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

May 11, 2017

NH Foods Ltd.
President and Representative Director
Juichi Suezawa

1. Business Results Overview for FY2017/3
2. Full Year Outlook for FY2018/3
3. Progress in the New Medium-Term Management Plan Part 5 (FY2016/3-FY2018/3)

1. Business Results Overview for FY2017/3

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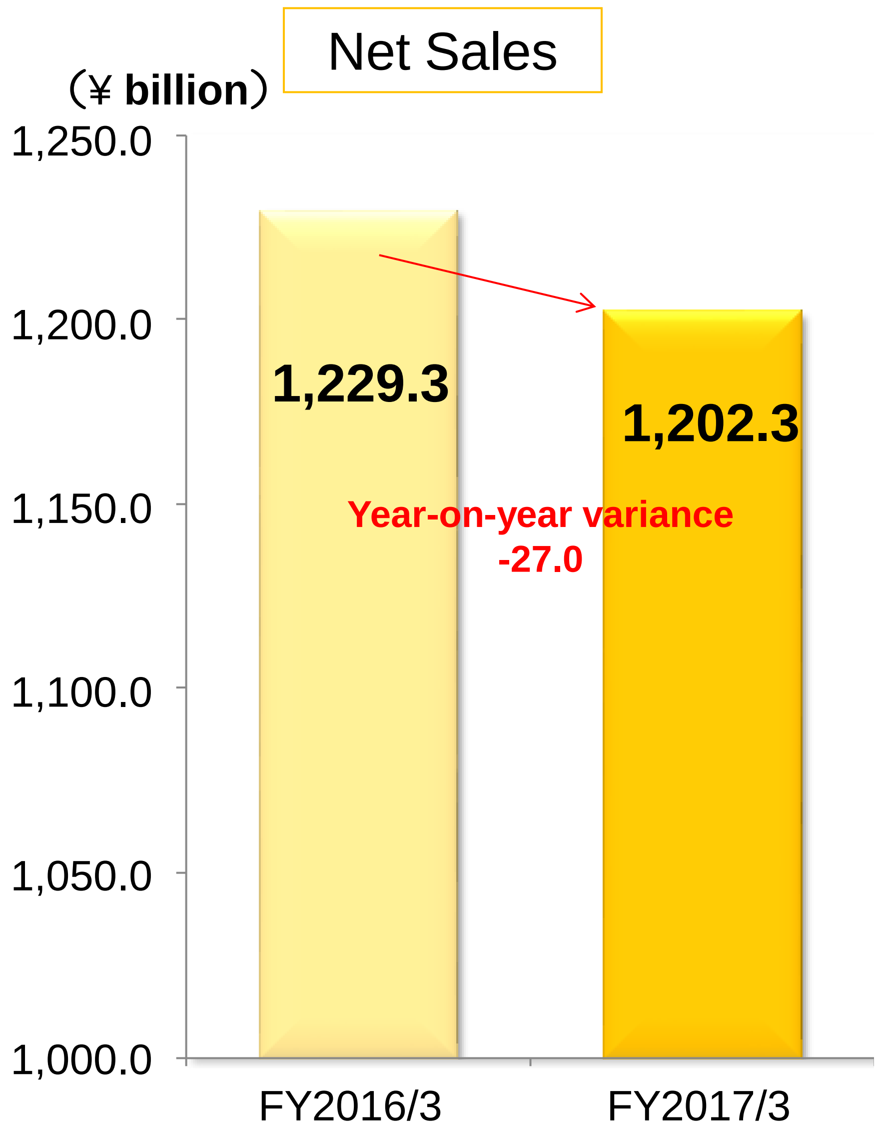
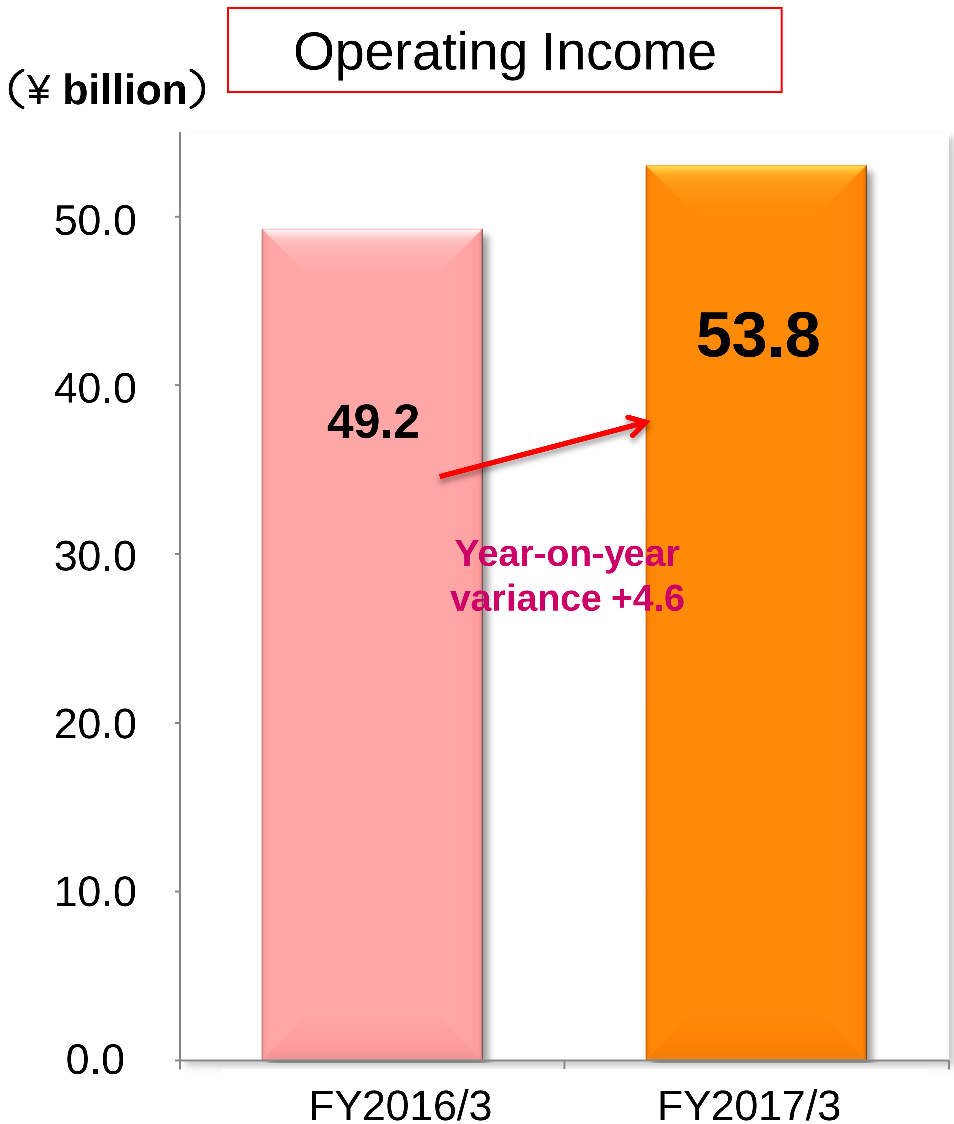
Although revenues fell, we marked a record high in operating income.





