

Business Results

for the First Half of FY2018/3

November 8, 2017 (Wed.)
NH Foods Ltd.

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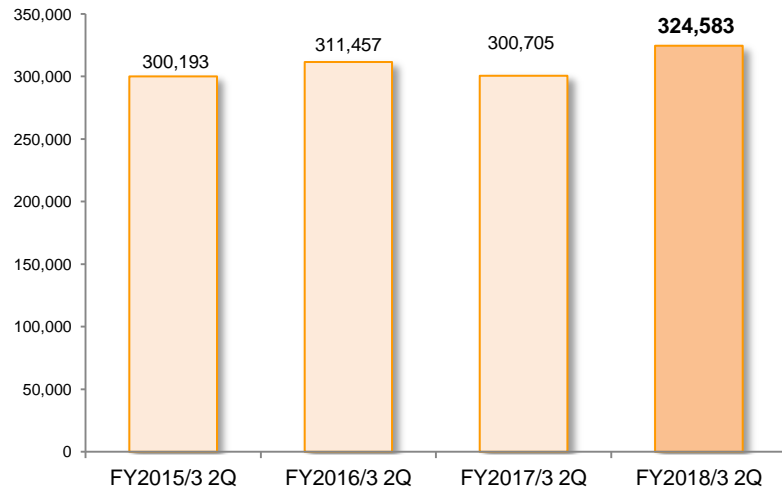
1. Operating Segment Data: 2Q (Jul.-Sep.)

(¥ million)

		FY2015/3 2Q	FY2016/3 2Q	FY2017/3 2Q	FY2018/3 2Q	Variance	Variance (%)
Processed Foods Business Division	Net sales	87,002	86,800	87,702	89,285	1,583	1.8
	Operating income	541	424	2,125	1,296	(829)	(39.0)
Fresh Meats Business Division	Net sales	183,148	189,755	186,368	196,501	10,133	5.4
	Operating income	7,806	9,550	11,090	11,623	533	4.8
Affiliated Business Division	Net sales	39,148	40,183	39,991	41,645	1,654	4.1
	Operating income	(26)	244	1,016	430	(586)	(57.7)
Overseas Business Division	Net sales	62,637	64,680	53,944	69,553	15,609	28.9
	Operating income	3,391	366	(25)	(2,013)	(1,988)	-
Eliminations, adjustments and others	Net sales	(71,742)	(69,961)	(67,300)	(72,401)	(5,101)	-
	Operating income	(150)	96	(453)	307	760	-
Consolidated	Net sales	300,193	311,457	300,705	324,583	23,878	7.9
	Operating income	11,562	10,680	13,753	11,643	(2,110)	(15.3)

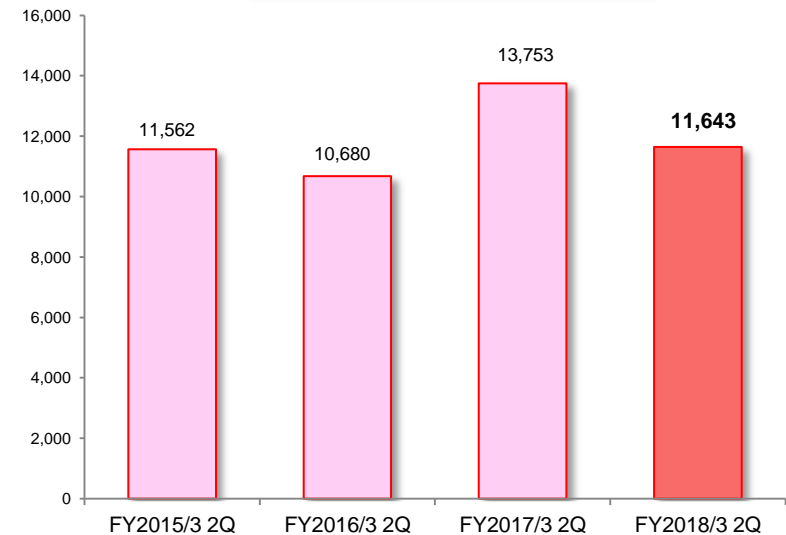
(¥ million)
(Consolidated)

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.

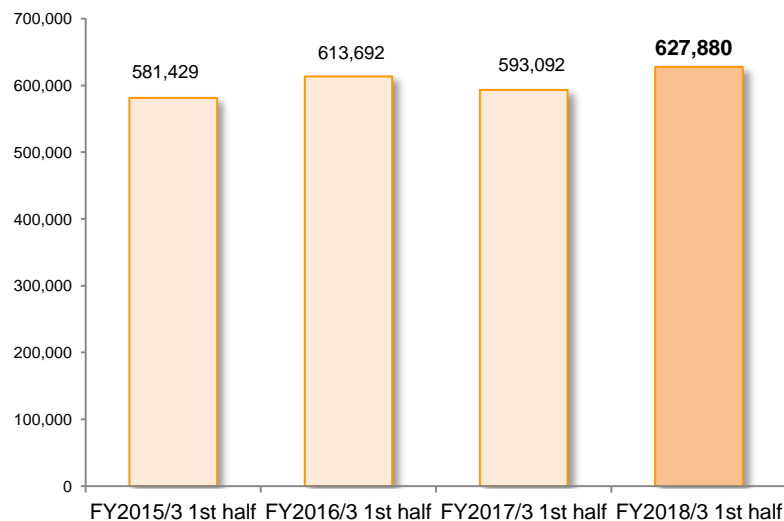
2. Operating Segment Data: 1st Half (Apr.–Sep.)

(¥ million)

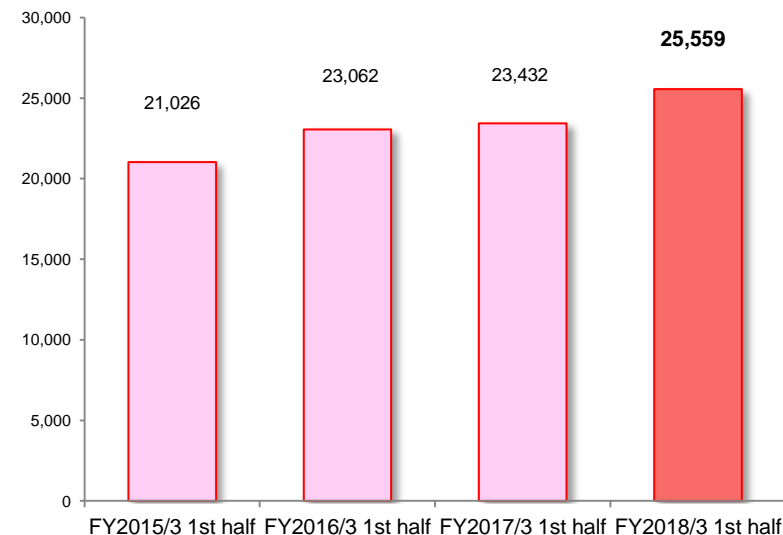
		FY2015/3 1st half	FY2016/3 1st half	FY2017/3 1st half	FY2018/3 1st half	Variance	Variance (%)
Processed Foods Business Division	Net sales	169,557	166,404	169,090	172,513	3,423	2.0
	Operating income	1,601	452	3,236	2,204	(1,032)	(31.9)
Fresh Meats Business Division	Net sales	355,469	376,935	370,661	389,592	18,931	5.1
	Operating income	14,005	18,653	19,419	24,497	5,078	26.1
Affiliated Business Division	Net sales	74,589	77,092	77,700	79,928	2,228	2.9
	Operating income	(67)	432	1,602	919	(683)	(42.6)
Overseas Business Division	Net sales	120,229	129,612	109,225	125,385	16,160	14.8
	Operating income	5,233	3,514	(599)	(2,528)	(1,929)	-
Eliminations, adjustments and others	Net sales	(138,415)	(136,351)	(133,584)	(139,538)	(5,954)	-
	Operating income	254	11	(226)	467	693	-
Consolidated	Net sales	581,429	613,692	593,092	627,880	34,788	5.9
	Operating income	21,026	23,062	23,432	25,559	2,127	9.1

 (¥ million)
 (Consolidated)

Net Sales


 (¥ million)
 (Consolidated)

Operating Income



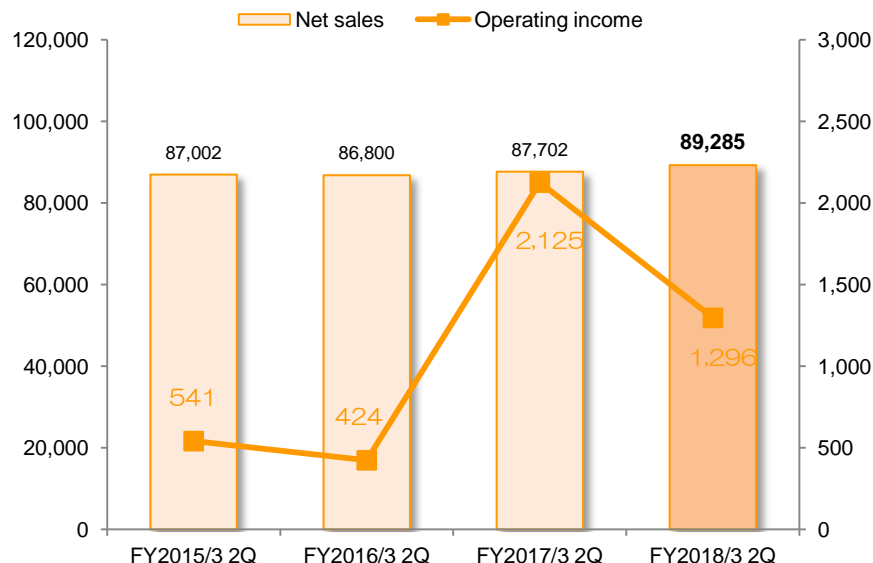
- Net sales by operating segment and net sales (by category) on page 23 of this presentation do not necessarily correspond (due to intersegment transactions).
- Net sales for each segment include intersegment sales.

