

# Business Results

## for the Third Quarter of FY2019/3

January 31, 2019 (Thu.)  
NH Foods Ltd.

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\* Regarding notation:

“US” notation means US GAAP.

# **I. Consolidated Business Results for FY2019/3 3Q**

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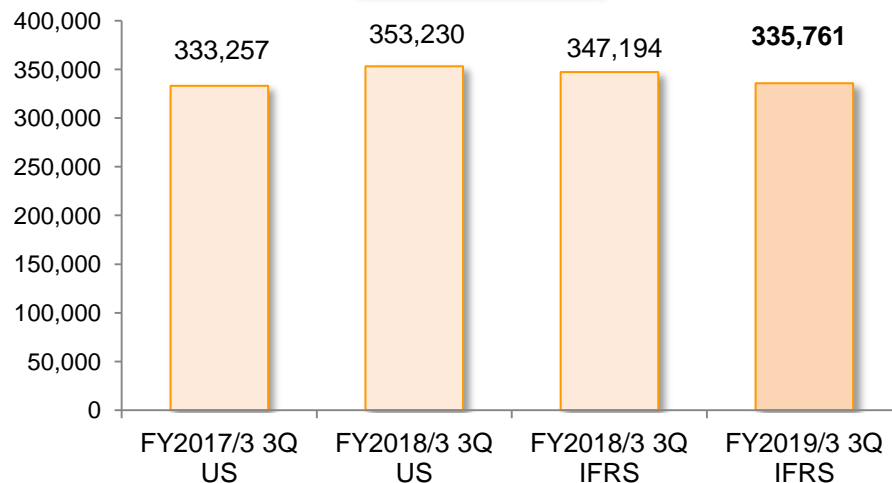
# 1. Segment Data: 3Q (Oct.-Dec.)

(¥ million)

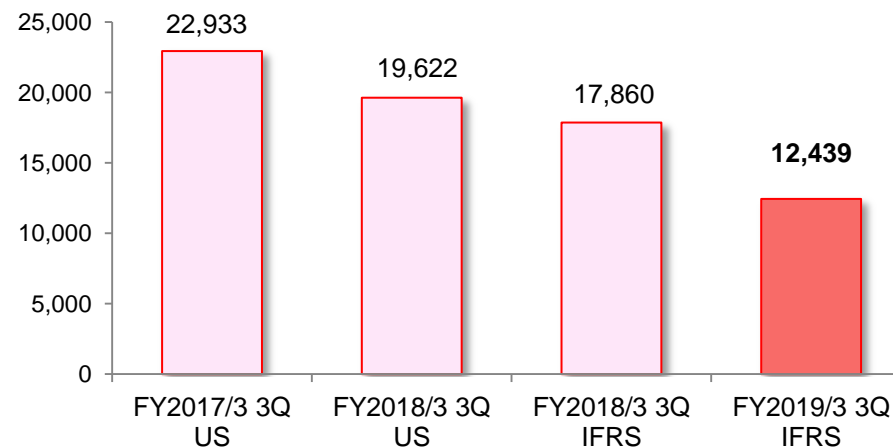
		FY2017/3 3Q (US)	FY2018/3 3Q (US)	FY2018/3 3Q (IFRS)	FY2019/3 3Q (IFRS)	Variance	Variance (%)
Processed Foods Business Division	Net sales	100,701	102,196	102,196	<b>98,583</b>	(3,613)	(3.5)
	Operating income	5,326	4,920	4,545	<b>5,113</b>	568	12.5
Fresh Meats Business Division	Net sales	199,573	211,681	211,682	<b>204,127</b>	(7,555)	(3.6)
	Operating income	15,363	13,616	13,206	<b>10,451</b>	(2,755)	(20.9)
Affiliated Business Division	Net sales	46,807	48,509	48,513	<b>45,754</b>	(2,759)	(5.7)
	Operating income	2,018	1,402	1,292	<b>875</b>	(417)	(32.3)
Overseas Business Division	Net sales	54,981	67,708	66,786	<b>65,802</b>	(984)	(1.5)
	Operating income	247	(394)	(1,672)	<b>(1,103)</b>	569	-
Eliminations, adjustments and others	Net sales	(68,805)	(76,864)	(81,983)	<b>(78,505)</b>	3,478	-
	Operating income	(21)	78	489	<b>(2,897)</b>	(3,386)	-
Consolidated	Net sales	333,257	353,230	347,194	<b>335,761</b>	(11,433)	(3.3)
	Operating income	22,933	19,622	17,860	<b>12,439</b>	(5,421)	(30.4)

 (¥ million)  
 (consolidated)

## Net Sales


 (¥ million)  
 (consolidated)

