

(TRANSLATION)

**Information Disclosed on the Internet under Laws,
Regulations and the Articles of Incorporation upon
Issuing Notice of the 72nd Ordinary General Meeting
of Shareholders**

- Notes to Consolidated Financial Statements: pp. 1 - 6
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NH Foods Ltd.

NH Foods Ltd. provides “Notes to Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements” to Shareholders by posting them on its website (http://www.nipponham.co.jp/eng/ir/events/generalmeeting/) pursuant to the provisions of laws, regulations and its Articles of Incorporation.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Notes on the Basis for Preparing Consolidated Financial Statements)

(1) Significant accounting policies

(i) Basis of the consolidated financial statements:

Pursuant to the first paragraph of Article 120-3 of the Ordinance on Company Accounting, the consolidated financial statements of NH Foods Ltd. and its consolidated subsidiaries (collectively, the “Group”) are prepared based on the terms, forms, and methods of preparation in accordance with the accounting principles generally accepted in the United States of America; however, in accordance with the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which is applied mutatis mutandis pursuant to the third paragraph of Article 120-3 of the Ordinance on Company Accounting, certain statements and disclosures required under the accounting principles generally accepted in the United States of America are omitted.

(ii) Matters concerning the scope of consolidation and application of the equity method:

The consolidated financial statements include the accounts of NH Foods Ltd., all of its majority-owned direct or indirect subsidiaries, and any variable interest entities of which the Group is the primary beneficiary.

Intercompany transactions and balances have been eliminated.

Investments in associated companies (20% to 50% owned) are accounted for using the equity method.

In preparing the consolidated financial statements, financial statements with reporting periods different from the consolidated reporting period were used for certain subsidiaries. Necessary adjustments have been booked when material intervening events occurred and affected the financial position or result of operations for the period between the subsidiary’s reporting date and the consolidated reporting date.

Number of consolidated subsidiaries:	85 companies
Number of equity-method companies:	7 companies

(iii) Method and basis of valuation of inventories:

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or market. Market value is based on the net realizable value.

(iv) Method and basis of valuation of marketable securities:

The Group accounts for their investments in debt and equity securities in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 320 “Investments - Debt and Equity Securities.”

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Investments classified as available-for-sale:

Stated at fair value using quoted prices at the balance sheet date. (Relevant unrealized gains (losses) are reported in equity after taking into account the related tax effect, and cost of securities sold is calculated based on the average method.)

(v) Method of depreciation and amortization of fixed assets:

Property, plant and equipment: By the straight-line method.

Intangible assets: By the straight-line method (however, in accordance with ASC Topic 350 "Intangibles - Goodwill and Other," intangible assets with indefinite useful lives are not amortized but are tested for impairment at least once a year).

(vi) Basis of accounting for liability under retirement and severance programs:

In accordance with ASC Topic 715 "Compensation - Retirement Benefits," to prepare for the payment of retirement and severance benefits to employees, the Group accounts for liability under retirement and severance programs based on the projected benefit obligations and the fair value of plan assets at the balance sheet date.

Unrecognized prior service cost is amortized in equal amounts over the average remaining period of services for the affected employees.

With regard to unrecognized actuarial differences, a portion in excess of a corridor (= 10% of the greater of the projected benefit obligations or the fair value of plan assets) is amortized in equal amounts over the average remaining period of services of the affected employees when such differences are generated.

(vii) Accounting treatment of consumption taxes:

Consumption taxes are excluded from revenues, costs, and expenses in the consolidated statement of income.

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(Notes to Consolidated Balance Sheet)

(1) Accumulated depreciation of property, plant and equipment: ¥336,256 million

(2) Breakdown of accumulated other comprehensive income:

Net unrealized gains on securities available-for-sale	¥8,650 million
Pension liability adjustments	(¥3,656 million)
Foreign currency translation adjustments	(¥2,989 million)
Accumulated other comprehensive income	¥2,005 million

(Notes to Financial Instruments)

(1) Matters relating to the status of financial instruments:

The Group raises necessary funds primarily by bank loans and issuance of corporate bonds based on the demand of funds for conducting business activities.