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

2Q Results (Jul.–Sep.)

(Net sales: ¥ million)

(Operating income: ¥ million)



	(¥ million)			
	FY2017/3 2Q	FY2018/3 2Q	Variance	Variance(%)
Net sales	87,702	89,285	1,583	1.8
Operating income	2,125	1,296	(829)	(39.0)
Operating income ratio	2.4%	1.5%	-	-

Net Sales in FY2018/3 1st half (Apr.–Sep.)

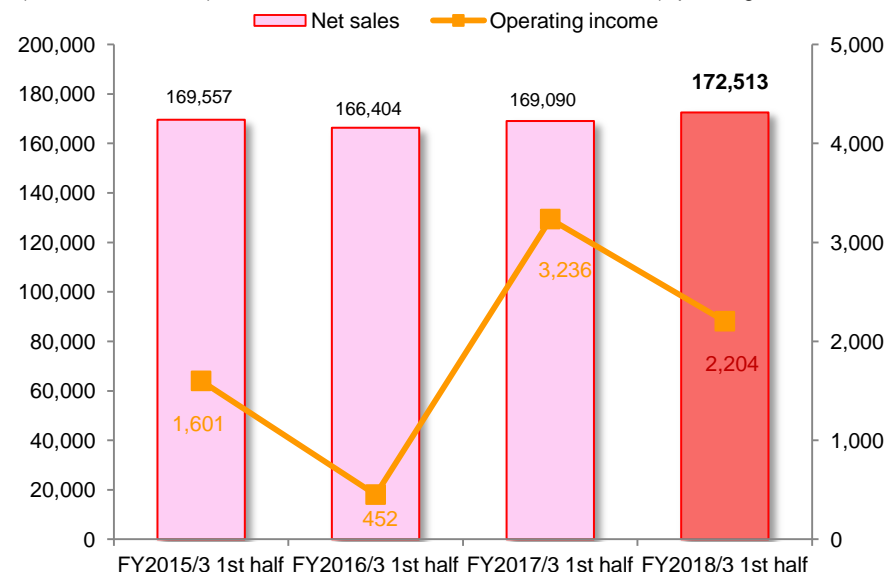
In hams and sausages, sales of consumer products increased only slightly, mainly due to a decrease in PB products, despite efforts to bolster sales of mainstay products. Revenue from commercial-use products declined due to decreases in standard products for existing customers and in imported products, resulting in slightly decreased sales in total.

In deli and processed foods, although sales of consumer products struggled, revenue from commercial-use products increased as products for both the CVS and restaurant channels sustained strong performance due to expanded menus and the introduction of new products.

1st Half Results (Apr.–Sep.)

(Net sales: ¥ million)

(Operating income: ¥ million)



	(¥ million)			
	FY2017/3 1st half	FY2018/3 1st half	Variance	Variance(%)
Net sales	169,090	172,513	3,423	2.0
Operating income	3,236	2,204	(1,032)	(31.9)
Operating income ratio	1.9%	1.3%	-	-

Operating Income in FY2018/3 1st half (Apr.–Sep.)

Gross profit decreased due to poor performance by NB products in deli and processed foods, in addition to rising raw materials prices, mainly for beef and chicken, despite efforts to expand sales through aggressive sales promotion and new product proposals.

Operating income decreased as a result of delays in reducing expenses due to soaring labor expenses.

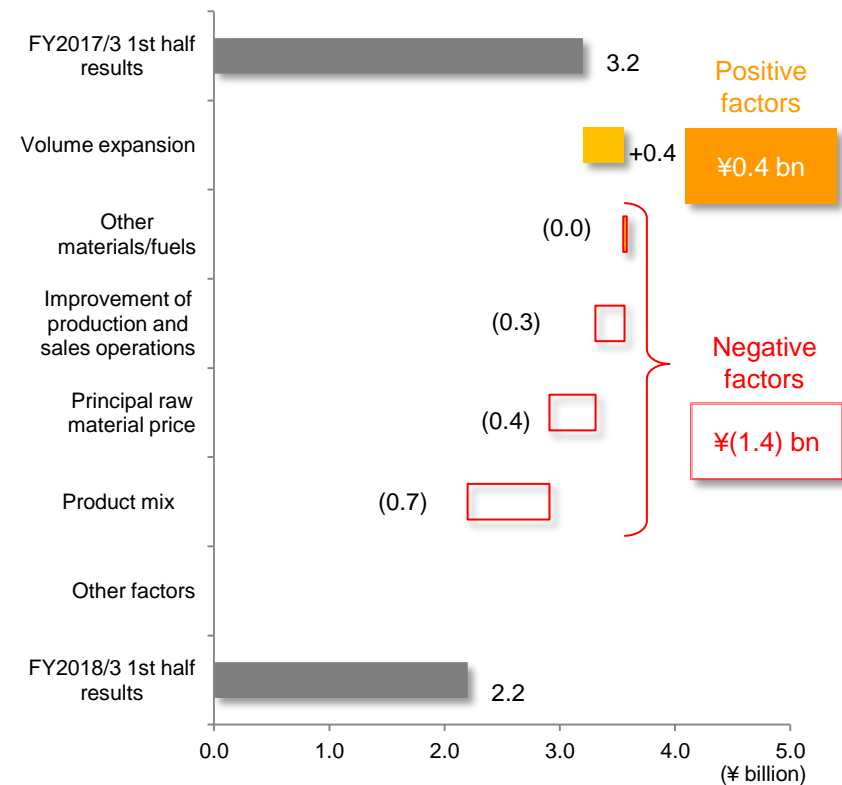
3. Operating Segment Data: Processed Foods Business Division (2)

Factor Analysis: Changes in operating income (¥ billion)

	FY2018/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Volume expansion	0.3	0.0	0.5	0.4	(0.2)
Profit margin improvement	(0.5)	(0.9)	(0.5)	(1.4)	(0.8)
<i>External factors</i>	(0.1)	(0.4)	(0.5)	(0.4)	0.0
Principal raw material price	(0.1)	(0.3)	(0.4)	(0.4)	0.0
Other materials/fuels	0.1	(0.1)	(0.0)	(0.0)	(0.0)
<i>Internal factors</i>	(0.5)	(0.5)	(0.1)	(1.0)	(0.9)
Product mix (product renewal)	(0.4)	(0.3)	(0.5)	(0.7)	(0.2)
Improvement of production and sales operations	(0.1)	(0.2)	0.5	(0.3)	(0.7)
Other factors	0.0	0.0	0.0	0.0	0.0
Total	(0.2)	(0.8)	(0.0)	(1.0)	(1.0)

* 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 (FY2018/3 1st half)

- Volume expansion:
- Product mix:
- Improvement of production and sales operations:

Operating income did not meet the forecast, despite stronger growth than last year due to enhanced sales promotions and proposals.

Operating income fell below the forecast due to slow growth in high-unit-priced items such as NB products in gift products as well as deli and processed foods, despite adjusted prices and an increase in the modified mix in commercial-use products.

Operating income fell below the forecast due to higher labor costs in production operations, despite contributions from reduced costs through structural reform in sales operations.