## Operating Income

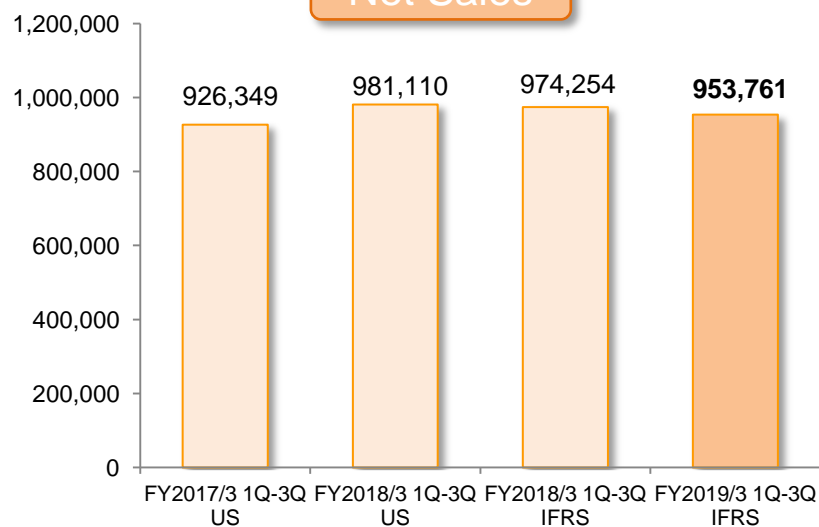
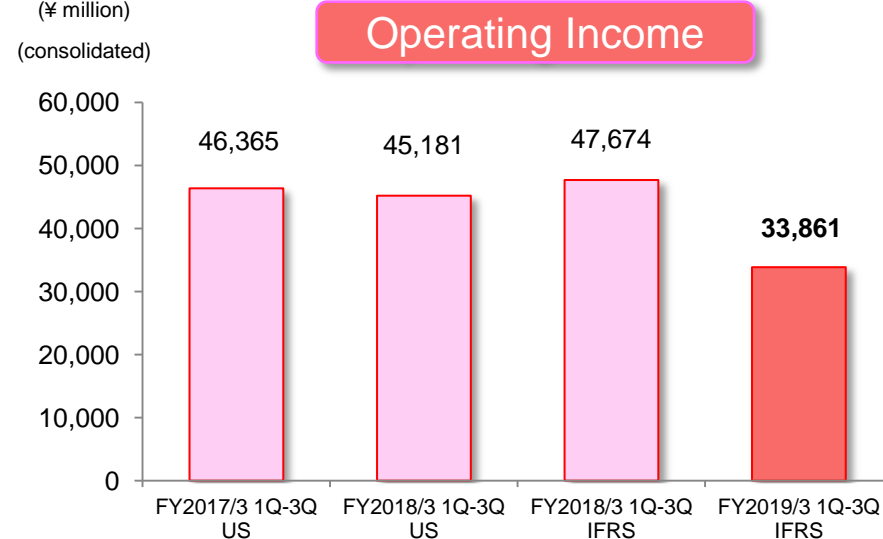


- Net sales for each segment include intersegment sales.

## 2. Segment Data: 1Q-3Q (Apr.-Dec.)

(¥ million)

		FY2017/3 1Q-3Q (US)	FY2018/3 1Q-3Q (US)	FY2018/3 1Q-3Q (IFRS)	FY2019/3 1Q-3Q (IFRS)	Variance	Variance (%)
Processed Foods Business Division	Net sales	269,791	274,709	274,709	<b>273,046</b>	(1,663)	(0.6)
	Operating income	8,562	7,124	7,432	<b>7,866</b>	434	5.8
Fresh Meats Business Division	Net sales	570,234	601,273	601,279	<b>583,262</b>	(18,017)	(3.0)
	Operating income	34,782	38,113	38,711	<b>28,703</b>	(10,008)	(25.9)
Affiliated Business Division	Net sales	124,507	128,437	128,438	<b>121,706</b>	(6,732)	(5.2)
	Operating income	3,620	2,321	2,456	<b>1,068</b>	(1,388)	(56.5)
Overseas Business Division	Net sales	164,206	193,093	193,894	<b>197,459</b>	3,565	1.8
	Operating income	(352)	(2,922)	(3,033)	<b>(1,958)</b>	1,075	-
Eliminations, adjustments and others	Net sales	(202,389)	(216,402)	(224,066)	<b>(221,712)</b>	-	-
	Operating income	(247)	545	2,108	<b>(1,818)</b>	-	-
Consolidated	Net sales	926,349	981,110	974,254	<b>953,761</b>	(20,493)	(2.1)
	Operating income	46,365	45,181	47,674	<b>33,861</b>	(13,813)	(29.0)

 (¥ million)  
 (consolidated)

 (¥ million)  
 (consolidated)


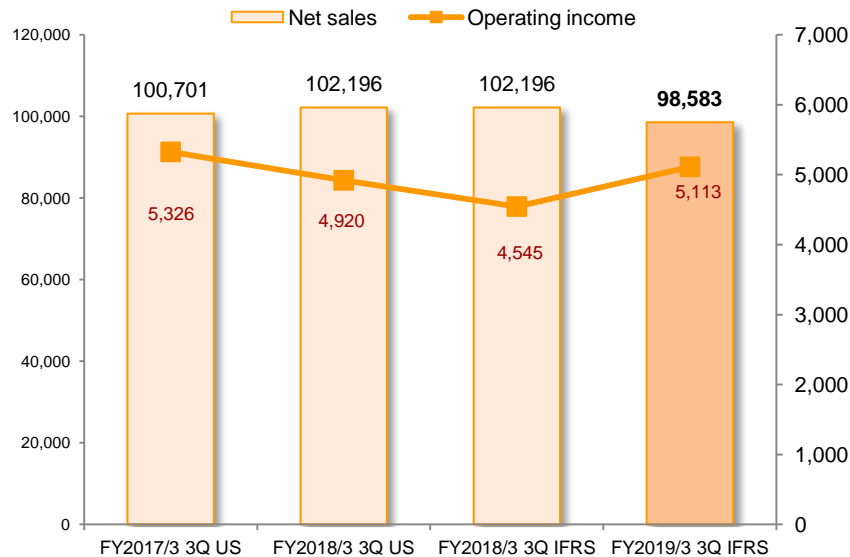
- Net sales for each segment include intersegment sales.