With regard to trade notes and accounts receivable, the Group controls credit risks in relation to customers in accordance with their credit management rules. With regard to other investment securities, which are principally debt securities and marketable equity securities, the Group quarterly estimates their fair values.

Bank loans, etc. are used for working capital (principally short term) and capital investment (long term). With regard to part of long-term debt, the Group fixes interest rates using interest rate swaps and cross-currency swaps to eliminate interest rate risk relating to floating-rate borrowings.

The Group uses foreign currency forward exchange contracts, currency swap contracts, cross-currency swap contracts, and commodity futures contracts to mitigate foreign exchange and commodity price risks. The Group has a policy not to use derivatives for any purpose other than managing market risks.

(2) Matters concerning fair values of financial instruments:

The following table shows the amounts of items recorded in the consolidated balance sheet as of March 31, 2017 along with their fair values and their differences:

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(millions of yen)

	Consolidated balance sheet amounts (*)	Fair value (*)	Difference
Investments in associated companies	1,955	3,057	1,102
Other investment securities	24,750	24,750	-
Derivatives	871	871	-
Long-term debt	(78,000)	(79,645)	(1,645)
Derivatives	(720)	(720)	-

(*) Liabilities are shown in parentheses.

(Note 1) Matters concerning investments in associated companies, other investment securities, long-term debt, and derivatives:

(i) Investments in associated companies and other investment securities:

The fair values of investments in associated companies and other investment securities are based on quoted prices.

(ii) Long-term debt (including current maturities of long-term debt):

The fair values of long-term debt are based on estimates using market interest rates and quoted prices.

(iii) Derivatives:

The fair values of derivatives are based on estimates using forward exchange rates and market interest rates and quoted prices.

(Note 2) Matters concerning financial instruments other than those listed above:

(i) Non-marketable equity securities:

These items are not included in “investments in associated companies” or “other investment securities” in the above table as it is not practical to estimate their future cash flows and it is extremely difficult to estimate their fair values. Non-marketable equity securities amounted to ¥3,145 million and ¥4,078 million, respectively, as of March 31, 2017.

(ii) Cash and cash equivalents, time deposits, trade notes and accounts receivable, allowance for doubtful accounts, and monetary claims included in other current assets:

The fair values of these items, which are substantially equivalent to their book values as they are settled in a short period, are based on the book values.

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(iii) Other assets:

As these items have no quoted prices, it is difficult to estimate their fair values.

(iv) Short-term bank loans, trade notes and accounts payable, accrued income taxes, accrued expenses, and monetary liabilities included in other current liabilities:

The fair values of these items, which are substantially equivalent to their book values as they are settled in a short period, are based on the book values.

(Notes to Consolidated Statement of Income)

(1) Basic earnings per share attributable to NH Foods Ltd. shareholders:

¥171.74

(2) Diluted earnings per share attributable to NH Foods Ltd. shareholders:

¥161.27

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward with the exception of information per share.

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(Notes to Events Subsequent to March 31, 2017)

At the extraordinary meeting of the Board of Directors held on April 28, 2017, NH Foods Ltd. resolved to acquire 100% of the issued shares of Breeders & Packers Uruguay S.A. (“BPU”) to subsidiarize the company, and entered into a stock purchase agreement on the same day.

(1) Reasons for acquiring the shares:

NH Foods Ltd. believes that the acquisition of the shares of BPU, a fresh meat packer in the Oriental Republic of Uruguay, will enable us to expand its base of beef production business into South America in addition to Australia, where it is currently evolving the business, thereby contributing to the enhancement of its corporate value.