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

● Summer gift product sales results

- FY2018/3 results: Year on year, unit basis : 99%
- *Utsukushi-no-Kuni* gifts: Year on year, unit basis: 105%
(Sales ratio at 27%)

(thousand)

		FY2017/3 results	FY2018/3 results	
		Units	Units	Variance
Summer gift-giving season (results)	Overall unit sales	1,997	1,979	99%
	(<i>Utsukushi-no-Kuni</i>)	514	538	105%

● Major brands sales results

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



Sales volume grew for *Hojun coarse-ground wieners* thanks to expanded items



Chuka Meisai is trending toward recovery due to strengthened sales promotion including TV commercials



Bolstered sales promotion marked the 30th anniversary of *CHIKICHIKI Bone*

Hams and sausages	FY2018/3	Deli and processed foods	FY2018/3
	1st half results		1st half results
<i>SCHAU ESSEN</i>	100%	<i>Ishigama Kobo</i>	93%
<i>Mori-no-Kaori + Hojun coarse-ground wieners</i>	145%	<i>Chuka Meisai</i>	96%
Loin hams	88%	Prefried	100%
Bacons	96%	Hamburg and meatball	100%
Yakibutas	100%	Curries	106%
Consumer products total	100%	Consumer products total	96%

● Sales results by channel

1) Consumer products

In hams and sausages, sales increased only slightly due to a decrease in PB products despite strong performance by *SCHAU ESSEN* in addition to sales of *Hojun coarse-ground wieners* boosted by efforts to strengthen area sales promotion and expand items. In deli and processed foods, sales were sluggish due to intensified competition, mainly for mainstay product *Ishigama Kobo*, although *Tenshinkaku* performed favorably thanks to expanded items.

2) Commercial-use products

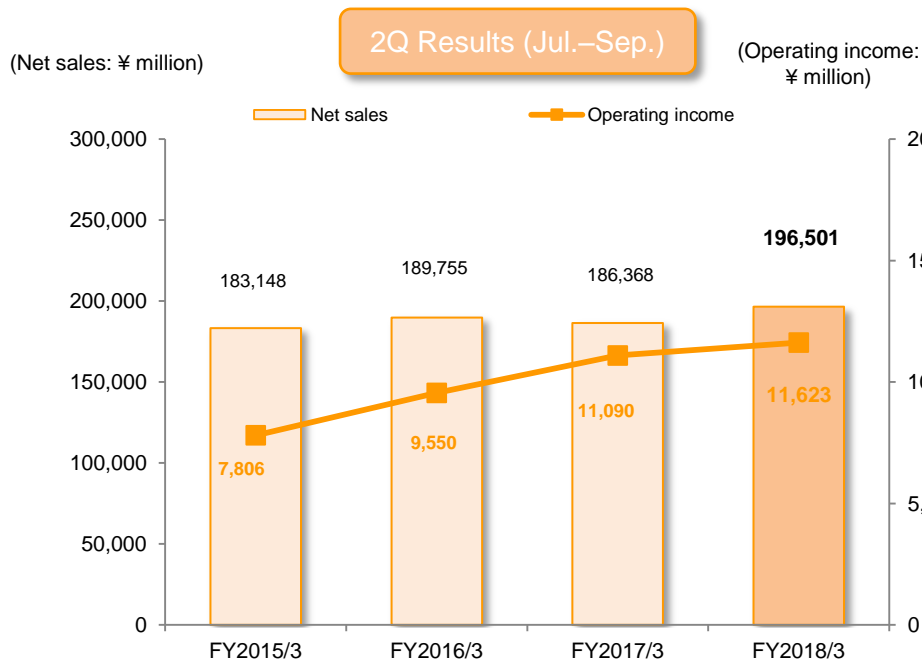
Sales of hams and sausages fell below the previous year because domestic product sales were not able to cover the drop in sales of overseas products, and sales of standard products to existing customers fell significantly.

Sales of deli and processed foods grew due to favorable performance in both the CVS and restaurant channels.

Reference: Year-on-year growth in sales by channel

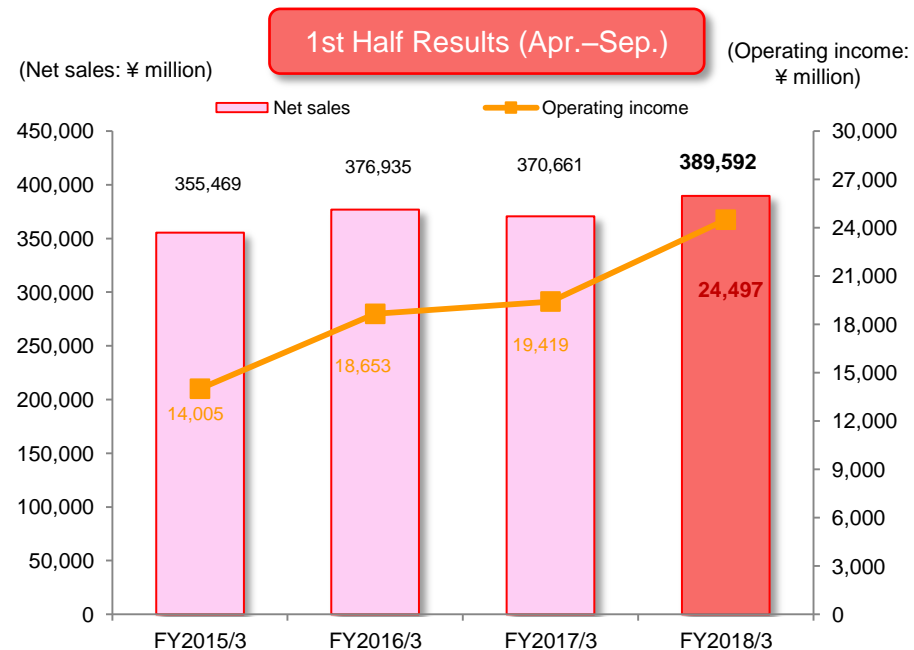
FY2018/3 1st half results		Volume	Amount
Hams and sausages	Consumer	103%	100%
	Commercial-use	100%	94%
	Total	102%	99%
Deli and processed foods	Consumer	98%	96%
	Commercial-use	109%	111%
	Total	103%	103%

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



(¥ million)

	FY2017/3 2Q	FY2018/3 2Q	Variance	Variance (%)
Net sales	186,368	196,501	10,133	5.4
Operating income	11,090	11,623	533	4.8
Operating income ratio	6.0%	5.9%	-	-



(¥ million)

	FY2017/3 1st half	FY2018/3 1st half	Variance	Variance (%)
Net sales	370,661	389,592	18,931	5.1
Operating income	19,419	24,497	5,078	26.1
Operating income ratio	5.2%	6.3%	-	-

Net Sales in FY2018/3 1st half (Apr.-Sep.)

Both sales volume and amounts grew for domestic chicken and pork on robust market prices supported by strong demand. Both sales volume and amounts grew also for imported beef resulting from strong market prices, and accordingly revenues were up.

Operating Income in FY2018/3 1st half (Apr.-Sep.)

Production businesses showed a strong performance as a result of continued high market prices for domestic chicken, mainly breast meat, in addition to stable feed prices. Operating income from imported chicken also grew due to stability in the market. Operating income from imported beef fell due to rising procurement prices and a pullback from a strong performance in the previous year.

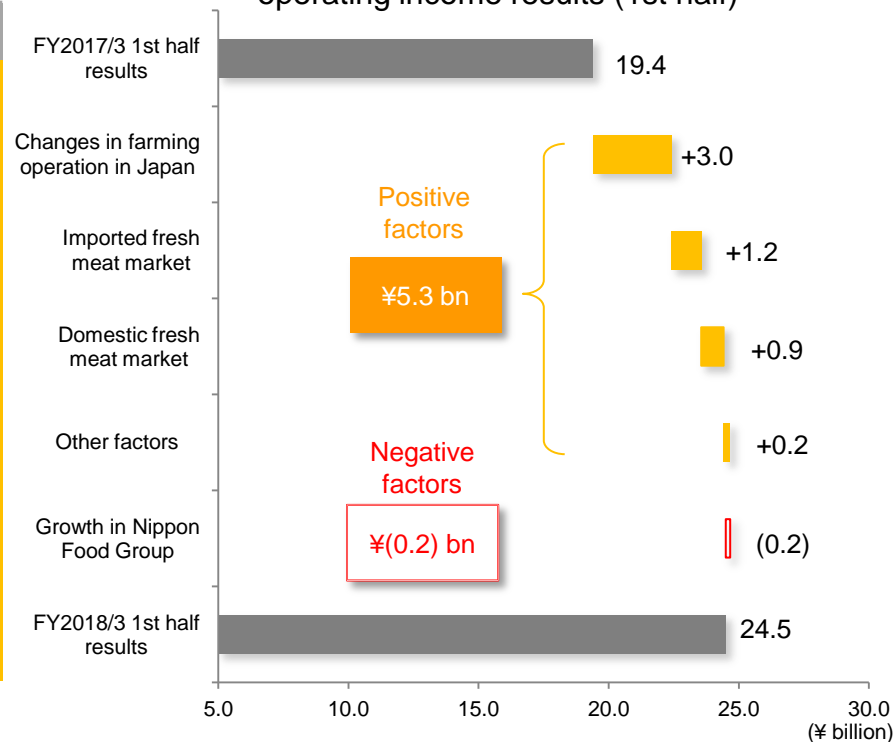
4. Operating Segment Data: Fresh Meats Business Division (2)

Factor Analysis: Changes in operating income (¥ billion)