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

## 3Q Results (Oct.-Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



(¥ million)

	FY2018/3 3Q	FY2019/3 3Q	Variance	Variance (%)
Net sales	102,196	98,583	(3,613)	(3.5)
Operating income	4,545	5,113	568	12.5
Operating income ratio	4.4%	5.2%	-	-

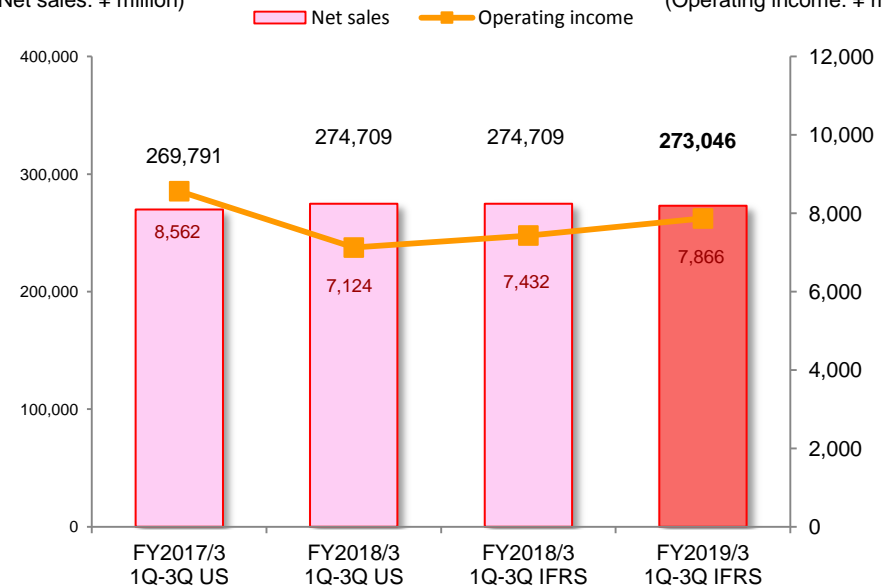
### Net Sales in FY2019/3 1Q-3Q (Apr.-Dec.)

- Existing businesses (hams, sausages, and deli and processed foods)
  - Sales of consumer products were strong due to the introduction of new products and active area promotions.
  - Sales of commercial-use products to major companies struggled partly due to the reduction of low income products.
  - Sales of gift products struggled due to falling sales in the overall year-end gift market and increased delivery costs, although sales of the core product *Utsukushi-no-Kuni* remained solid.
- For these reasons, revenue decreased from the previous year in the existing businesses.
- Developing businesses
  - Revenue increased due to the introduction of new products in the vendor business and acquisition of new customers in logistics.
- For these reasons, revenue decreased from the previous year in the consolidated Processed Foods Business Division.

## 1Q-3Q Results (Apr.-Dec.)

(Net sales: ¥ million)

(Operating income: ¥ million)



(¥ million)

	FY2018/3 1Q-3Q	FY2019/3 1Q-3Q	Variance	Variance (%)
Net sales	274,709	273,046	(1,663)	(0.6)
Operating income	7,432	7,866	434	5.8
Operating income ratio	2.7%	2.9%	-	-

### Operating Income in FY2019/3 1Q-3Q (Apr.-Dec.)

- Existing businesses (hams, sausages, and deli and processed foods)
  - In addition to decreased sales volume of gift products, the price of indirect materials and fuels increased, but we have made improvements of the product mix by launching new products, streamlined use of sales promotion expenses, and revised plant operations in the manufacturing department.
- For these reasons, revenue increased from the previous year in the existing businesses.
- Developing businesses
  - We made progress in improving the vendor business, but rising labor costs in the logistics business left operating income mostly unchanged year-on-year.
- For these reasons, revenue increased from the previous year in the consolidated Processed Foods Business Division.

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

## Factor Analysis: Changes in operating income

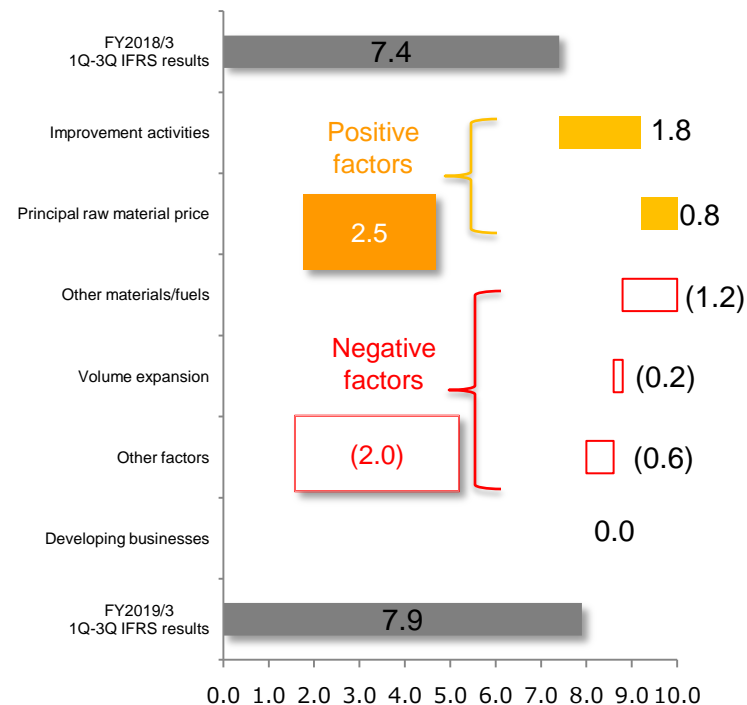
(¥ billion)

