%
South Korea	14%	94%
China	6%	67%
Taiwan	5%	83%
Australia	16%	101%
Others	19%	95%
Total	100%	78%

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

Overseas Business Division	4Q forecasts			2nd half forecasts			Full year forecasts		
	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance	Forecasts announced at 2Q		Variance
Australia Operations Division	0.1	0.5	0.4	(0.7)	(0.2)	0.5	(5.3)	(4.8)	0.5
Americas Operations Division	0.3	0.0	(0.3)	0.6	0.5	(0.1)	0.9	0.8	(0.1)
Asia & Europe Operations Division	0.3	0.2	(0.1)	0.0	(0.2)	(0.2)	0.5	0.3	(0.2)
Other factors	(0.1)	(0.1)	0.0	(0.2)	(0.2)	0.0	(0.4)	(0.4)	0.0
Total	0.7	0.6	0.0	(0.2)	0.0	0.2	(4.4)	(4.2)	0.2

(¥ billion)

4Q forecasts		2nd half forecasts		Full year forecasts	
Forecasts announced at 2Q	Forecasts	Forecasts announced at 2Q	Forecasts	Forecasts announced at 2Q	Forecasts
(0.6)	(0.2)	(1.0)	(0.5)	(1.9)	(1.4)
0.5	0.2	1.1	1.0	1.5	1.4
0.1	(0.1)	0.0	(0.2)	0.4	0.2
(0.2)	(0.2)	(0.4)	(0.4)	(0.8)	(0.8)
(0.2)	(0.3)	(0.2)	0.0	(0.8)	(0.6)

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

III. Consolidated Financial Results for FY2017/3 3Q

- 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**

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

(¥ million, %)

	FY2016/3 results			FY2017/3 results and forecasts								
	1Q-3Q results	4Q results	Full year results	1Q-3Q results	Variance	Volume growth rate	4Q forecasts	Variance	Volume growth rate	Full year forecasts	Variance	Volume growth rate
Net Sales	953,437	275,887	1,229,324	926,349	(2.8)	-	273,651	(0.8)	-	1,200,000	(2.4)	-
Hams and sausages	112,563	28,896	141,459	112,308	(0.2)	2.3	29,292	1.4	3.0	141,600	0.1	2.5
Processed foods	168,118	53,190	221,308	174,829	4.0	5.0	54,871	3.2	5.2	229,700	3.8	5.0
Fresh meats	546,901	158,594	705,495	516,324	(5.6)	1.7	157,276	(0.8)	3.0	673,600	(4.5)	2.0
Beef	228,152	60,824	288,976	209,493	(8.2)	(5.5)	62,007	1.9	3.5	271,500	(6.0)	(3.5)
Pork	168,464	53,459	221,923	167,432	(0.6)	2.6	52,968	(0.9)	4.0	220,400	(0.7)	2.9
Chicken	131,422	38,966	170,388	120,181	(8.6)	5.0	36,219	(7.0)	1.6	156,400	(8.2)	4.2
Other fresh meats	18,863	5,345	24,208	19,218	1.9	9.3	6,082	13.8	9.1	25,300	4.5	9.3
Marine products	74,423	20,281	94,704	72,260	(2.9)	(3.9)	19,440	(4.1)	(6.7)	91,700	(3.2)	(4.5)
Dairy products	24,155	7,241	31,396	25,406	5.2	8.3	7,894	9.0	9.3	33,300	6.1	8.6
Others	27,277	7,685	34,962	25,222	(7.5)	-	4,878	(36.5)	-	30,100	(13.9)	-
Cost of goods sold	776,936	228,710	1,005,646	744,283	(4.2)							
Gross profit	176,501	47,177	223,678	182,066	3.2							
Gross profit ratio	18.5%	17.1%	18.2%	19.7%	-							
SG&A expenses	132,576	41,895	174,471	135,701	2.4							
Operating income	43,925	5,282	49,207	46,365	5.6		6,635	25.6		53,000	7.7	
Income before income taxes	41,198	(5,889)	35,309	42,527	3.2		6,473	-		49,000	38.8	
Income taxes	11,194	1,923	13,117	12,964	15.8		2,036	5.9		15,000	14.4	
Tax rate	27.2%	(32.7%)	37.1%	30.5%	-		31.5%	-		30.6%	-	
Profit or loss from discontinued operations	(2,539)	(691)	(3,230)	(12)	-		-	-		(12)	-	
Net income attributable to NH Foods Ltd.	27,195	(5,416)	21,779	29,633	9.0		4,367	-		34,000	56.1	

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

* Variance: Year-on-year comparisons are expressed as % increases/decreases.