(2) Outline of the acquired entity:

- (i) Trade name: Breeders & Packers Uruguay S.A.
- (ii) Headquarters: Montevideo, Oriental Republic of Uruguay
- (iii) Main business: Processing and sale of fresh meat (beef)

(3) Acquisition date:

May 31, 2017 (tentative)

(4) Purchase price of the shares and the Group’s equity ratio after acquisition:

- (i) Purchase price: USD 135 million
- (ii) Equity ratio after acquisition: 100.0%

(5) Accounting treatment of the business combination:

As the assets acquired and liabilities assumed have yet to be determined, detailed information on the accounting treatment of the business combination has not been disclosed.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Notes to Significant Accounting Policies)

1. Basis and method of valuation of assets:

(1) Basis and method of valuation of securities:

Capital stock of subsidiaries and associated companies:

At cost, determined by the moving-average method

Other securities:

Those with fair value:

At fair value, determined by quoted prices at the balance sheet date. (Unrealized gains (losses) are reported directly in net assets. Cost of sales is determined by the moving-average method).

Those without fair value:

At cost, determined by the moving-average method

(2) Basis and method of valuation of inventories:

Finished goods and merchandise,
work-in-process, and
raw materials and supplies:

At cost, determined by the moving-average method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability).

2. Method of depreciation of fixed assets:

(1) Property, plant and equipment
(excluding leased assets):

By the straight-line method.

(2) Intangible assets
(excluding leased assets):

By the straight-line method.
Software for internal use is amortized by the straight-line method over the estimated useful life (five years).

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- (3) Leased assets: Leased assets related to finance lease transactions that do not transfer ownership:
Leased assets are depreciated by the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.
3. Basis for accounting for allowances and accrued liabilities:
- (1) Allowance for doubtful accounts: For possible bad debt losses, allowances are provided by taking into consideration the actual loss rate in respect of general receivables and the individual collectibility in respect of specific claims such as probable non-performing receivables.
- (2) Liability for retirement benefits: To prepare for retirement benefits for employees, liability for retirement benefits and prepaid pension expenses are recorded based on the projected benefit obligations and plan assets at the end of the fiscal year.
Prior service cost is amortized using the straight-line method for a specific period of years (13 or 14 years) within the average remaining years of service of employees.
Actuarial differences are amortized effective from the following fiscal year, using the straight-line method for a specific period of years (13 or 14 years) within the average remaining years of service of employees.
4. Method of hedge accounting: (i) Method of hedge accounting:
In principle, gains or losses on derivatives are deferred until maturity of the hedged transactions. The interest rate swaps and cross-currency swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

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- (ii) Hedging instruments and hedged items:
 - a. Hedging instruments: Interest rate swaps
Hedged items: Interest expenses on long-term debt
 - b. Hedging instruments: Cross-currency swaps
Hedged items: Principal and interest expenses on foreign-currency-denominated long-term debt

(iii) Hedging policy:

NH Foods Ltd. enters into cross-currency swaps to mitigate exposure to foreign currency fluctuations in accordance with internal policies, which regulate the authorization and the maximum amount that can be committed to a contract. NH Foods Ltd. engages in interest rate swaps and cross-currency swaps to mitigate exposure to interest rate fluctuations.

(iv) Method of evaluating hedge effectiveness:

Evaluation of effectiveness is omitted for interest rate swaps and cross-currency swaps that qualify for hedge accounting and meet specific matching criteria.

5. Other significant fundamental matters for the preparation of non-consolidated financial statements:

(1) Accounting treatment of consumption taxes:

Consumption taxes are excluded from revenues, costs, and expenses in the non-consolidated statement of income.

(2) Application of consolidated tax reporting:

Consolidated tax reporting is implemented.

6. Additional information:

NH Foods Ltd. applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 26, March 28, 2016) from the year ended March 31, 2017.

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(Notes to Non-consolidated Balance Sheet)

1. Assets pledged

NH Foods Ltd. has pledged time deposits in bank in the amount of ¥51 million as security for guarantees for transactions.