	FY2019/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
<b>Existing businesses</b>	0.7	0.3	1.2	1.1	(0.1)
External factors	(0.4)	(0.0)	(0.4)	(0.5)	(0.1)
Principal raw material price	0.1	0.6	0.8	0.8	(0.0)
Other materials/fuels	(0.6)	(0.6)	(1.2)	(1.2)	(0.0)
Internal factors	1.2	0.3	1.6	1.5	(0.0)
Volume expansion	0.0	(0.3)	0.0	(0.2)	(0.3)
Improvement activities	1.2	0.6	1.5	1.8	0.2
<b>Developing businesses</b>	0.0	(0.0)	0.1	(0.0)	(0.1)
<b>Others</b>	(0.9)	0.3	(0.6)	(0.6)	0.0
<b>Total</b>	(0.1)	0.6	0.6	0.4	(0.2)

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

## Factor Analysis Graph: Changes in operating income results (1Q-3Q)

(¥ billion)



## ● Forecasts Variation Factor Analysis (FY2019/3 1Q-3Q)

- Existing businesses: Volume expansion

Decreased sales of gift products other than *Utsukushi-no-Kuni* and assorted sliced hams products pushed gift products lower than the forecast.

Commercial products fell short of the forecast due to the stunted introduction of campaigns at major restaurant chains and menu items at major CVS chains.

Improvement activities

Improved gross profit driven by growth in consumer products sales and revision of plant operations in the manufacturing operation contributed to exceeding the forecast.

- Developing businesses:

The vendor business picked up, but increased logistics costs kept the result almost at the same level as the forecast.

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

#### ● Gift product sales results

- FY2019/3 year-end gift-giving season results:

The impact of rising delivery costs resulted in lower sales amount than last year.



Reference: Sales of gift products FY2019/3 results

		FY2018/3 results	FY2019/3 results
		Variance	Variance
Summer gift-giving season	Overall sales	98%	91%
	(Utsukushi-no-Kuni)	104%	90%
Year-end gift-giving season	Overall sales	93%	88%
	(Utsukushi-no-Kuni)	100%	97%
Total	Overall sales	95%	89%
	(Utsukushi-no-Kuni)	102%	95%
	(Utsukushi-no-Kuni sales ratio)	32%	34%

#### ● Major consumer products sales results

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



SCHAU ESSEN  
celebrates its 35th  
anniversary



Chuka Meisai  
is performing steadily

Hams and sausages	FY2019/3 results			Deli and processed foods	FY2019/3 results		
	1st half	3Q	1Q-3Q		1st half	3Q	1Q-3Q
Wieners	101%	99%	100%	Chilled bakery	105%	103%	104%
Loin hams and bacons	99%	96%	98%	Chilled dish	110%	104%	108%
Yakibutas	101%	94%	98%	Fried chicken	100%	95%	98%
Consumer products total	99%	97%	99%	Hamburg and meatball	105%	105%	105%
				Consumer products total	107%	103%	106%

#### ● Sales results by channel

Reference: FY2019/3 1Q-3Q year-on-year growth in sales by channel

##### 1) Consumer products

- Hams and sausages saw their core products, *SCHAU ESSEN*, *Hojun coarse-ground wieners*, and *Entier* perform strongly but PB products sales decrease from the previous year, and sales of consumer products fell short of last year.
- Deli products performed strongly, centered on *CHUKA MEISAI* and *Ishigama Kobo*, which got strengthened promotions by airing commercials and the like.

##### 2) Commercial-use products

- The reduction of low income products caused sales of ham, sausage, and deli products to fall short of the previous year.

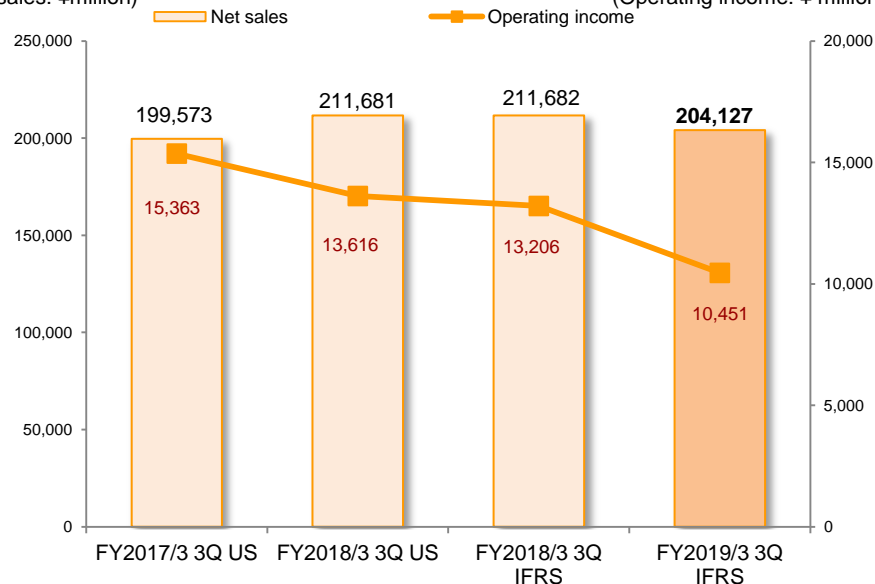
		Volume	Amount
Hams and sausages	Consumer	99%	99%
	Commercial-use	93%	93%
	Total	97%	97%
Deli and processed foods	Consumer	105%	106%
	Commercial-use	97%	95%
	Total	101%	101%



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

## 3Q Results (Oct.-Dec.)

(Net sales: ¥million)



(¥ million)