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

1. Business Results Overview for FY2017/3

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Variation Factors for the Operation Income Forecasts

(¥ billion)

Business Division	Forecasts	Results	Variance	Variation Factors
Processed Foods Business	8.3	7.9	(0.4)	Operating income fell below the forecast due to an increase in one-time expenses for optimization of the manufacturing structure.
Fresh Meats Business	41.8	43.9	2.1	Operating income exceeded forecast due to strong market prices mainly for chicken.
Affiliated Business	3.8	3.7	(0.1)	Operating income was in line with the forecast due to an improved profit ratio for marine products and sales growth in dairy products.
Overseas Business	(0.6)	(1.3)	(0.7)	Operating income was below the forecast due to the high levels of cattle livestock prices in Australia operations.
Eliminations, adjustments and others	(0.3)	(0.5)	(0.2)	
Total	53.0	53.8	0.8	Operating income increased driven by the fresh meats business.

* Forecasts are those that were revised as of the third quarter.
* Excluding discontinued operations.
* Due to rounding, item tallies in each division may not match totals.

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FY2018/3 Full year operating income
¥56.0 billion

(Previous year ¥53.8 billion）

(¥ billion)

	FY2017/3	FY2018/3
Processed Foods Business	7.9	10.5
Fresh Meats Business	43.9	40.0
Affiliated Business	3.7	4.0
Overseas Business	(1.3)	1.0
Elimination and adjustment	(0.5)	0.5

2. Full Year Outlook for FY2018/3

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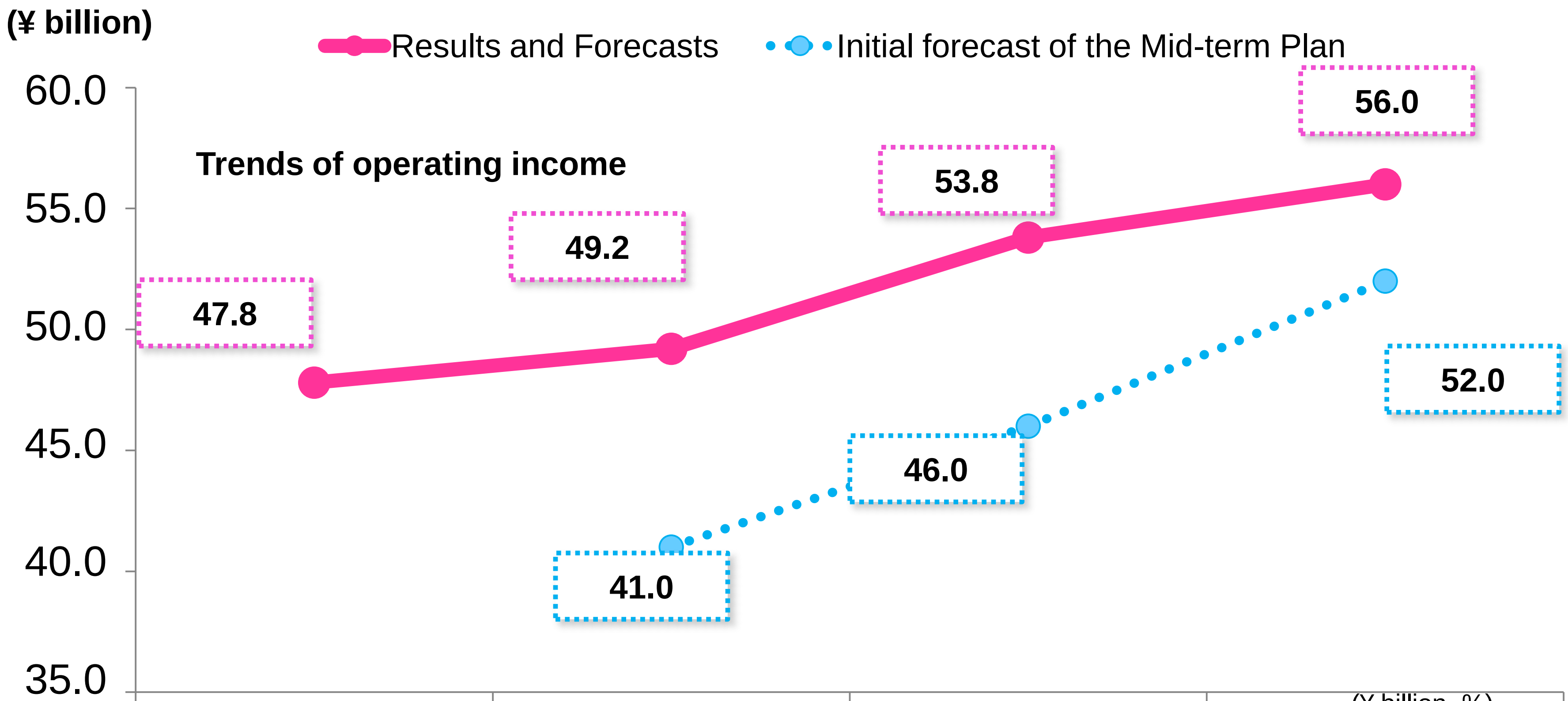
Positive factors

