

(Translation)

June 15, 2016

Dear Sirs and Madams;

Name of the Company:	NH Foods Ltd.
Representative:	Juichi Suezawa President and Representative Director (Code No. 2282, First Section of the Tokyo Stock Exchange)
Person to contact:	Masahito Kataoka Executive Officer, General Manager of Public & Investor Relations Department, Corporate Management Division

Notice of Basic Agreement with Hokkaido Nyugyo Company, Ltd. toward the Capital and Business Alliance

Notice is hereby given that NH Foods Ltd. (the“Company”), at the meeting of its Board of Directors held on June 15, 2016, adopted a resolution to enter into a basic agreement with Hokkaido Milk Products Co., Ltd. (Headquarter: Hakodate City, Hokkaido, President and Representative Director: Kyukichi Tajima; the “Hokunyu”) toward a capital and business alliance.

Hereafter, the period up to the execution of a capital and business alliance agreement will be considered as exclusive negotiation period and specific consideration and discussion will be conducted between the both companies.

Description

1. Reasons for the capital and business alliance

The NH Foods Group (the “Group”) is aiming to become a “The World Leading in Delivering the “Joy of Eating”” through our business in order to realize our brand statement, “The Brilliance of People for the Future of Food”. The Group, in its “New Medium-Term Management Plan Part 5 (from April 1, 2015 through March 31, 2018) which already commenced, has exerted efforts to reinforce its capabilities of product development and sales proposal in addition to reinforcing the capabilities of supply and material procurement in its dairy products business, under its theme of the “Creating a Stable Business Model Through Reform”.

On the other hand, Hokunyu is a leading dairy products manufacturer based in the south region of Hokkaido and has been highly renowned for its market milk and dairy products which are produced utilizing state-of-art facilities and mastery skills, based on its capabilities of procuring fresh raw milk.

The Company, in its effort to boost its dairy products business through various measures, has continued discussions with Hokunyu. This time, the both companies have agreed to proceed on specific

considerations toward a capital and business alliance.

The Company believes that this capital and business alliance will contribute to enhancing the corporate values of the both companies because the Company can expect to make the business development utilizing the mutual business resources and strength of the both companies under the cooperative scheme of the both companies.

2. Basic terms of the basic agreement toward the capital and business alliance

(1) Main point of the capital alliance

- Hokunyu is to make a third-party allotment of its shares and the Company is to subscribe for approximately 20% shares of the total number of issued shares in Hokunyu.

(2) Main point of the business alliance

- The Group is to prepare for an OEM order plan to Hokunyu mainly in respect of yogurt and Hokunyu is to prepare to accept such orders.
- Hokunyu is to prepare a sales cooperation plan to the Group and the Group is to prepare to accept the orders.
- The Group and Hokunyu are to plan to establish a joint venture company which procures ingredients including raw milk from Hokunyu and manufactures yogurt.

3. Outline of the counterparty to the capital and business alliance

(1) Trade name	Hokkaido Milk Products, Co., Ltd	
(2) Location	3-6-6 Showa, Hakodate City, Hokkaido	
(3) Representative's title and name	Kyukichi Tajima, President and Representative Director	
(4) Main business	Manufacturing and sales of market milk, dairy products (butter, milk powder, condensed milk, yogurt, dessert and cheese)	
(5) Capital	¥60,000 thousand	
(6) Establishment	June 8, 1953	
(7) Relationships between the Company and Hokunyu	Capital relationship	N/A
	Personnel relationship	N/A
	Business relationship	N/A
	Related party status	N/A

4. Future outlook

The effect of this capital and business alliance on the Company's consolidated business results for the fiscal year ending March 31, 2017 is expected to be insignificant. However, the Company believes that the capital and business alliance will contribute to enhancing its business results and corporate value on a medium- and long-term basis.

If the capital and business alliance agreement is entered into by the parties, the Company will publish the terms of the agreement, schedule and others immediately.

(For reference) Forecast of consolidated business results for the current year ending March 31, 2017
(Publicized on May 9, 2016) and the consolidated business results for the previous year.

	Net sales	Operating income	Income before taxes and equity in earnings of associated companies	Net income attributable to NH Foods Ltd.
Forecast of consolidated business results for the year ending March 31, 2017	¥1,270,000 million	¥49,000 million	¥44,000 million	¥31,000 million
Consolidated business results for the previous year ended March 31, 2016	¥1,240,728 million	¥46,340 million	¥32,139 million	¥21,779 million