

**Yoshihide Hata,
President and Representative Director**

Joined Nippon Meat Packers, Inc. in 1981 and worked in the Accounting & Finance Department. While in the Information System Department, helped develop and introduce a system to streamline accounting operations and shorten results processing lead times. From 2002, reinforced corporate governance and risk management. Appointed Vice President and Representative Director in 2015 and President and Representative Director in January 2018.

April 1981

Joined Nippon Meat Packers, Inc.

April 2009

Executive Officer, General Manager of Accounting & Finance Department of Nippon Meat Packers, Inc.

June 2011

Director and Executive Officer, General Manager of Accounting & Finance Department and in charge of IT Planning Department of Nippon Meat Packers, Inc.

April 2012

Director (and Managing Executive Officer), General Manager of Corporate Management Division, in charge of Accounting & Finance Department and IT Strategy Department of Nippon Meat Packers, Inc.

April 2015

Vice President and Representative Director (Executive Vice President and Executive Officer) and General Manager of Corporate Management Division of NH Foods Ltd.

January 2018

President and Representative Director (President and Executive Officer) of NH Foods Ltd., (current position)



President and Representative Director

Yoshihide Hata

A Message to Stakeholders

Starting NH Foods Group's Medium-Term Management Plan 2020 Contributing to a sustainable society from medium- to long-term perspectives by undertaking initiatives under the theme of Building Systems that Pave the Way to the Future.

Under the New Medium-Term Management Plan Part 5, the NH Foods Group has endeavored to create a stable business model through reforms than empower it to become a world leader in delivering the "Joy of Eating." But while we generated record operating income in the year ended March 31, 2017, net sales rose while operating income declined in the period under review, the final year of our plan. We now face the challenge of reinforcing profitability.

It is against this backdrop that the NH Foods Group embarked on Medium-Term Management Plan 2020 in April 2018 to pursue long-term growth. We have positioned this three-year initiative as a period for building systems that pave the way to the future and materialize the NH Foods Group's ideals. We will focus on building systems so we can contribute to a sustainable society.

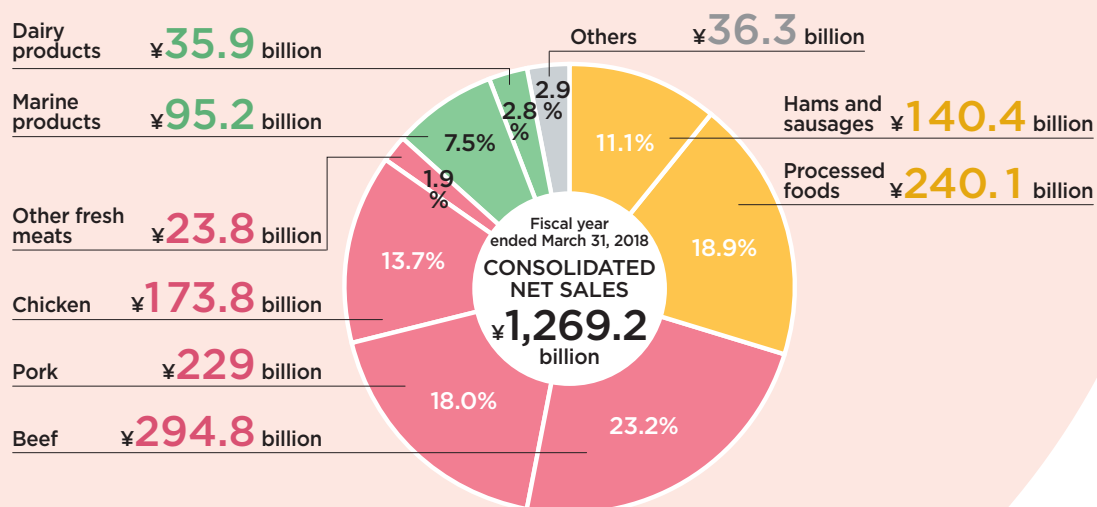
REFLECTING ON THE NEW MEDIUM-TERM MANAGEMENT PLAN PART 5

Net sales in the year under review reached ¥1,269.2 billion, while operating income dropped to ¥49.2 billion (under Generally Accepted Accounting Principles in the United States).

Under the New Medium-Term Management Plan Part 5 started in the year ended March 31, 2016, we endeavored to build a stable business model through reforms focusing on continuous strengthening of profitability in domestic businesses, expansion of overseas net sales at an early stage, promotion of strategic branding and reinforcement of cross-Group corporate functions.