・Processed Foods Business Division	An increase in sales volume and emergence of investment effects
・Fresh Meats Business Division	Strong market trends centered on chicken
・Affiliated Business Division	Increased demand for cheese and yogurt
・Overseas Business Division	Strong business in North America

Negative factors

・Processed Foods Business Division	Raw materials prices on an upward trend
・Fresh Meats Business Division	Global supply and demand environment is uncertain
・Affiliated Business Division	Raw material prices for marine products and dairy products on an upward trend
・Overseas Business Division	Cattle livestock prices in Australia operations remain high

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



(¥ billion, %)

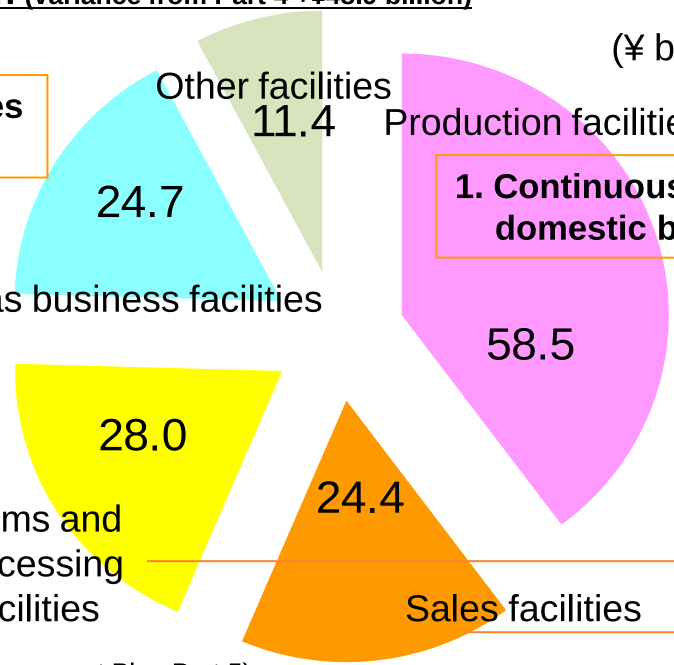
	FY2015/3	FY2016/3	FY2017/3	FY2018/3
Net Sales	1,200.0	1,229.3	1,202.3	1,250.0
Operating Income	47.8	49.2	53.8	56.0
Operating Income Ratio	4.0%	4.0%	4.5%	4.5%
Net Income	31.0	21.8	35.0	37.0
ROE	9.2%	6.1%	9.2%	Target: 8% or more

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

Proactive investment for our growth strategy

New Mid-term Plan Part 5 (cumulative)(from FY2016/3 to FY2018/3)
Capital Expenditures: ¥147.0 billion (variance from Part 4 +¥48.9 billion)

(¥ billion)



2. Expansion of overseas net sales at an early stage

Overseas Business
Day-Lee Foods, Inc. second plant for processed foods

1. Continuous strengthening of profitability in domestic businesses

Affiliated Business
Cheese/Frozen Foods Factory
Yogurt Factory

Processed Foods Business
Hams and Sausages
New Hyogo Plant

Fresh Meats upstream businesses
Hog/Chicken Farms

(Progress in the New Medium-Term Management Plan Part 5) (¥ billion)