	FY2018/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Imported fresh meat market	1.3	(0.2)	1.0	1.2	0.2
Domestic fresh meat market	0.6	0.3	0.6	0.9	0.2
Changes in farming operation in Japan	1.3	1.7	2.0	3.0	1.0
Growth in Nippon Food Group	0.1	(0.3)	0.1	(0.2)	(0.3)
Other factors	1.2	(1.0)	0.3	0.2	(0.1)
Total	4.6	0.5	4.0	5.1	1.1

* 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 (FY2018/3 1st half)

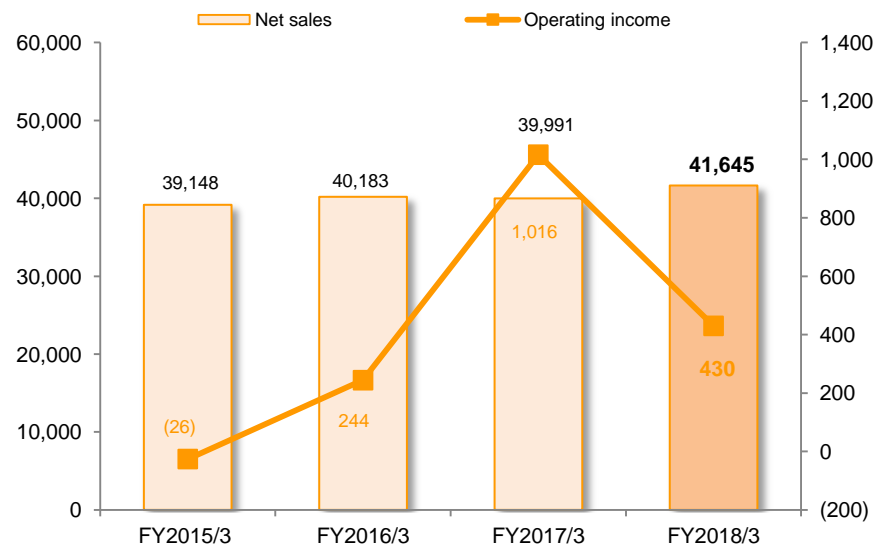
- Imported fresh meat market: Operating income exceeded forecasts on a stable market for imported chicken. This was despite lower income from U.S. beef as a result of a delay in shift of costs to sales price.
- Changes in farming operations in Japan: Operating income exceeded forecasts, as market prices were strong for both chicken and pork.
- Growth in Nippon Food Group: Although profitability of domestic beef was up, operating income fell below the forecast as a result of sluggish performance due to rising prices of imported beef and domestic pork.

5. Operating Segment Data: Affiliated Business Division

2Q Results (Jul.–Sep.)

(Net sales: ¥ million)

(Operating income: ¥ million)



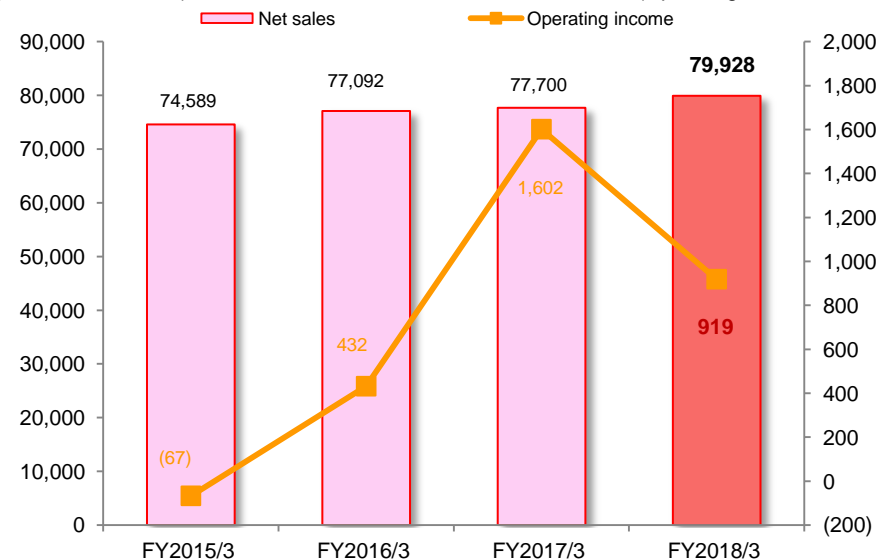
(¥ million)

	2017/3 2Q	2018/3 2Q	Variance	Variance (%)
Net sales	39,991	41,645	1,654	4.1
Operating income	1,016	430	(586)	(57.7)
Operating income ratio	2.5%	1.0%	-	-

1st Half Results (Apr.–Sep.)

(Net sales: ¥ million)

(Operating income: ¥ million)



(¥ million)

	FY2017/3 1st half	FY2018/3 1st half	Variance	Variance (%)
Net sales	77,700	79,928	2,228	2.9
Operating income	1,602	919	(683)	(42.6)
Operating income ratio	2.1%	1.1%	-	-

Net Sales in FY2018/3 1st half (Apr.–Sep.)

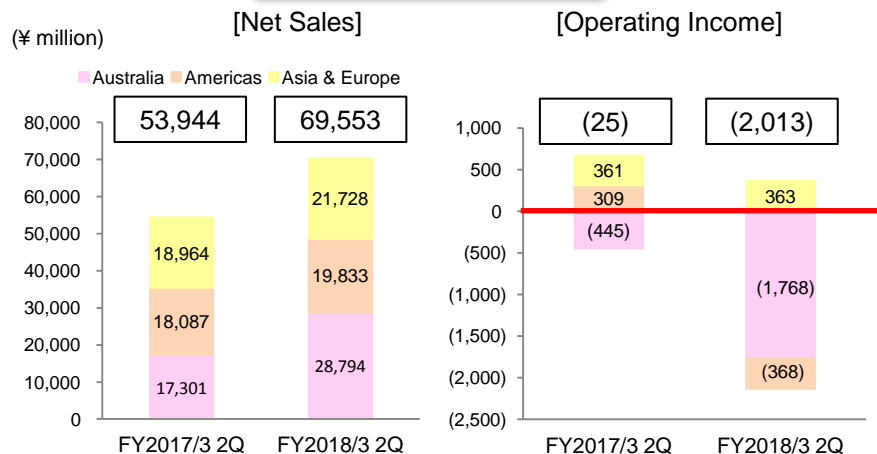
- Marine products business
Revenue increased due to strong growth of sales to volume retailers and sales of products for CVS.
- Dairy products business
Revenue from yogurt fell on an overall market contraction, while revenue from lactic probiotic beverages grew due to expanding sales volume. Revenue from cheese was also up, due to higher sales volume of both consumer and commercial-use products.

Operating Income in FY2018/3 1st half (Apr.–Sep.)

- Marine products business
Operating income decreased because prices of mainstay fish species soared and procurement of raw materials continued to be difficult, due to declining catches.
- Dairy products business
Operating income decreased slightly due to rising prices for raw materials in 2Q, despite growth in sales volume mainly for cheese and lactic probiotic beverages.

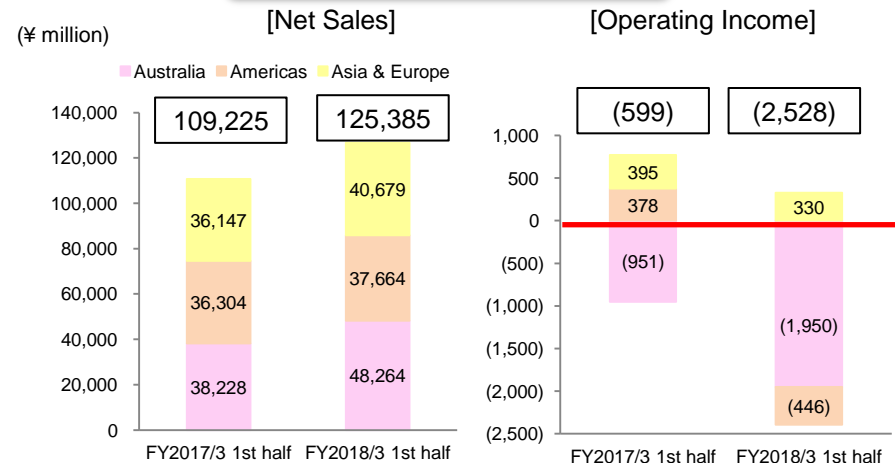
6. Operating Segment Data: Overseas Business Division (1)

2Q Results (Jul.–Sep.)



		FY2017/3 2Q	FY2018/3 2Q	Variance	Variance (%)
Overseas total	Net Sales	53,944	69,553	15,609	28.9
	Operating income	(25)	(2,013)	(1,988)	-
Australia (including Uruguay)	Net Sales	17,301	28,794	11,493	66.4
	Operating income	(445)	(1,768)	(1,323)	-
Americas	Net Sales	18,087	19,833	1,746	9.7
	Operating income	309	(368)	(677)	-
Asia & Europe	Net Sales	18,964	21,728	2,764	14.6
	Operating income	361	363	2	0.6

1st Half Results (Apr.–Sep.)