To continuously strengthen the profitability of our domestic business, we endeavored to reinforce the vertical integration system that is a key strength for the Group. In the domestic fresh meats business, we deployed capital expenditures to expand market share by bolstering our supply system. In processed foods business, we built a ham and sausage plant by integrating existing sites to optimize our production structure. We created foundations to generate Group synergies. For example, we developed processed foods using *Sakurahime*® domestically produced chicken and *Dolce Porco*® from slowly fattened Italian hogs and set up a hybrid site for collaboration between the fresh meat and processed foods businesses. While the fresh meat business expanded significantly during the three years of the plan, there were several issues that we have had to address. Among them were delays in restoring profitability in processed foods business owing to hikes in the costs of key raw materials and intensified sales competition. Another issue is improving profitability in marine and dairy products businesses.

CONSOLIDATED NET SALES (BY PRODUCT CATEGORY)



We have invested a total of ¥36 billion to swiftly expand overseas sales. We have made investments in Breeders & Packers Uruguay S.A. (hereinafter called BPU) to grow our beef business. We also invested in Ege-Tav Ege Tarim Hayvancilik Yatirim Ticaret ve Sanayi A.S. in Turkey, Lay Hong Berhad in Malaysia, and Panus Poultry in Thailand to build our poultry business, accelerating our penetration of large markets and emerging nations in which fresh meat demand is increasing. At the same time, we optimized businesses, notably by restructuring businesses in China and selling Texas Farm, LLC, a hog farming operation. In our Australian beef business, improving profitability is a major task, because earnings have deteriorated significantly amid surging cattle procurement costs and declining prices.

To reinforce cross-Group corporate functions, we adopted a return on invested capital (ROIC) approach and strove to improve our performance in that regard. We will keep endeavoring to develop high-value-added products, invest effectively to improve productivity by rolling out advanced manufacturing lines, and shorten inventory turnover periods. At the same time, we will make ROIC a key benchmark at all sites to streamline management.

In the fiscal year ended March 31, 2018, net sales rose ¥66.9 billion from a year earlier, to ¥1,269.2 billion. Operating income decreased ¥4.6 billion, to ¥49.2 billion.

BACKGROUND TO CREATING THE MEDIUM-TERM MANAGEMENT PLAN 2020 Aligning the Group Ideals with Medium- to Long-Term Social Issues

A range of social issues has emerged. Among them are rising concerns about the stability of food supplies as the global population rises and the acceleration of climate change. To expand consistently in changing times, we need to enhance our strengths, eschewing short-termism and thinking out of the box in pursuing long-term perspectives to resolve social issues.

To materialize our corporate philosophy over the long term, the Group drew on its ideals to determine its direction toward 2040. We took into account the views of mid-career employees who will drive us forward. Under our ideals, we are committed to delivering the pleasures of good eating and the joys of health to people around the world. We are also dedicated to food culture innovations by discovering and proposing new foods as an underpinning of life. We will construct a global network with those who share our philosophical stance to materialize our vision for the NH Foods Group to support the healthy lives of people through our products and services.

BUILDING SYSTEMS THAT PAVE THE WAY TO THE FUTURE THROUGH MEDIUM-TERM MANAGEMENT PLAN 2020

Under Medium-Term Management Plan 2020, we will focus on building systems that pave the way to the future to solidify efforts to materialize our ideals. To ensure that these initiatives succeed, we will deploy five business policies at all divisions to align our groupwide strategies with them. At the same time, we will undertake a functional strategy to help execute strategies.

OUTLINE OF MEDIUM-TERM MANAGEMENT PLAN 2020

Theme: Building systems that pave the way to the future

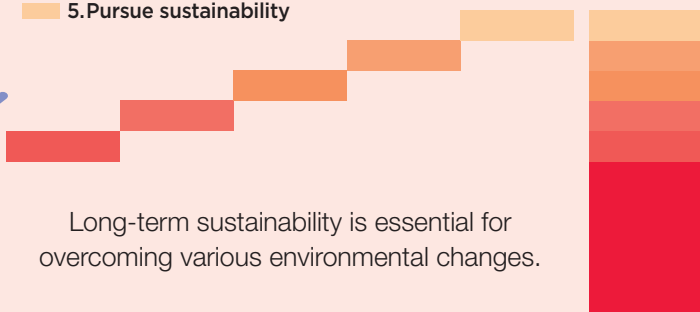
- Throw off preconceived notions and short-term mentality, focusing more on the long term.
- Enhance consistency of company-wide strategy and business segment strategy, and also promote innovation to improve profitability.
- Focus on results and build structures for achieving the targets of the current medium-term management plan.