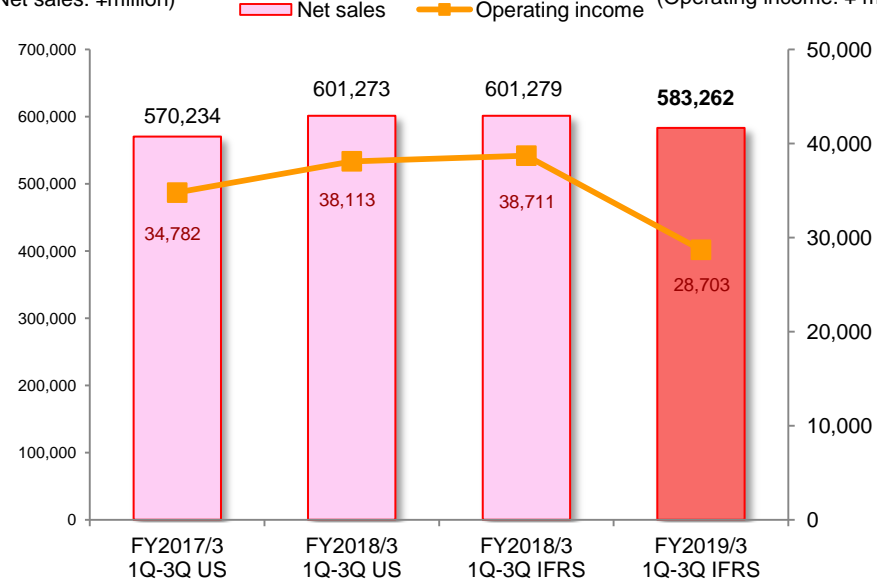
	FY2018/3 3Q	FY2019/3 3Q	Variance	Variance (%)
Net sales	211,682	204,127	(7,555)	(3.6)
Operating income	13,206	10,451	(2,755)	(20.9)
Operating income ratio	6.2%	5.1%	-	-

### Net Sales in FY2019/3 1Q-3Q (Apr.-Dec.)

Despite efforts to expand sales of our branded fresh meats such as *Sakurahime* and *Mugikomachi*, sales fell short of the previous year due to low market prices of domestic chicken and pork, the bearish price of imported chicken driven by its increased domestic supply volume, and a lack of consumption demand that resulted from a warmer winter in November and early December.

## 1Q-3Q Results (Apr.-Dec.)

(Net sales: ¥million)



(¥ million)

	FY2018/3 1Q-3Q	FY2019/3 1Q-3Q	Variance	Variance (%)
Net sales	601,279	583,262	(18,017)	(3.0)
Operating income	38,711	28,703	(10,008)	(25.9)
Operating income ratio	6.4%	4.9%	-	-

### Operating Income in FY2019/3 1Q-3Q (Apr.-Dec.)

In the production operations, low market prices of domestic chicken and pork pushed down income, despite efforts to improve breeding performance and increase the ratio of branded fresh meat. In the sales operations, operating income sank below last year due to continued high prices of domestic beef and harsh competition in imported fresh meat and declined sales of byproducts. For these reasons, operating income from the overall Fresh Meats Business Division decreased.

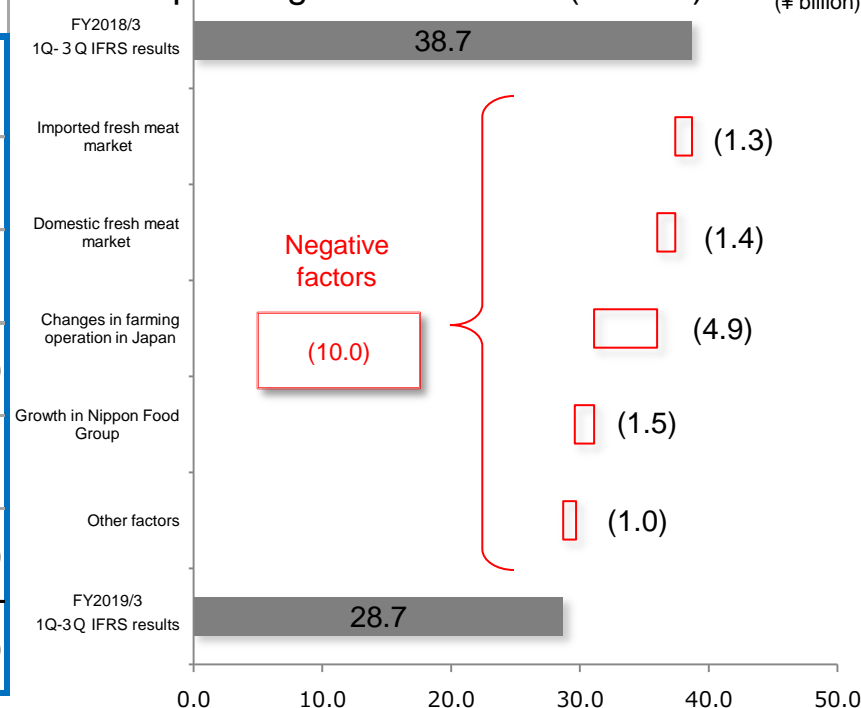
## 4. Segment Data: Fresh Meats Business Division (2)

Factor Analysis: Changes in operating income

	FY2019/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Imported fresh meat market	(1.3)	0.0	(1.4)	(1.3)	0.1
Domestic fresh meat market	(1.3)	(0.1)	(1.8)	(1.4)	0.4
Changes in farming operation in Japan	(2.8)	(2.1)	(4.6)	(4.9)	(0.3)
Growth in Nippon Food Group	(1.1)	(0.4)	(1.6)	(1.5)	0.1
Other factors	(0.8)	(0.2)	(0.7)	(1.0)	(0.3)
<b>Total</b>	<b>(7.3)</b>	<b>(2.8)</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>(0.0)</b>

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

Factor Analysis Graph: Changes in operating income results (1Q-3Q)