		FY2017/3 1st half	FY2018/3 1st half	Variance	Variance (%)
Overseas total	Net Sales	109,225	125,385	16,160	14.8
	Operating income	(599)	(2,528)	(1,929)	-
Australia (including Uruguay)	Net Sales	38,228	48,264	10,036	26.3
	Operating income	(951)	(1,950)	(999)	-
Americas	Net Sales	36,304	37,664	1,360	3.7
	Operating income	378	(446)	(824)	-
Asia & Europe	Net Sales	36,147	40,679	4,532	12.5
	Operating income	395	330	(65)	(16.5)

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

Net Sales in FY2018/3 1st half (Apr.-Sep.)

- Australia operations**
Although the overall number of cattle processed in the Australia operations decreased due to a drop in the global market at the start of the 2Q, net sales were up slightly owing to an increase in the number of grain-fed cattle processed. There was an addition in net sales of ¥8.0 billion at Breeders & Packers Uruguay S.A. ("BPU").
- Americas operations**
Revenue from the processed foods business decreased due to the effects of intensified competition. Even so, revenue from exports to Japan was on par with the previous year, and revenue from the wholesale business in the area was up due to an increase in the number of offices.

Operating Income in FY2018/3 1st half (Apr.-Sep.)

- Australia operations**
Operating income decreased due to the significant impact of lower sales prices, despite a drop in livestock prices in Australia. Sales prices declined in Uruguay as well, but profitability continued to improve.
- Americas operations**
In addition to higher costs from a surge in principal raw-material prices for processed products, the severity of the export environment to Japan resulted in lower operating income.

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

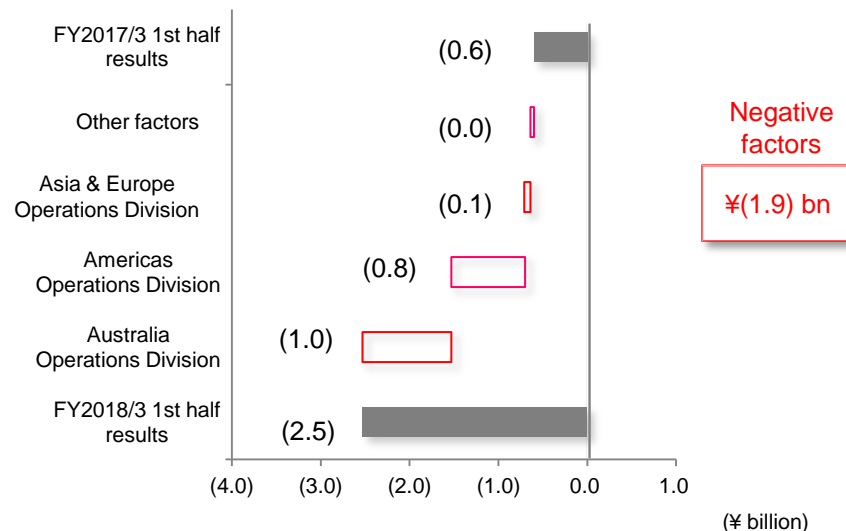
Factor Analysis: Changes in operating income

(¥ billion)

	FY2018/3 forecasts				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Australia Operations Division (including Uruguay)	0.3	(1.3)	1.0	(1.0)	(2.0)
Americas Operations Division	(0.2)	(0.7)	(0.7)	(0.8)	(0.1)
Asia & Europe Operations Division	(0.1)	0.0	(0.1)	(0.1)	0.0
Other factors	(0.1)	0.0	(0.1)	(0.0)	0.0
Total	0.1	(2.0)	0.2	(1.9)	(2.1)

* 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

● Australia operations

Sales prices decreased in major destination countries due to an increase in supply of U.S. beef. The Australian domestic market stagnated as well due to the oversupply of products, and profitability deteriorated considerably.

● Americas operations

North America: Day-Lee Foods, Inc. struggled, mainly due to a pullback from a strong performance in fresh meat exports to Japan in the previous year.

● Asia & Europe operations

Turkey: Ege-Tav significantly exceeded forecasts as the fresh meat market in Turkey grew steadily on the back of the country's economic growth.

Europe: Struggled with high local prices of pork for fresh meat exports to Japan.

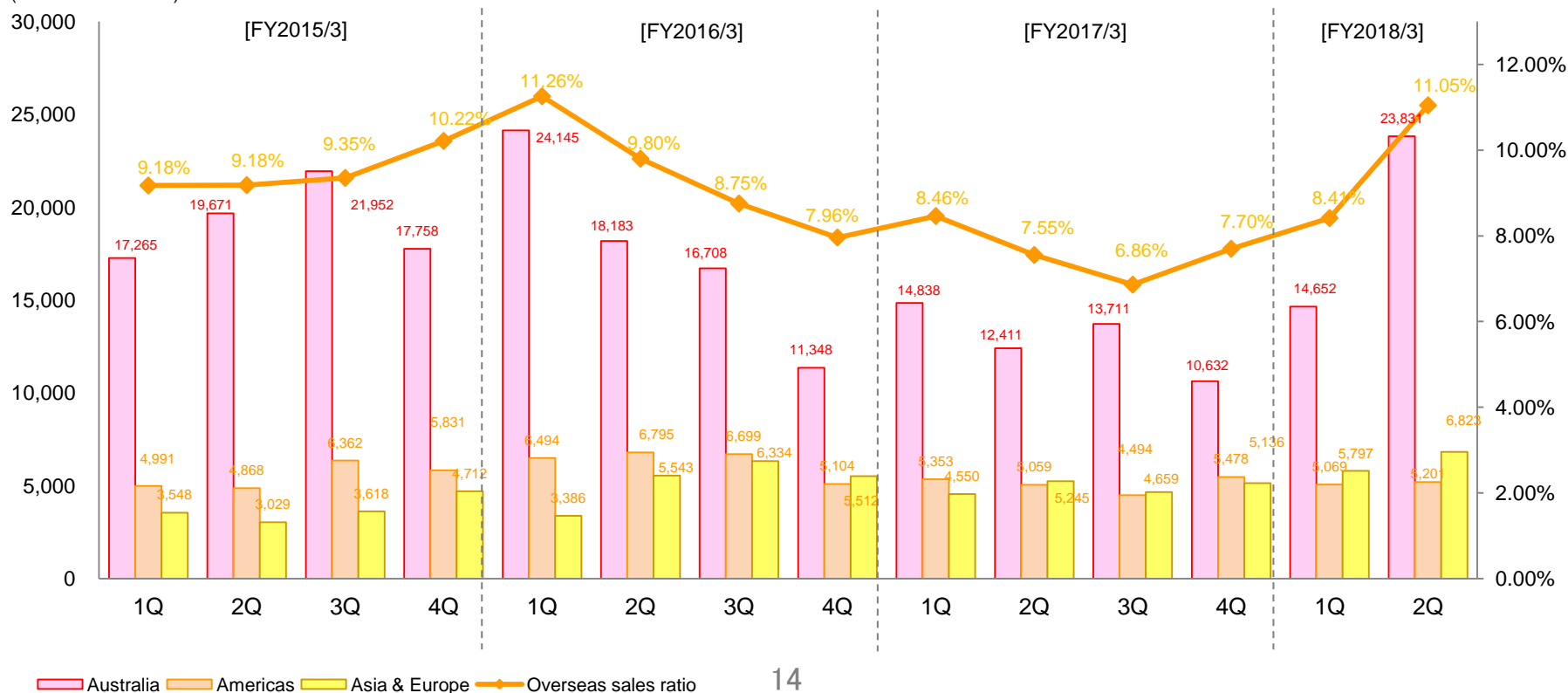
7. External Customer Net Sales Results in Major Overseas Geographical Areas

(¥ million, %)

	FY2015/3	FY2016/3	FY2017/3					FY2018/3	
	Full year	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q
Australia	76,646	70,384	14,838	12,411	13,711	10,632	51,592	14,652	23,831
Americas	22,052	25,092	5,353	5,059	4,494	5,478	20,384	5,069	5,201
Asia & Europe	14,907	20,775	4,550	5,245	4,659	5,136	19,590	5,797	6,823
Overseas total	113,605	116,250	24,742	22,713	22,866	21,245	91,566	25,518	35,855
Overseas sales ratio	9.47%	9.46%	8.46%	7.55%	6.86%	7.70%	7.62%	8.41%	11.05%

*Net sales figures represent net sales to external customers.