New Medium-Term Management Plan Part 5

Medium-Term Management Plan 2020

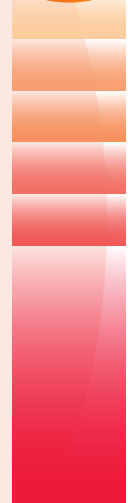
Business Policies

1. Strengthen profitability by improving the efficiency of existing businesses
2. Create value through dialog with consumers
3. Enhance and develop technological capabilities for conceptualizing and realizing the future of food
4. Change gears in overseas market deployment
5. Pursue sustainability



Long-term sustainability is essential for overcoming various environmental changes.

Increase corporate value in years leading up to 2040



MEDIUM-TERM MANAGEMENT PLAN 2020 QUANTITATIVE TARGETS

	Previous Plan	Medium-Term Management Plan 2020		
	FY3/2018	FY3/2019	FY3/2020	FY3/2021
Net sales (¥ billion)	1,269.2	1,310.0	1,360.0	1,410.0
Operating income (¥ billion)	49.2	50.0	52.0	56.0
Operating income ratio	3.9%	3.8%	3.8%	4.0%
ROE	8.8%	7.5%	7.3%	7.4%
ROIC	6.2%	→	→	5.5% or above
D/E ratio (times)	0.25	0.36	0.42	0.41

* US GAAP standards used for FY3/2018. IFRS to be used for FY3/2019 onwards. ROIC and D/E ratios provided for reference

BUSINESS POLICY 1 Strengthen Profitability by Improving the Efficiency of Existing Businesses

To develop products in rapidly growing areas and optimize manufacturing, sales and distribution, we will formulate and deploy plans focused on businesses, products, channel strategies, and our value chain, reinforcing profitability from medium and long terms to secure new sources of consistent growth. The new Group Sales Planning Department will spearhead our channel and area strategies.

BUSINESS POLICY 2 Create Value through Dialog with Consumers

To date, the Group has based its consumer dialog efforts on feedback from customer consultation desks and the Consumer Delegate Committee. By stepping up efforts to aggregate and analyze feedback, we will better understand customers and consumers to create new value. More specifically, we will reinforce marketing to deepen consumer understanding by leveraging collaboration between the new Lifestyle Research Office and product development units in each Business Division.

BUSINESS POLICY 3 Enhance and Develop Technological Capabilities for Conceptualizing and Realizing the Future of Food

We will transform environmental changes into growth opportunities by reinforcing the Group's strengths. These are creativity and a pioneering spirit through research, technology investments, management, and specialized and global human resources. We will take a range of initiatives, such as research focusing on the long-term future, streamlining production through automation that harnesses artificial intelligence (AI) and Internet of Things (IoT), and leveraging these resources to further expand existing businesses and position them as unique strengths.



BUSINESS POLICY 4 Change Gears in Overseas Market Deployment

The Group established the Overseas Business Division in 2016 to reinforce overseas businesses. Expanding in global markets is vital to our growth. Down the track, we will focus on such areas as reinforcing processed foods businesses in Turkey, Vietnam, China and other markets. We will launch distribution business in such locations as Hong Kong, Singapore, and the United States. We will also reconstruct our beef business in Australia and reinforce beef business in Uruguay. At the same time, we will bolster procurement for the Japanese market and undertake new projects for marine and dairy products.

BUSINESS POLICY 5 Pursue Sustainability

In keeping with its compliance commitment, the Group set out five important CSR issues. These are producing food that is safe and reliable, supporting people's mental and physical well-being through food and sport, maintaining workplaces that motivate employees, sustainable food supply for the next generations, and preserving the environment. We are pushing ahead with a range of initiatives, including addressing food allergy issues, undertaking CSR procurement in collaboration with suppliers, providing sports participation opportunities, undertaking workstyle reforms that include empowering women, and using resources more effectively. This fiscal year, we established the CSR Promotion Committee to advise the Board of Directors, foster consideration of CSR policies, and confirm progress with related policies and themes. Our initiatives relate to Sustainable Development Goals (SDGs). We believe that we can contribute to the development of a sustainable society through action for our five CSR material issues.

GLOBAL NETWORK



	Number of operations	Japan	Overseas
Farms	497	323	174
Plants	92	71	21
Logistics and sales locations, etc.	330	288	42

- As of April 2018
- Including commissioned operations and equity method affiliates
- Names of countries indicate representative offices



Management Foundations and Functional Strategies

The Group has positioned High-level Management for No. 1 Quality as an underpinning, and is enhancing product, management, and human resources, as well as compliance and corporate governance. At the same time, in deploying the following three functional strategies across the Company we will strengthen collaboration between each business division.