### ● Forecasts Variation Factor Analysis (FY2019/3 1Q-3Q)

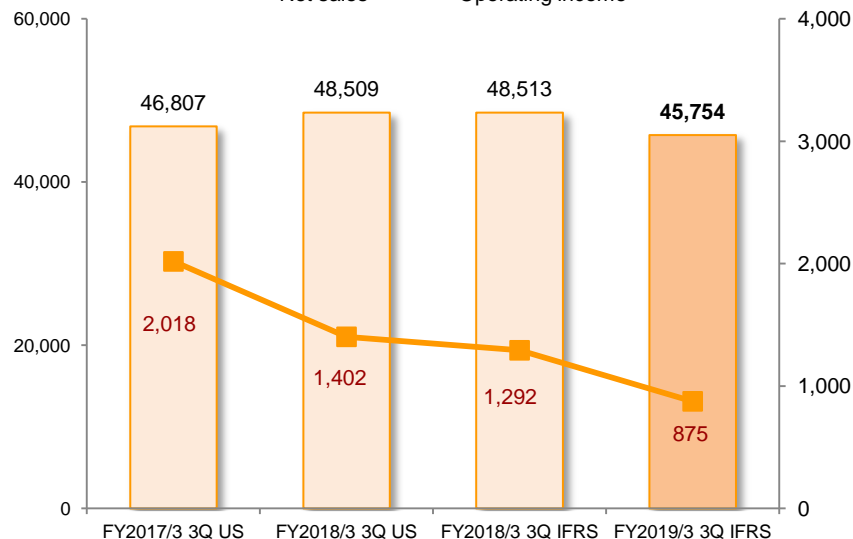
- Imported fresh meat market: Operating income from beef and pork were below forecasts. However, operating income in 3Q remained in line with the forecast because December's rising market price of chicken enabled us to secure greater income.
- Domestic fresh meat market: Operating income exceeded the forecast because lower-than-expected market price of pork brought strong sales.
- Changes in farming operations in Japan: Operating income fell short of the forecast due to the low market price of pork caused by increased livestock shipping in Japan.
- Growth in Nippon Food Group: Sales volume grew in 3Q and operating income remained in line with the forecast amid harsh sales circumstances such as rising logistics costs and unseasonable weather.

# 5. Segment Data: Affiliated Business Division

## 3Q Results (Oct.-Dec.)

(Net sales: ¥million)

Net sales Operating income



(¥ million)

	FY2018/3 3Q	FY2019/3 3Q	Variance	Variance (%)
Net sales	48,513	45,754	(2,759)	(5.7)
Operating income	1,292	875	(417)	(32.3)
Operating income ratio	2.7%	1.9%	-	-

## Net Sales in FY2019/3 1Q-3Q (Apr.-Dec.)

(Marine products business)

Revenue fell below last year due to ongoing item reduction of low income products, continuing high prices of marine product materials, and intensifying competition, which all caused sales volume to decrease.

(Dairy products business)

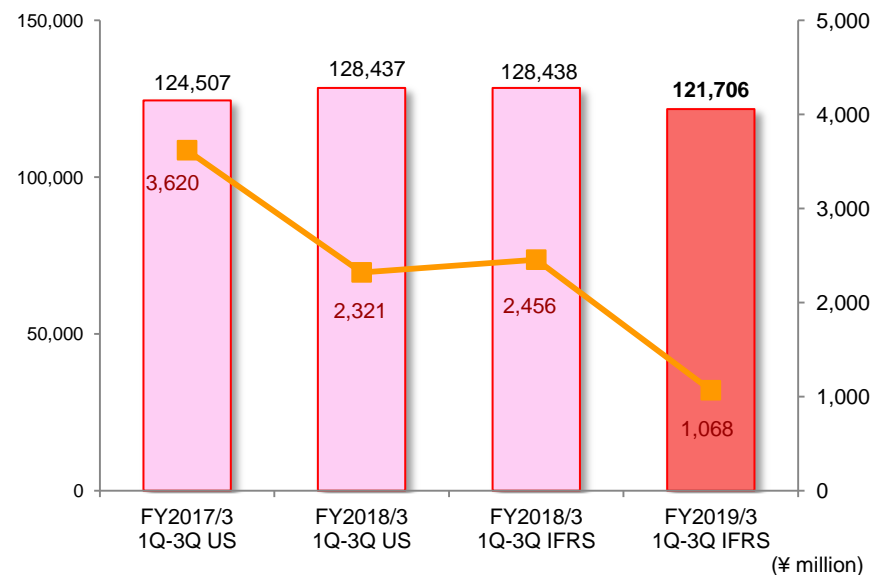
Revenue decreased for yogurt and probiotic beverages owing to struggling sales of smoothies and yogurt drinks.

Revenue from cheese dropped year-on-year because of decreased sales volume, although its profit margin was improved by price revisions.

## 1Q-3Q Results (Apr.-Dec.)

(Net sales: ¥million)

Net sales Operating income



(¥ million)

	FY2018/3 1Q-3Q	FY2019/3 1Q-3Q	Variance	Variance (%)
Net sales	128,438	121,706	(6,732)	(5.2)
Operating income	2,456	1,068	(1,388)	(56.5)
Operating income ratio	1.9%	0.9%	-	-

## Operating Income in FY2019/3 1Q-3Q (Apr.-Dec.)

(Marine products business)

Reorganizing unprofitable items, revising prices of canned mackerel, and streamlining manufacturing helped to improve operating income in 3Q, but struggles in the 1st half were unrecoverable, resulting in decreased operating income.