Category	FY2016/3 Full year results	FY2017/3 Full year results	Cumulative for the previous two years	FY2018/3 Full year forecasts	Cumulative for three years
Total	36.8	43.8	80.6	66.4	147.0
Production facilities	17.1	16.9	34.0	24.5	58.5
Sales and logistics facilities	3.5	12.4	15.9	8.5	24.4
Farms and processing facilities	7.7	7.8	15.6	12.4	28.0
Overseas business facilities	4.1	3.6	7.7	17.0	24.7
Other facilities	4.4	3.0	7.4	4.0	11.4
Depreciation and amortization	19.4	19.8	39.2	20.5	59.7

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

1. Continuous strengthening of profitability in domestic businesses

- Further strengthening of procurement ability 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 expansion in a diversity of top brand products.

3. Promotion of strategic branding

- Promotion of marketing and branding across the Group, 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 indicator.

(1) Continuous strengthening of profitability in domestic businesses

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Processed Foods Business Division **Improve profitability through reform to connect production and sales**

Efforts to optimize production structure for hams and sausages – aiming for an 8% reduction of plant production costs

Results from initiatives in the previous year

＞Consolidation of production facilities (from 15 to 13)

- **Completed construction of the new Hyogo Plant in October 2016**
- **Closed down the old Hyogo Plant in December 2016**
- **Transferred manufactured products due to the launch of the new Hyogo Plant**

→Built concentrated production system

Built a framework for cost reduction and infrastructure improvement

Initiatives to be taken this year

Premise: Strong performance of *SCHAU ESSEN* and volume growth of our new product *HOJUN coarse-ground wieners*

(1) Expansion of the sheep-casing wiener line
→ Establishment of an integrated line at the Shizuoka Plant - ¥1.0 billion investment
Manage production for strong-performing products and implement cost reductions

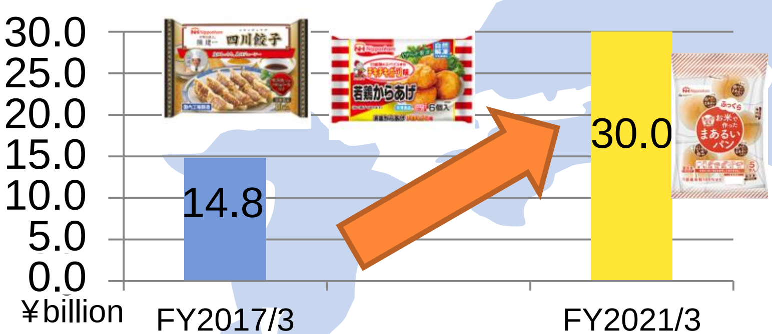
(2) Improve flexibility in production to adapt to both the peak season and off season→Absorbing labor-cost increases with capital expenditures in mechanization and manpower savings

⇒As the external environment remains harsh (due to raw material prices and labor shortages), realize increase in sales volume with an optimized production structure and improve profitability by reducing costs.

Deli and processed foods Growth Field: Expanding sales of frozen foods

Changed company name to Nipponham Frozen Foods Ltd. on April 1

Net Sales ： ¥14.8 billion (FY2017/3) →Net Sales goal for FY2021/3: ¥30.0 billion



・Toward Realization

Product category expansion

- Currently mainly side dishes and boxed lunches
  →Aim for a general frozen food supplier providing rice products, noodle products, etc.
- Introducing products unique to Nipponham
  →Market allergy-safe food products (bread, meat products)

*Challenges: Expansion of production capacity
→ Utilizing OEM inside and outside the Group to achieve increased volume

(1) Continuous strengthening of profitability in domestic businesses

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

Expansion of production and procurement capability over the medium to long term – Continuous investment upstream and strategic partnerships

Progress on establishing frameworks to boost production
→ Aiming to boost production with continuous investment
Investment in previous fiscal year: ¥2.0 billion
Hogs: Farmland development in Donan
Chicken: Farm construction in Shiretoko and Niigata
Automatic processing of chicken breast meat (labor-saving measures)

Investment forecast for this fiscal year: ¥2.5 billion
Hogs: Farm construction in Donan
Chicken: Farm construction in Shiretoko
Farmland development in Niigata


Aga Farm of Niiburo Co., Ltd.