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

(¥ million, %)

	SG&A expenses	FY2016/3 1Q-3Q results	FY2017/3	
			1Q-3Q results	Variance (%)
★(1)	Selling, general and administrative expenses	132,576	135,701	2.4
	Personnel	50,854	51,932	2.1
	Advertising	8,632	7,907	(8.4)
★(2)	Logistics	40,337	41,713	3.4
	Others	32,753	34,149	4.3

Major reasons for increase/decrease

★(1) SG&A expenses: The ratio of SG&A expenses to net sales increased 0.7 points from 13.9% to 14.6%.

★(2) Logistics: Logistics costs increased approximately ¥1.4 billion due to a seasonal increase in sales volume.

(¥ million)

	FY2016/3 1Q-3Q results	FY2017/3		FY2016/3 Full year results
		1Q-3Q results	Variance	
Other operating costs and expenses (income) - net	1,124	3,164	2,040	11,849
★(1) Fixed assets	1,124	325	(799)	11,858
Special retirement expenses	-	2,839	2,839	-
Others	-	-	-	(9)
Other income (expenses) - net	(547)	198	745	(665)
Interest and dividends income	859	867	8	1,031
Foreign exchange gains (losses)	(1,290)	(1,127)	163	(1,706)
Others	(116)	458	574	10
Interest expense	1,056	872	(184)	1,384

Major reasons for increase/decrease

★(1) Special retirement expenses: Special extra payments of approximately ¥2.8 billion for the transferred employees at NH Foods and its consolidated subsidiaries.

3. Balance Sheets / Capital Expenditures / Depreciation and Amortization

(¥ million, %)

Consolidated balance sheets		FY2016/3 Year-end results	FY2017/3 3Q results	Variance (%)	Variance
★(1)	Total assets	682,855	742,875	8.8	60,020
	Cash and cash equivalents	67,321	70,835	5.2	3,514
★(2)	Trade notes and accounts receivable	128,285	184,827	44.1	56,542
★(3)	Inventories	133,518	127,365	(4.6)	(6,153)
	Property, plant and equipment - at cost, less accumulated depreciation	264,014	273,617	3.6	9,603
	Investments and other assets	40,515	44,748	10.4	4,233
	Deferred income taxes - non-current	9,321	7,847	(15.8)	(1,474)
	Total liabilities	321,495	357,063	11.1	35,568
	Trade notes and accounts payable	94,276	128,946	36.8	34,670
	Interest-bearing debt	154,583	154,138	(0.3)	(445)
	Liability under retirement and severance program	14,426	14,127	(2.1)	(299)
	Total NH Foods Ltd. Shareholders' equity	356,353	381,462	7.0	25,109
	Noncontrolling interests	5,007	4,350	(13.1)	(657)
	Total equity	361,360	385,812	6.8	24,452

Major reasons for
increase/decrease

★(1) Total assets:

Increased by approximately ¥60.0 billion including (2) and (3).

★(2) Trade notes and accounts receivable:

Increased by approximately ¥56.5 billion due to a seasonal increase in sales volume.

★(3) Inventories:

Decreased by approximately ¥6.2 billion from the end of the previous term due to reduction in inventories of fresh meats, etc.

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2016/3 3Q results	FY2017/3			FY2017/3 Full year Forecasts
		3Q results	Variance (%)	Variance	
Capital expenditures	26,725	26,697	(0.1)	(28)	52,000
Production facilities	12,409	12,005	(3.3)	(404)	20,900
Marketing and logistics facilities	2,331	4,377	87.8	2,046	8,900
Farms and processing facilities	5,124	5,160	0.7	36	10,100
Overseas business facilities	2,954	2,679	(9.3)	(275)	6,100
Other facilities	3,907	2,476	(36.6)	(1,431)	6,000
Depreciation and amortization	14,464	14,657	1.3	193	20,000

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Forward-looking statements

This presentation includes forecasts regarding targets, strategies and earnings. These forecasts are based on information available at the current time and contain certain assumptions about the future. They are subject to numerous external uncertainties in areas such as economic environment, market trends and exchange rates.

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