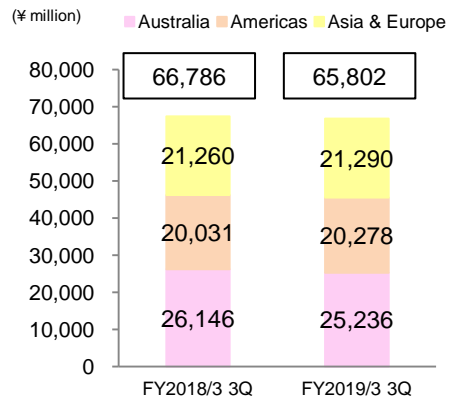
(Dairy products business)

Operating income decreased due to struggling sales of high income products such as smoothies and increased expenses following construction of a new yogurt plant.

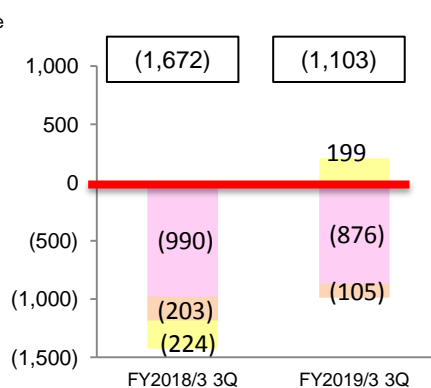
# 6. Segment Data: Overseas Business Division (1)

## 3Q Results (Oct.-Dec.)

### [Net Sales]

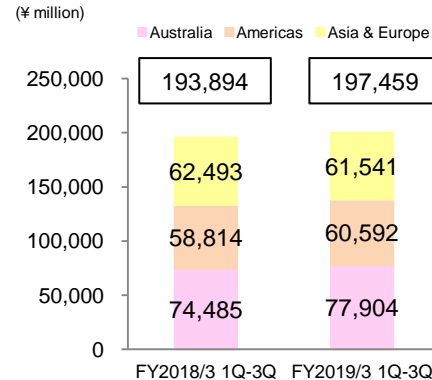


### [Operating Income]

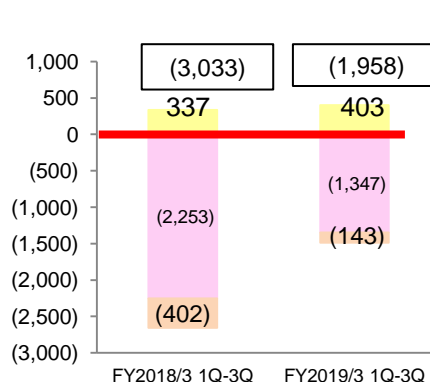


## 1Q-3Q Results (Apr.-Dec.)

### [Net Sales]



### [Operating Income]



		FY2018/3 Q	FY2019/3 Q	Variance
Overseas total	Net sales	66,786	65,802	(984)
	Operating income	(1,672)	(1,103)	569
Australia (including Uruguay)	Net sales	26,146	25,236	(910)
	Operating income	(990)	(876)	114
Americas	Net sales	20,031	20,278	247
	Operating income	(203)	(105)	98
Asia & Europe	Net sales	21,260	21,290	30
	Operating income	(224)	199	423

		FY2018/3 1Q-3Q	FY2019/3 1Q-3Q	Variance
Overseas total	Net sales	193,894	197,459	3,565
	Operating income	(3,033)	(1,958)	1,075
Australia (including Uruguay)	Net sales	74,485	77,904	3,419
	Operating income	(2,253)	(1,347)	906
Americas	Net sales	58,814	60,592	1,778
	Operating income	(402)	(143)	259
Asia & Europe	Net sales	62,493	61,541	(952)
	Operating income	337	403	66

\* 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 FY2019/3 1Q-3Q (Apr.-Dec.)

Revenue increased in Australia due to a strong fresh meat export environment caused by high sales prices and the weak Australian dollar. The result is also attributable to net sales from Uruguay's BPU added from the beginning of the period.

Revenue in the Americas exceeded the previous year thanks to the strong performance of fresh meat exports to Japan.

Revenue fell short of last year in Asia & Europe because sales volume of processed chicken products exports to Japan decreased in Thailand, although net sales increased in Turkey.

## Operating Income in FY2019/3 1Q-3Q (Apr.-Dec.)

Although the business struggled in Uruguay due to the deteriorating sales environment caused by weakening currency in competing countries, the deficit shrank in Australia thanks to stable livestock procurement.

In the Americas, while sales costs rose in the processed foods business, the fresh meat exports business performed strongly, and the deficit shrank.

In Asia and Europe, although Turkey struggled due to skyrocketing feed costs caused by lira's nosedive, the elimination of deficit in Greater China and the strong performance of fresh meat export business in Europe resulted in increased income.

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

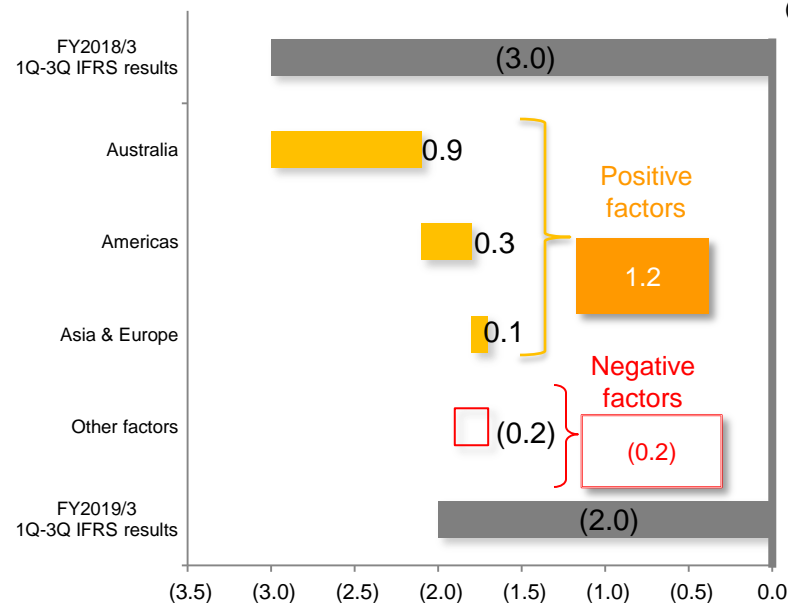
Factor Analysis: Changes in operating income