Progress on boosting production

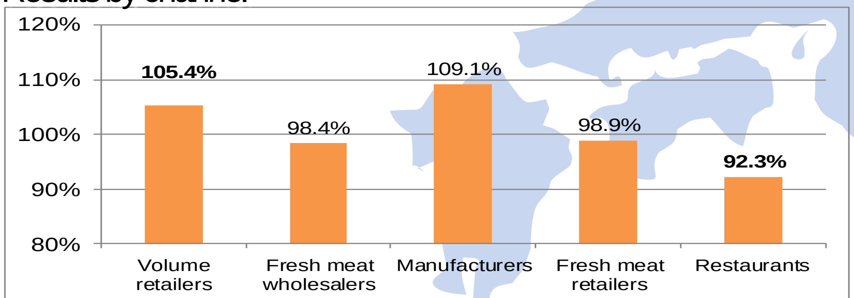
- Final year goals of New Medium-Term Plan Part 5
  Hogs: 0.63 million hogs (Forecast variance (0.05) million hogs)
  Chickens: 71 million chickens (Forecast variance (1.00) million chickens)
- Brand status (previous year results and goals)
  - *Sakurahime*: Approximately 25 million chickens ⇒approximately 28 million chickens
  - *Mugikomachi*: Approximately 0.14 million hogs ⇒approximately 0.24 million hogs

Strategic partnerships with leading overseas packers → **Launched American beef brand with Tyson Foods, Inc. "ANGUS Valley" – Annual sales goal of 8,000 tons**

Efforts by Nippon Food Companies driving growth, with goal of 25% share

Results for the previous fiscal year : overall volume growth of 103%

・Results by channel



・Number of new customers
Revenue increase of around ¥3.5 billion, with around 2,900 new customers

Priority initiatives for this fiscal year - toward volume growth of 105%

- Company-wide brand sales targets：
  Sakurahime 110%・*Mugikomachi* 180%
  Planning TV commercials and campaigns for *Sakurahime* and *Mugikomachi*
- Strategy by channel
  Volume retailers: strengthening proposals for branded fresh meats
  Restaurants: strengthening proposals for primary processed products, support for distribution
- Development of new customers
  Continuing to strengthen efforts – target number of customers: 4,220