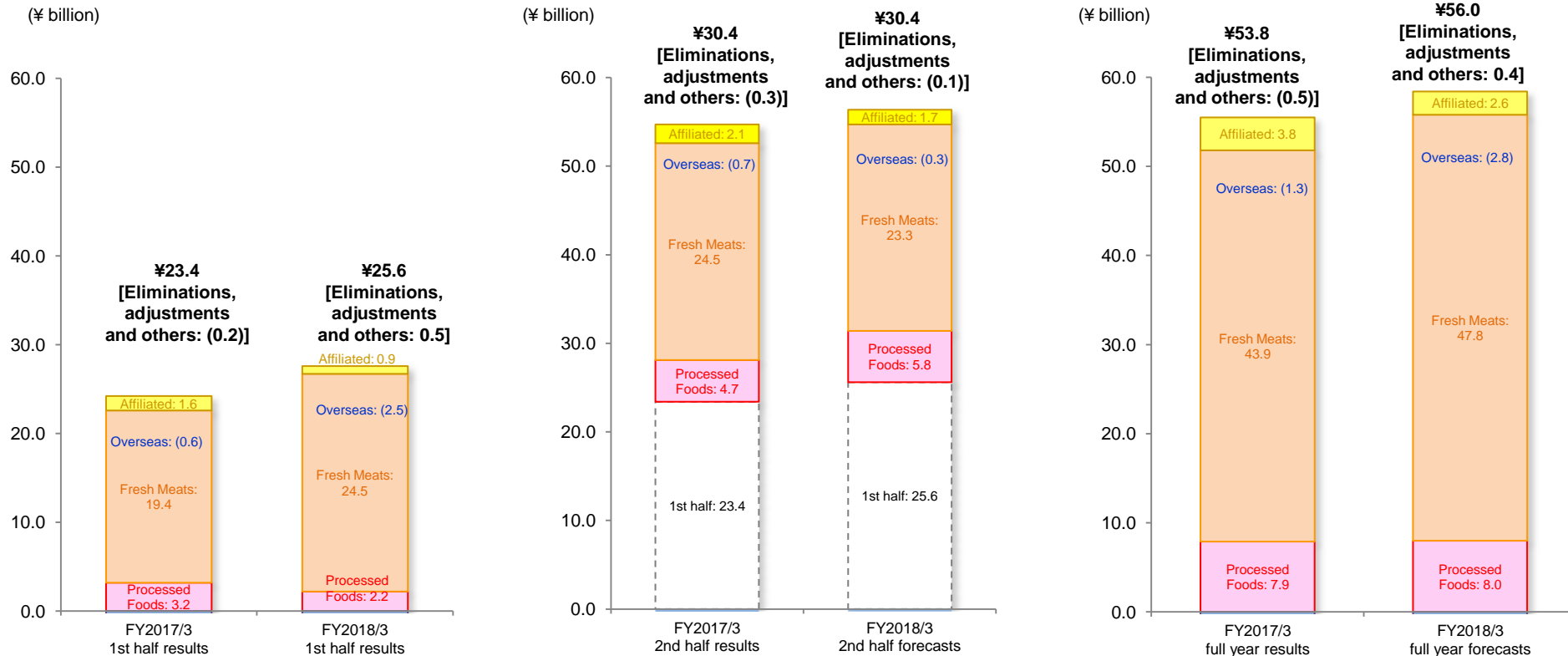
(Net sales: ¥ million)



II. Outlook for FY2018/3

- 1. FY2018/3 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. FY2018/3 Operating Income Forecasts (1)



	FY2018/3 1st half			FY2018/3 2nd half			FY2018/3 full year		
	FY2017/3 1st half results	Results	Variance	FY2017/3 2nd half results	Forecasts	Variance	FY2017/3 full year results	Forecasts	Variance
Processed Foods Business Division	3.2	2.2	(1.0)	4.7	5.8	1.1	7.9	8.0	0.1
Fresh Meats Business Division	19.4	24.5	5.1	24.5	23.3	(1.2)	43.9	47.8	3.9
Affiliated Business Division	1.6	0.9	(0.7)	2.1	1.7	(0.5)	3.8	2.6	(1.2)
Overseas Business Division	(0.6)	(2.5)	(1.9)	(0.7)	(0.3)	0.4	(1.3)	(2.8)	(1.6)
Eliminations, adjustments and others	(0.2)	0.5	0.7	(0.3)	(0.1)	0.2	(0.5)	0.4	0.9
Total	23.4	25.6	2.1	30.4	30.4	0.1	53.8	56.0	2.2

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

1. FY2018/3 Operating Income Forecasts (2)

Variance from 1Q forecasts

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

(¥ billion)

	FY2018/3 1st half			FY2018/3 3Q			FY2018/3 4Q			FY2018/3 full year		
	1Q forecasts	Results	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
Processed Foods Business Division	3.2	2.2	(1.0)	6.1	5.9	(0.2)	(0.1)	(0.1)	0.0	9.2	8.0	(1.2)
Fresh Meats Business Division	23.4	24.5	1.1	13.4	14.4	1.0	7.2	8.9	1.7	44.0	47.8	3.8
Affiliated Business Division	1.2	0.9	(0.3)	2.2	1.6	(0.6)	0.1	0.1	0.0	3.5	2.6	(0.9)
Overseas Business Division	(0.4)	(2.5)	(2.1)	1.0	(0.5)	(1.5)	0.3	0.2	(0.1)	0.9	(2.8)	(3.7)
Eliminations, adjustments and others	0.1	0.5	0.4	0.2	0.0	(0.2)	0.1	(0.1)	(0.2)	0.4	0.4	0.0
Total	27.5	25.6	(1.9)	22.9	21.4	(1.5)	7.6	9.0	1.4	58.0	56.0	(2.0)

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

Factor Analysis: Changes in operating income forecasts

(¥ billion)

Processed Foods Business Division	Variance from 1Q forecasts								
	3Q			4Q			Full year		
	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
Volume expansion	0.3	0.1	(0.1)	0.1	0.3	0.2	0.9	0.8	(0.1)
Profit margin improvement	0.5	0.5	(0.1)	0.4	0.2	(0.2)	0.4	(0.7)	(1.1)
External factors	(1.1)	(0.9)	0.2	(1.0)	(0.9)	0.1	(2.5)	(2.2)	0.3
Principal raw material price	(0.9)	(0.6)	0.2	(0.8)	(0.7)	0.1	(2.1)	(1.7)	0.4
Other materials/fuels	(0.2)	(0.3)	(0.0)	(0.2)	(0.2)	0.0	(0.4)	(0.5)	(0.0)
Internal factors	1.6	1.3	(0.3)	1.4	1.1	(0.3)	2.9	1.5	(1.4)
Product mix (product renewal)	0.5	(0.1)	(0.5)	0.8	0.0	(0.8)	0.8	(0.8)	(1.5)
Improvement of production and sales operations	1.1	1.4	0.3	0.6	1.1	0.6	2.1	2.3	0.1
Other factors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.8	0.6	(0.2)	0.6	0.6	0.0	1.3	0.1	(1.2)

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

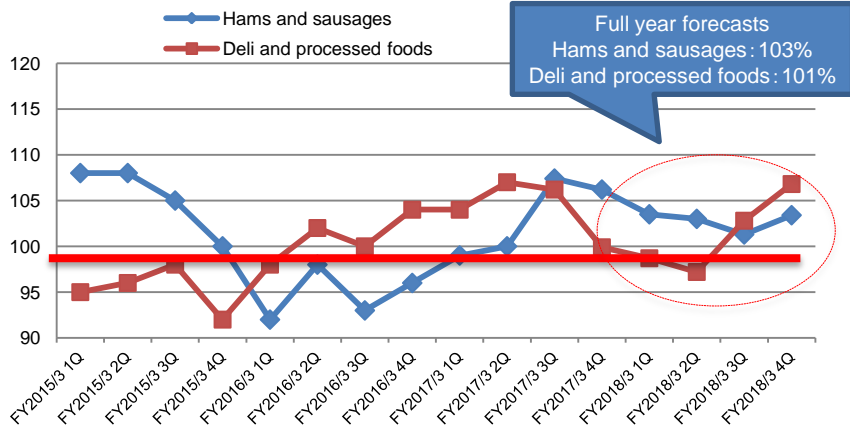
(¥ billion)

Fresh Meats Business Division	Variance from 1Q forecasts								
	3Q			4Q			Full year		
	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
Imported fresh meat market	0.0	(0.5)	(0.5)	(0.1)	0.1	0.1	0.9	0.8	(0.1)
Domestic fresh meat market	(0.2)	(0.0)	0.2	(0.3)	(0.2)	0.2	0.1	0.7	0.6
Changes in farming operations in Japan	(0.7)	0.9	1.6	(1.3)	0.0	1.4	(0.1)	3.9	4.0
Growth in Nippon Food Group	0.0	(0.2)	(0.2)	(0.0)	(0.1)	(0.1)	0.1	(0.5)	(0.6)
Other factors	(1.1)	(1.2)	(0.1)	(0.2)	(0.1)	0.1	(1.0)	(1.0)	(0.0)
Total	(2.0)	(1.0)	1.0	(1.9)	(0.2)	1.7	0.1	3.9	3.8

2. Processed Foods Business Division: Outlook

Measures to expand consumer products sales

Consumer Products: Volume and Amount, FY2018/3 Forecast



- Expand sales volume through a tie-up campaign with a popular animation that has been airing since October.
- Aim to expand sales volume by introducing TV commercials for *SCHAU ESSEN* and carrying out in-store tastings and increasing product volume for *Hojun coarse-ground wieners*.
- Aim to increase sales volume by expanding sales for *Chuka Meisai* through the introduction of TV commercials and promoting greater efficiency for *Ishigama Kobo* through investment in production lines, while also launching new products.