The first of these strategies is to strengthen strategy formulation and promotion functions. In light of changes in the social climate, we will build and verify hypotheses to formulate and execute strategies from Group perspectives. At the same time, we will reinforce corporate governance to build a highly transparent management structure.

The second strategy is to strengthen structures to increase the sustainability of business activities. We will invest in human capital and optimize our personnel composition and quality assurance systems (to comply with international certification requirements). We will also strengthen network development functions for internal and external structures and deploy advanced financial strategies and capital policies.

Third, we established the Communication Strategy Division to reinforce internal and external communications. To accurately understand the Group's initiatives, we will communicate extensively to fulfil our accountability to stakeholders.

At the same time, we will share progress on Medium-Term Management Plan 2020 measures to ensure that our mission is not simply to reach goals for a single year and reach medium-term plan goals for the entire Company and business divisions.

Capital Expenditures

During the three years of the Medium-Term Management Plan 2020, we will continue to invest extensively to materialize our growth strategies, rebuild our infrastructure, and establish an optimal production setup. We plan total expenditures of ¥210 billion during that period. In the fresh meats business, spending will include upgrading production facilities and logistics, mainly for the poultry business. In the processed foods business, expenditures will include enhancing production efficiency, primarily for deli and processed foods. Especially in processed foods, we will boost profitability by increasing productivity. This will be by concurrently undertaking selection and focus on production lines and products in allocating capital expenditures.

Our investments will be massive compared with the previous medium-term management plan. In finalizing investment decisions, we will increase accuracy of decision-making on investment based on quantitative and qualitative information and conduct reviews to ensure that we can recover our investments.

Structural Reforms and Value Creation

Under the three years of the Medium-Term Management Plan 2020, we plan to undertake new structural reform and value creation expenses companywide. We believe that structural reform expenses are vital to realign personnel, notably to optimally allocate human resources, reform work practices, and provide training and secure talent. We will apply value creation expenses to gain advanced livestock technology and food production and development technologies as

marketing expenses to collect, accumulate, and analyze consumer insights, and to implement our five important CSR issues. By making these expenses companywide costs, we seek to deploy them from long-term and companywide perspectives.

Financial Strategies

The Group aims to boost corporate value by maximizing its equity spread, with ROE exceeding the weighted average cost of capital, which represents improvements in cash flow creation capabilities and investors' expected rates of return. Under Medium-Term Management Plan 2020, we will retain ROIC as a key business benchmark to enhance capital efficiency by scrutinizing investments and extensively controlling operating capital. Because of the greater capital expenditure, our business benchmarks will temporarily decline. Nonetheless, while keeping tabs on an appropriate debt/equity ratio (from 0.4 to 0.5), we will procure funds mainly through interest-bearing debt. On the shareholder returns front, we have retained our targeted consolidated payout ratio of 30%, and will strive to enhance dividend payout stability. We will flexibly acquire treasury stock by factoring in growth investments and the Group's financial position so we can enhance shareholder value per share.

Quantitative Targets Voluntary adoption of International Financial Reporting Standards (IFRS) from Fiscal Year Ending March 31, 2019

The three years of the Medium-Term Management Plan 2020 are a time to build the foundations of systems that Pave the Way to the Future. We are targeting ¥1,410 billion in net sales, ¥56.0 billion in operating income, and a 4.0% operating income ratio for the fiscal year ending March 31, 2021, the last year of the plan. We expect the return on equity to drop 1.4 percentage points year on year, to 7.4%, due to an increase in shareholders' equity and a decrease in net income, with the return on invested capital dropping 0.7 percentage points year on year, to 5.5%, owing to higher invested capital. The debt/equity ratio would be 0.41.

Given that we acknowledge that our mission for stakeholders is to achieve our medium-term management plan targets, we will reinforce our underpinnings and build a structure to create social value. We look forward to the long-term support and encouragement of shareholders and other investors for our endeavors.

ROIC = RETURN ON INVESTED CAPITAL

RETURN ON INVESTED CAPITAL (TOTAL EQUITY + INTEREST-BEARING DEBT)

Return on invested capital	=	Net sales Invested capital	×	Operating income Net sales	×	After tax
		[Invested Capital turn over]		[Operating income ratio]		[Tax rate]
3/16 results 6.5%	=	2.44 (times)	×	4.0%	×	0.67
3/17 results 7.0%	=	2.26 (times)	×	4.5%	×	0.69
[6.2%	=	2.30 (times)	×	3.9%	×	0.69