2. Accumulated depreciation of property, plant and equipment: ¥32,774 million

3. Guarantee obligations:

(millions of yen)

Guarantee	Description	Guarantee amount
Nippo Food (Shanghai) Co., Ltd. and seven other companies	Guarantee for loans and transactions	9,366

4. Accounts receivable from and payable to subsidiaries and associated companies:

Short-term monetary claims	¥77,998 million
Long-term monetary claims	¥93,238 million
Short-term monetary liabilities	¥83,686 million

(Notes to Non-consolidated Statement of Income)

1. Transactions with subsidiaries and associated companies:

Net sales	¥535,812 million
Purchases	¥511,555 million
Transactions other than ordinary business	¥14,066 million

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(Notes to Non-consolidated Statement of Changes in Net Assets)

1. Class and total number of issued shares as of March 31, 2017:

Common stock 210,895,298 shares

2. Class and number of shares of treasury stock as of March 31, 2017:

Common stock 25,901 shares

(Outline of the causes of the change)

Major causes:

Increase due to the purchase of shares of less than one unit: 3,559 shares

Decrease due to the conversion of convertible bonds 252,707 shares

Decrease due to the exercise of stock options: 20,000 shares

3. Matters concerning dividends:

- (1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 9, 2016	Common stock	6,722	33	March 31, 2016	June 3, 2016

- (2) Dividends for which the record date is during the current fiscal year but the effective date is during the next fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors to be held on May 9, 2017	Common stock	Retained earnings	10,965	52	March 31, 2017	June 5, 2017

4. Class and number of shares to be issued or transferred upon exercise of stock acquisition rights (excluding those for which the exercise period has not started), as of March 31, 2017:

Common stock 6,407,901 shares

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(Note to the Tax Effect Accounting)

Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets	(millions of yen)
Accrued bonuses	679
Liability for retirement benefits	1,677
Capital stock of subsidiaries and associated companies	8,276
Allowance for doubtful accounts	902
Impairment losses	1,700
Loss on revaluation of investment securities	343
Others	1,101
Subtotal of deferred tax assets	14,678
Valuation allowance	(10,924)
Total deferred tax assets	3,754
Deferred tax liabilities	
Reserve for deferral of capital gain on property	(326)
Unrealized gains on other marketable securities	(2,518)
Total deferred tax liabilities	(2,844)
Net deferred tax assets	910

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(Note to the Related-Party Transactions)

(millions of yen)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary	Kanto Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	112,024	Accounts receivable—trade	13,745
				Management of funds (Note 3)	-	Deposits received from subsidiaries and associated companies	9,329
				Receipt of dividends (Note 5)	1,746		
	Naka Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	102,920	Accounts receivable—trade	12,655
				Management of funds (Note 3)	-	Deposits received from subsidiaries and associated companies	12,320
	Nishi Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	90,632	Accounts receivable—trade	11,091
				Management of funds (Note 3)	-	Deposits received from subsidiaries and associated companies	5,668
	Higashi Nippon Food, Inc.	100% held	Sales of products; Interlocking directorate	Sales of products (Note 2)	67,280	Accounts receivable—trade	8,447
	Nipponham East Sales Ltd.	100% held	Sales of products; Interlocking directorate	Sales of products (Note 2)	60,810	Accounts receivable—trade	5,562
	Nipponham West Sales Ltd.	100% held	Sales of products; Interlocking directorate	Sales of products (Note 2)	53,875	Accounts receivable—trade	5,157

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Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary	Nipponham Factory Ltd.	100% held	Purchases of products; Financial support; Interlocking directorate	Purchases of products (Note 2)	52,987	Accounts payable-trade	7,465
				Lending of funds (Note 4)	5,000	Long-term loans receivable	27,115
	Japan Food Corporation	100% held	Purchases of products; Financial support; Interlocking directorate	Purchases of products (Note 2)	230,293	Accounts payable-trade	54,508
				Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	26,688
	Interfarm Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Deposits received from subsidiaries and associated companies	5,782
						Short-term loans receivable from subsidiaries and associated companies	9,445
				Lending of funds (Note 4)	3,500	Long-term loans receivable	8,676
	Nippon Logistics Center, Inc.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	6,800
				Lending of funds (Note 4)	6,500	Long-term loans receivable	10,013
	Hoko Co., Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	1,400	Long-term loans receivable	11,662