3. Progress
(1) Continuous strengthening of profitability in domestic businesses

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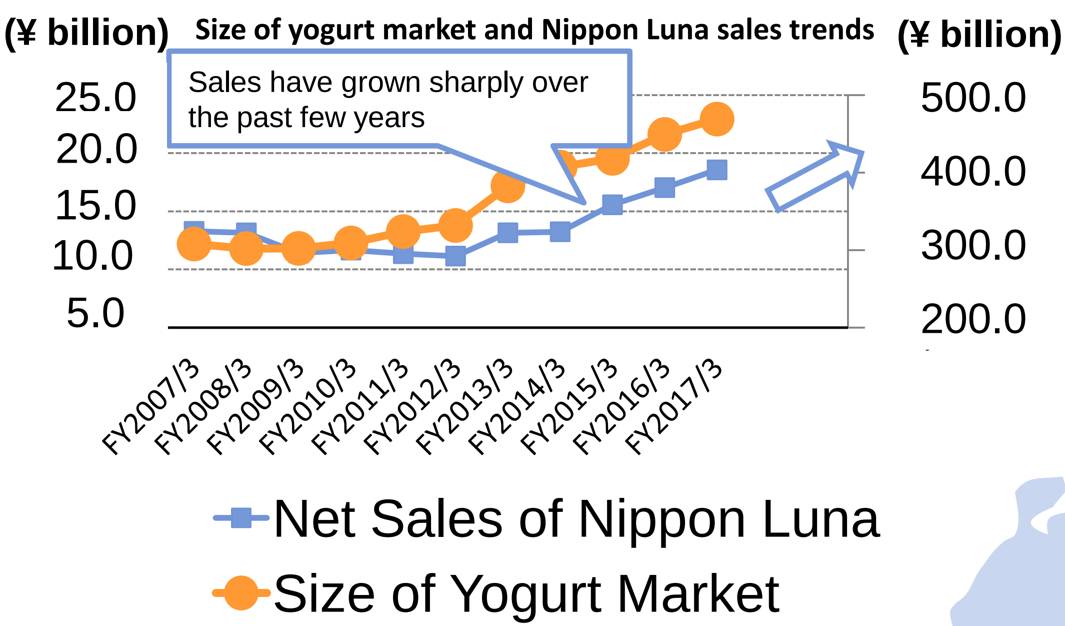
[Affiliated Business Division] Reform into a manufacturer and growth strategy

Growth strategy for Nippon Luna in line with market growth

おいしさにときめきを Luna



Product range and marketing strategy that contributes to sales growth

Vanilla Yogurt (long seller released in 1993)
- Developing a series of branded juices
- Implementing TV commercials

TOPCUP series (integrated into a single brand in 2015)
- Expanding eating occasions by adopting sweets-type flavors

Smoothie series (launched in 2016)
- Strengthening proposals at point of sales with visual merchandising

Production capacity after commencing operations is 24,000 tons, twice the amount of the current Kanto Plant

Future Developments

Development of functional products, etc.
Promotion of marketing

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Synergy with Hokkaido Milk Products

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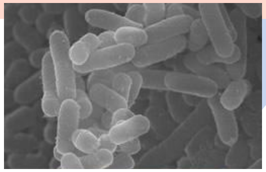
Scheduled to start operation in January 2019
Increased capacity by the Takasaki Plant (tentative name)



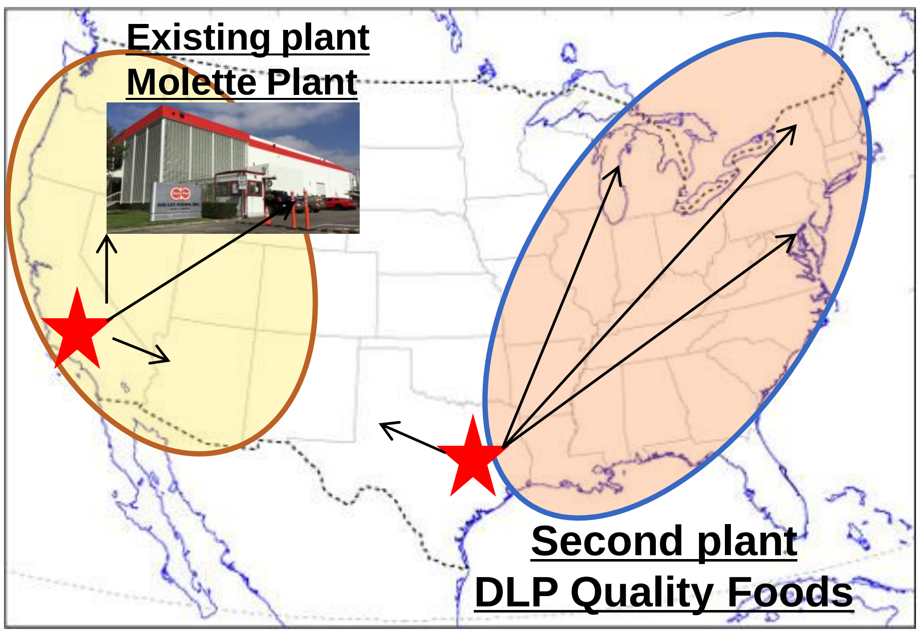
Microscope photo of HSK201 strain

HOKUNYU

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

Overseas Business Division Day-Lee Foods, Inc. Processed Foods Business

Construction of second plant for processed foods in North America → Entering the East Coast
Expanding capacity and area with construction of a new plant