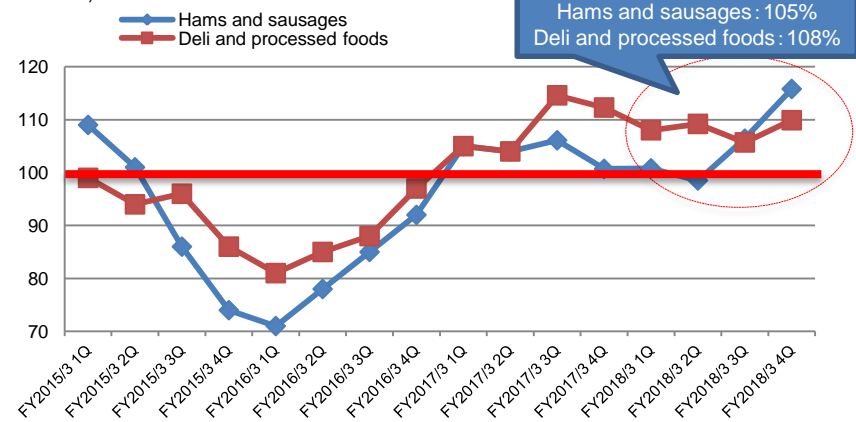
Measures to expand sales of major brands

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

Hams and sausages	FY2018/3 full year forecasts	Deli and processed foods	FY2018/3 full year forecasts
<i>SCHAU ESSEN</i>	101%	<i>Ishigama Kobo</i>	98%
<i>Mori-no-Kaori</i> + <i>Hojun coarse-ground wieners</i>	157%	<i>Chuka Meisai</i>	100%
Loin hams	95%	Prefried	101%
Bacon	100%	Hamburg and meatball	101%
Yakibutas	103%	Curries	105%

Measures to expand commercial-use products sales

Commercial-Use Products: Volume and Amount, FY2018/3 Forecast



- In the CVS channel, expand sales of prefried products, which are performing well, while increasing products for vendors by expanding snack counter items as well as proposing menus and value-added products.
- In the restaurant channel, introduce campaigns for major restaurant chains and differentiated menus using the branded fresh meats that are a Group asset.
- Aim to expand sales volume by cultivating new customers and acquiring new sales channels.

Measures to expand sales of gift products

- Target 106% year-on-year sales for year-end gifts.
- Target 108% year-on-year sales for *Utsukushi-no-Kuni*.

Reference: Unit sales of gift products for FY2017/3 results and FY2018/3 forecasts (thousand)

		FY2017/3 results	FY2018/3 results & forecasts	
		Units	Units	Variance
Summer gift-giving season	Overall unit sales	1,997	1,979	99%
	(<i>Utsukushi-no-Kuni</i>)	514	538	105%
Year-end gift-giving season	Overall unit sales	4,189	4,442	106%
	(<i>Utsukushi-no-Kuni</i>)	998	1,078	108%
Total	Overall unit sales	6,186	6,421	104%
	(<i>Utsukushi-no-Kuni</i>)	1,512	1,616	107%
	Sales ratio	24%	25%	-

3. Fresh Meats Business Division: Outlook

● Domestic production business

- Feed prices are unstable among primary crops. Mixed feed prices fell in 3Q, but it is unclear what will happen from 4Q onward.
- Production of pork is trending toward recovery, and is expected to be stable through the second half.
- Domestic production volume of chicken is expected to exceed that of the previous year due to higher demand. However, attention must be paid to outbreaks of avian influenza.

● Domestic fresh meat market

- Prices of beef, especially Wagyu, have fallen below those of the previous year. As a normal seasonal trend, prices tend to rise until the end of the year.
- In pork, we expect that market prices this year will exceed those of the previous year. From the start of January 2018, market prices are forecast to be on par with those of the previous year.
- Chicken prices, especially for thigh meat, will tend to rise through the end of the year, supported by strong demand. As for breast meat, attention must be paid to inventory levels of imported chicken.

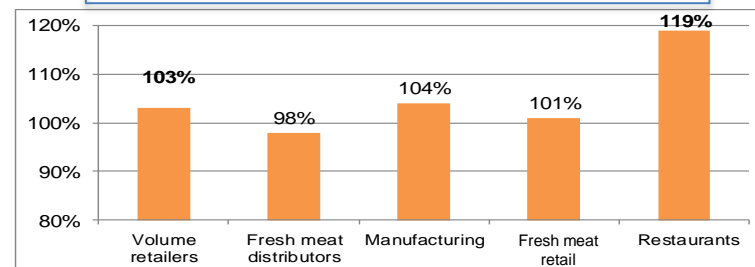
● Imported fresh meat market

- The market situation for imported beef is poor, and local prices are weak. Market prices are therefore expected to remain weak.
- For imported pork, local prices, mainly in the U.S., are stable. There are no changes in the demand in Japan, and therefore market prices are expected to remain stable.
- Inventory levels of imported chicken are rising, and therefore attention must be paid to future import volume.

● Fresh meat sales (food companies)

- Make progress in raising brand awareness to increase sales volume with continued sales promotions such as *Mugikomachi* and *Sakurahime* TV commercials and campaigns.
- Make efforts to increase sales volume to restaurants such as barbecue restaurants, as well as to volume retailers, which have the highest sales ratio by channel, by selling branded fresh meats and enhancing primary processed products.

1st Half Results: Overall volume growth of 103%



4. Affiliated Business Division: Outlook

● Measures to expand sales of marine products business

(Marine Foods)

- While striving to secure raw materials, continue to develop sales to the strongly performing restaurant channel and propose new products for the CVS channel, in order to achieve higher net sales.
- Enhance procurement and sales of high-unit-price materials during the year-end holiday shopping season to improve profitability.



Surf Clam Salad
 Manufactured in-house as
 a product of Marine Foods

(Hoko)

- Expand our product lineup and increase sales of canned mackerel to stabilize operations at the Hachinohe Plant, even though difficult conditions of materials for canned crab and others are expected to continue.

● Measures to expand sales of dairy products business

(Cheese)

- Proceed with the shifting of costs to sales price in commercial-use products and expand sales of consumer products to improve profitability, although the environment is harsh due to rising raw material prices.

(Yogurt and lactic probiotic beverages)

- Further expand sales of the profitable *Vanilla Yogurt* and our new Greek yogurt product, as well as lactic probiotic beverages, although there is a slowdown in the yogurt market.



Kréma® Greek yogurt,
 for full-scale launch in the second half

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

- Marine product prices will remain high due to continuously rising demand and declining catches.
- Cheese ingredient prices are expected to remain high due to decreased production in Oceania.
- Skim milk powder, the ingredient of yogurt, is expected to continue to remain high-priced, as the raw milk shortage in Japan has yet to be resolved.

5. Overseas Business Division: Outlook

● Australia Operations Division

- Attempt to enrich branded products in order to avoid price competition in markets where there is competition with U.S. beef.
- Although livestock procurement prices are on a downward trend, profitability of grain-fed beef is not expected to improve until the middle of the 4Q.
- Sales prices are recovering gradually in the second half.
- Livestock prices are stable in Uruguay, and strong performance of sales to China is expected to continue.

● Americas Operations Division

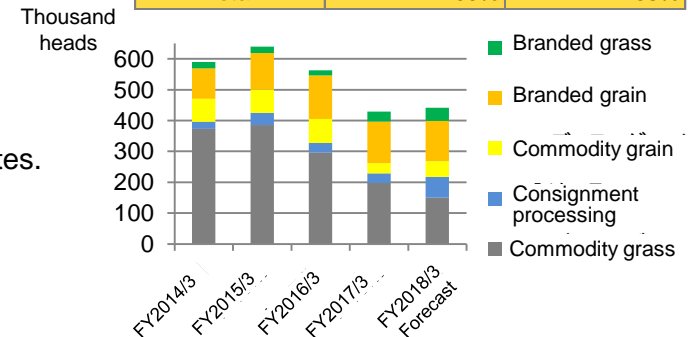
- Conditions for fresh-meat exports to Japan tend to improve slightly compared to the first half. However, attention must be paid to exchange rates.

● Asia & Europe Operations Division

- Ege-Tav in Turkey is performing strongly because of strong local-market prices and reduced production costs.