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Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary	Nipponham Processed Foods Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	5,256
				Lending of funds (Note 4)	1,600	Long-term loans receivable	5,038
	Nippon White Farm Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	5,000
				Lending of funds (Note 4)	2,000	Long-term loans receivable	5,024
				Receipt of dividends (Note 5)	2,260		
	NH Foods Australia Pty. Ltd.	100% held	Financial support; Debt guarantee; Interlocking directorate	Lending of funds (Note 4)	-	Long-term loans receivable	9,718
				Debt guarantees (Note 6)	6,438		
	Premium Kitchen Co., Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	-	Long-term loans receivable	8,231
	Marine Foods Corporation	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	8,000
	Nippon Pure Food, Inc.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	6,530

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Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
	Nippon Feed Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	-	Short-term loans receivable from subsidiaries and associated companies	4,913

(Note 1) In calculating the proportion of voting rights, the voting rights that are held indirectly by the subsidiaries are included.

(Note 2) Prices and other terms and conditions of transactions are determined through negotiations by taking into consideration prevailing quoted prices.

(Note 3) NH Foods Ltd. has introduced a Cash Management System (“CMS”) for the purpose of improving the efficiency of management of funds within the Group. Given that it is difficult in practice to tally the transaction amount of financial transactions using CMS on a transaction-by-transaction basis, the transaction amount is not shown. Interest rates and other terms and conditions of transactions are determined reasonably by taking into consideration market interest rates. No collateral is accepted or offered.

(Note 4) Interest rates and other terms and conditions of transactions are determined reasonably by taking into consideration market interest rates. No collateral is accepted or offered.

(Note 5) These are the dividends received in accordance with the dividend policy on the subsidiaries.

(Note 6) NH Foods Ltd. provides debt guarantees for bank loans. Guarantee commissions are determined by taking into consideration the standard guarantee ratios of financial institutions, etc.

(Note 7) The amounts of transactions do not include consumption taxes, while the year-end balances include consumption taxes (excluding short-term loans receivable from subsidiaries and associated companies, long-term loans receivable and deposits received from subsidiaries and associated companies).

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(Notes to Per Share Information)

(i)	Net assets per share:	¥1,005.32
(ii)	Basic earnings per share:	¥70.69
(iii)	Diluted earnings per share:	¥66.11

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward with the exception of per share amounts.

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(Notes to Events Subsequent to March 31, 2017)

At the extraordinary meeting of the Board of Directors held on April 28, 2017, NH Foods Ltd. resolved to acquire 100% of the issued shares of Breeders & Packers Uruguay S.A. (“BPU”) to subsidiarize the company, and entered into a stock purchase agreement on the same day.

(1) Reasons for acquiring the shares:

NH Foods Ltd. believes that the acquisition of shares of BPU, a fresh meat packer in the Oriental Republic of Uruguay, will enable us to expand its base of beef production business into South America in addition to Australia, where it is currently evolving the business, thereby contributing to the enhancement of its corporate value.

(2) Outline of the acquired entity:

- (i) Trade name: Breeders & Packers Uruguay S.A.
- (ii) Headquarters: Montevideo, Oriental Republic of Uruguay
- (iii) Main business: Processing and sale of fresh meat (beef)

(3) Acquisition date:

May 31, 2017 (tentative)

(4) Purchase price of the shares and the Group’s equity ratio after acquisition:

- (i) Purchase price: USD 135 million
- (ii) Equity ratio after acquisition: 100.0%

(Note) Subject to the conditions and terms provided in the stock purchase agreement, part of the shares acquired may be held indirectly through NH Foods Ltd.’s consolidated subsidiaries.