Molette Plant Overview
Location: Los Angeles, California
In operation since 1989, mainly supplying the West Coast
Main products: Consumer frozen processed foods with Asian flavors
Production capacity: 14,000 tons per year
*Expected to reach maximum production capacity in 2020

DLP Quality Foods LLC
Established in Dallas, Texas, as a production subsidiary
Investment: approx. ¥4.5 billion
Production capacity: 26,000 tons per year
Aiming to start operations in September 2018
Production lineup: Expanded with a focus on products with Asian flavors
Sales channels: Utilization of offices and proactive sales to existing customers operating on the East Coast

Sales expansion of frozen processed foods with Asian flavors, which are expected to see increased demand
Sales target for processed foods in North America: Double previous fiscal year's sales of approximately ¥7.0 billion in five years

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

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<u>Overseas Business Division</u> Uruguay: acquisition of a beef packer

Acquired 100% of outstanding shares of Breeders & Packers Uruguay S.A. (BPU), a major meat packer in Uruguay, for US$135 million

Boosting supply capacity to accommodate rising global demand in the beef market
Expand the foundation of beef production business to South America to create synergy with Australia operations

Overview of BPU

- Date of the establishment：March 2006
  （Started operations in 2011）
- Business activities:
  Processing and sales of beef
- Location: Uruguay
- Sales destination: Primarily exports to China, Europe and the U.S.
- Net sales (FY2016/9): US$173,905 thousand

Strengths of BPU

- **Export-certified plant with top processing capacity for a single facility**
- **No large additional investment required, as the facility is state of the art**
- **Located inland in Uruguay, in an advantageous area for collecting supply**

Synergy with NH Foods Australia Pty. Ltd.

- Know-how in value-added grain fed cattle breeding
- Know-how accumulated in plant operation
- Branding achievements
- Global sales performance and sharing of those sales channels

Characteristics of Uruguay

- Relatively stable politically and economically among South American countries
- Cost competitive
- Breeding British beef cattle with high added value
- Low climate risk
  →Only one drought in the past 10 years
- Thorough traceability
- Prohibition of growth hormones and antibiotics

Future development of BPU

- Improve ratio of grain fed beef
  ⇒Increase ratio of value-added grain fed beef to increase profits
  ⇒Reduce costs by increasing capacity utilization
- Increase yield with production know-how of NH Foods Australia Pty. Ltd.
- Promote branding
- Sales utilizing existing sales channels of NH Foods Australia Pty. Ltd.

(4) Reinforcement of cross-Group corporate functions

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ROIC＝Return On Invested Capital

Return on invested capital (working capital + capital investment)

ROIC Return On Invested Capital	＝	Net Sales / Invested Capital	×	Operating Income / Net Sales	×	After tax
		[Invested capital turnover]		[Operating income ratio]		[1-tax rate]
FY2016/3 Results 6.5%	＝	2.44(times)	×	4.0%	×	0.67
FY2017/3 Results 7.0%	＝	2.26(times)	×	4.5%	×	0.69
FY2018/3 Forecasts 6.9%	＝	2.23(times)	×	4.5%	×	0.69

FY2017/3 Results: Operating income (¥53.8 billion) was record high, up +0.5% from the previous fiscal year.

Plan for current fiscal year: Expect operating income to grow to ¥56.0 billion in the forecasts, and expect ROIC to be at the same level as in the previous fiscal year.

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