Reference: FY2018/3 1Q-2Q Australia operations sales results

Major countries for sales	Volume (ratio breakdown)	Volume (variance year on year)
Japan	28%	95%
United States	14%	105%
South Korea	11%	79%
China	7%	100%
Taiwan	4%	77%
Australia	24%	147%
Others	14%	76%
Total	100%	98%



FY2018/3 Factors for changes and operating income forecasts (¥ billion)

Overseas Business Division	Factor Analysis: Changes in operating income								
	3Q			4Q			Full year		
	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
Australia Operations Division	0.6	(0.6)	(1.2)	1.0	0.7	(0.2)	2.6	(0.9)	(3.4)
Americas Operations Division	0.0	(0.4)	(0.4)	0.0	0.1	0.1	(0.7)	(1.1)	(0.5)
Asia & Europe Operations Division	0.3	0.3	0.0	0.4	0.3	(0.1)	0.6	0.6	(0.1)
Other factors	(0.1)	(0.0)	0.1	(0.2)	(0.1)	0.1	(0.4)	(0.1)	0.2
Total	0.8	(0.7)	(1.5)	1.2	1.1	(0.1)	2.2	(1.6)	(3.7)

(¥ billion)

Overseas Business Division	Operating income forecasts					
	3Q		4Q		Full year	
	1Q forecasts	Forecasts	1Q forecasts	Forecasts	1Q forecasts	Forecasts
Australia Operations Division	0.3	(0.9)	0.5	0.3	0.9	(2.6)
Americas Operations Division	0.8	0.4	0.2	0.2	0.6	0.2
Asia & Europe Operations Division	0.2	0.2	0.1	0.0	0.6	0.6
Other factors	(0.3)	(0.2)	(0.4)	(0.3)	(1.2)	(1.0)
Total	1.0	(0.5)	0.3	0.2	0.9	(2.8)

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

III. Consolidated Financial Results for FY2018/3 2Q

- 1. FY2018/3 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. FY2018/3 Business Results at a Glance and Full Year Forecasts

(¥ million, %)

	FY2017/3 results			FY2018/3 results and forecasts						
	1st half results	2nd half results	Full year results	1st half results	Variance	Volume growth rate	2nd half forecasts	Variance	Full year forecasts	Variance
Net sales	593,092	609,201	1,202,293	627,880	5.9	-	632,120	3.8	1,260,000	4.8
Hams and sausages	68,301	73,061	141,362	67,537	(1.1)	1.5	75,363	3.2	142,900	1.1
Processed foods	113,331	115,573	228,904	116,293	2.6	3.2	119,707	3.6	236,000	3.1
Fresh meats	335,458	338,413	673,871	362,669	8.1	5.7	352,931	4.3	715,600	6.2
Beef	136,202	131,017	267,219	147,780	8.5	19.0	145,720	11.2	293,500	9.8
Pork	109,436	112,162	221,598	114,140	4.3	0.5	108,760	(3.0)	222,900	0.6
Chicken	77,297	81,831	159,128	87,338	13.0	2.1	84,762	3.6	172,100	8.2
Other fresh meats	12,523	13,403	25,926	13,411	7.1	4.4	13,689	2.1	27,100	4.5
Marine products	43,527	48,110	91,637	45,635	4.8	8.0	51,565	7.2	97,200	6.1
Dairy products	16,473	16,907	33,380	17,962	9.0	10.7	17,638	4.3	35,600	6.7
Others	16,002	17,137	33,139	17,784	11.1	-	14,916	(13.0)	32,700	(1.3)
Cost of goods sold	481,159	487,836	968,995	510,758	6.2					
Gross profit	111,933	121,365	233,298	117,122	4.6					
Gross profit ratio	18.9%	19.9%	19.4%	18.7%	-					
SG&A expenses	88,501	90,995	179,496	91,563	3.5					
Operating income	23,432	30,370	53,802	25,559	9.1		30,441	0.2	56,000	4.1
Income before income taxes	21,870	27,242	49,112	22,326	2.1		28,674	5.3	51,000	3.8
Income taxes	7,231	7,299	14,530	5,245	(27.5)		8,955	22.7	14,200	(2.3)
Tax rate	33.1%	26.8%	29.6%	23.5%	-		31.2%	-	27.8%	-
Profit or loss from discontinued operations	(12)	-	(12)	-	-		-	-	-	-
Net income attributable to NH Foods Ltd.	14,749	20,255	35,004	17,377	17.8		19,623	(3.1)	37,000	5.7

* 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	FY2017/3 1st half results	FY2018/3 1st half results	FY2018/3	
			Variance (%)	Variance
★(1) Selling, general and administrative expenses	88,501	91,563	3.5	3,062
Personnel	34,363	35,050	2.0	687
Advertising	5,664	4,984	(12.0)	(680)
★(2) Logistics	26,481	28,163	6.4	1,682
Others	21,993	23,366	6.2	1,373

Major reasons for
increase/decrease

★(1) **SG&A expenses:** Although SG&A expenses increased by ¥3.1 billion, the ratio of SG&A expenses decreased by 0.3 points from 14.9% to 14.6% due to increased revenue.

★(2) **Logistics:** Higher transportation costs caused logistics expenses to rise by ¥1.7 billion.

(¥ million)

	FY2017/3 1st half results	FY2017/3 Full year results	FY2018/3	
			1st half results	Variance
Other operating costs and expenses (income) - net	791	5,320	695	(96)
Fixed assets	704	2,427	695	(9)
Special retirement expenses	87	2,895	-	(87)
Others	-	(2)	-	-
★(1) Other income (expenses) - net	(171)	1,770	(1,903)	(1,732)
Interest and dividends income	543	1,162	658	115
Foreign exchange gains (losses)	(1,192)	106	(471)	721
Others	478	502	(2,090)	(2,568)
Interest expense	600	1,140	635	35

Major reasons for
increase/decrease

★(1) **Other income (expenses) – net:** Decreased by ¥1.7 billion due to factors including a loss owing to liquidation of an associated company.

3. Balance Sheets / Capital Expenditures / Depreciation and Amortization

(¥ million, %)

Consolidated balance sheets		FY2017/3 Year-end results	FY2018/3 1st half results	Variance (%)	Variance
★(1)	Total assets	720,276	756,031	5.0	35,755
	Cash and cash equivalents	82,639	56,055	(32.2)	(26,584)
★(2)	Trade notes and accounts receivable	128,579	159,255	23.9	30,676
★(3)	Inventories	132,697	149,170	12.4	16,473
	Property, plant and equipment - at cost, less accumulated depreciation	283,364	294,826	4.0	11,462
	Investments and other assets	45,172	48,354	7.0	3,182
	Deferred income taxes - non-current	7,627	13,923	82.5	6,296
	Total liabilities	311,920	329,771	5.7	17,851
	Trade notes and accounts payable	101,857	123,358	21.1	21,501
★(4)	Interest-bearing debt	138,284	137,176	(0.8)	(1,108)
	Liability under retirement and severance program	13,268	13,617	2.6	349
	Total NH Foods Ltd. Shareholders' equity	404,126	421,180	4.2	17,054
	Noncontrolling interests	4,230	5,080	20.1	850
	Total equity	408,356	426,260	4.4	17,904

Major reasons for increase/decrease

- ★(1) Total assets: Increased by ¥35.8 billion due to higher current assets, as well as increased fixed assets resulting from the acquisition of BPU in Uruguay.
- ★(2) Trade notes and accounts receivable: Increased by ¥30.7 billion due to an increase in net sales and the effect of holidays.
- ★(3) Inventories: Increased by ¥16.5 billion due mainly to a rise in the fresh meats market.
- ★(4) Interest-bearing debt: Decreased by ¥1.1 billion due mainly to conversion of convertible bonds to shares.

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2017/3 1st half results	FY2018/3		FY2018/3	
		1st half results	Variance (%)	Variance	Full year forecasts
Capital expenditures	15,770	14,496	(8.1)	(1,274)	66,400
Production facilities	8,635	6,795	(21.3)	(1,840)	25,000
Marketing and logistics facilities	1,949	2,339	20.0	390	10,400
Farms and processing facilities	2,214	3,836	73.3	1,622	11,000
Overseas business facilities	1,828	1,504	(17.7)	(324)	17,000
Other facilities	1,144	22	(98.1)	(1,122)	3,000
Depreciation and amortization	9,814	10,276	4.7	462	20,500

4. Cash Flows

(¥ million)

	Consolidated statements of cash flows	FY2017/3	FY2018/3		FY2018/3
		1st half results	1st half results	Variance	Full year forecasts
★(1)	Cash flow from operating activities	33,640	5,044	(28,596)	51,600
★(2)	Cash flow from investing activities	(6,769)	(24,484)	(17,715)	(64,700)
★(3)	Cash flow from financing activities	(8,622)	(7,035)	1,587	(13,100)

Major reasons for increase/decrease

★(1) Cash flow from operating activities

Cash provided by operating activities was ¥5.0 billion due to an increase in trade notes and accounts payable, net income and others.

★(2) Cash flow from investing activities

Cash used in investing activities was ¥24.5 billion due mainly to the acquisition of BPU in Uruguay and capital expenditures.

★(3) Cash flow from financing activities

Cash used in financing activities was ¥7.0 billion due mainly to repayments of debt and payment of dividends.

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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.