(¥ billion)

	FY2019/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Australia (including Uruguay)	0.8	0.1	1.4	0.9	(0.5)
Americas	0.2	0.1	0.1	0.3	0.2
Asia & Europe	(0.4)	0.4	(0.1)	0.1	0.1
Other factors	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)
<b>Total</b>	<b>0.5</b>	<b>0.6</b>	<b>1.3</b>	<b>1.1</b>	<b>(0.3)</b>

Factor Analysis Graph: Changes in operating income results (1Q-3Q)

(¥ billion)



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

### ● Forecast Variation Factor Analysis (FY2019/3 1Q-3Q)

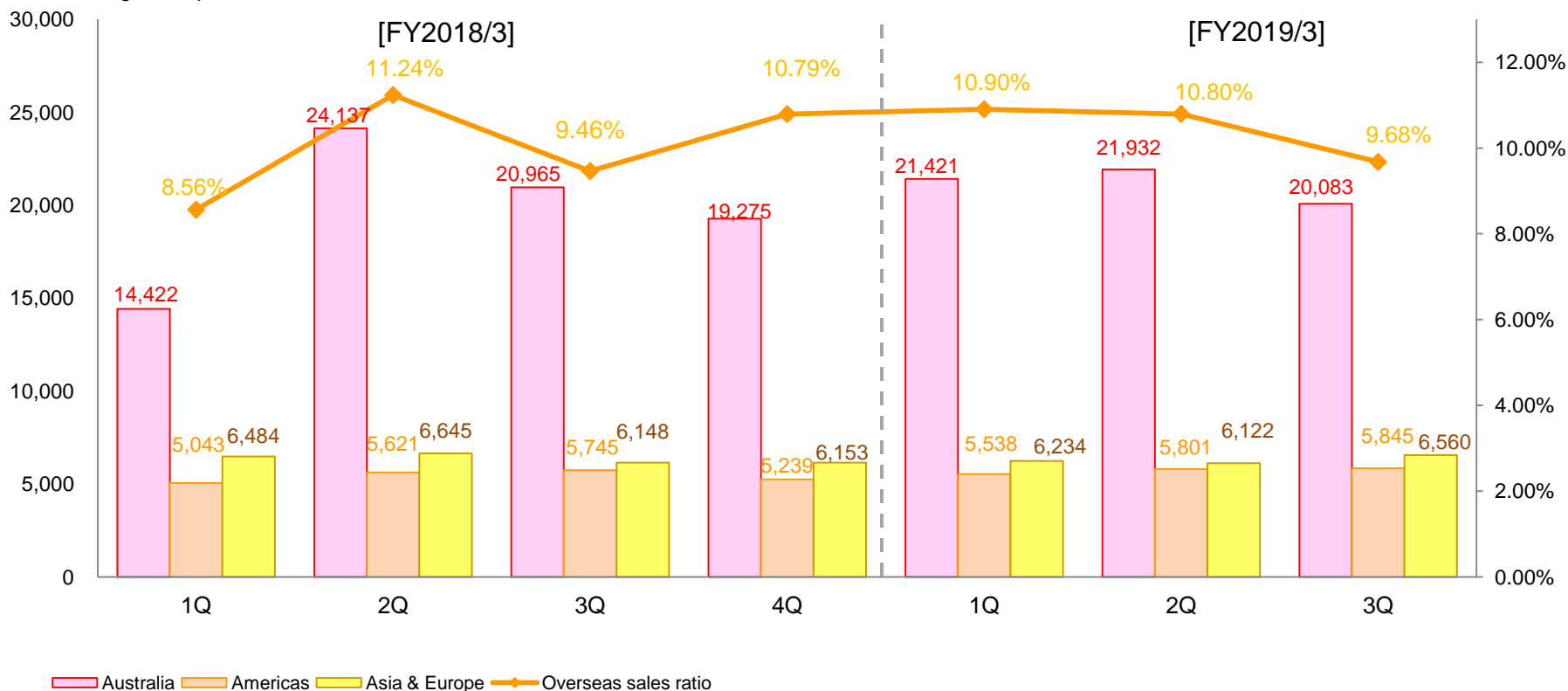
- Australia operations:** Operating income fell short of the forecast as Uruguay struggled with increased livestock procurement costs and weaker currencies in neighboring rival countries.
- Americas operations:** Operating income surpassed the forecast due to the strong fresh meat export environment.
- Asia & Europe operations:** Operating income remained within forecasted level due to the elimination of deficits in Greater China, despite Turkey struggling with increased feed costs due to the weak lira.

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

(¥ million)

	FY2018/3 (IFRS)					FY2019/3 (IFRS)		
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q
Australia	14,422	24,137	20,965	19,275	78,799	21,421	21,932	20,083
Americas	5,043	5,621	5,745	5,239	21,648	5,538	5,801	5,845
Asia & Europe	6,484	6,645	6,148	6,153	25,430	6,234	6,122	6,560
Overseas total	25,949	36,403	32,857	30,668	125,877	33,192	33,857	32,487
Overseas sales ratio	8.56%	11.24%	9.46%	10.79%	10.00%	10.90%	10.80%	9.68%

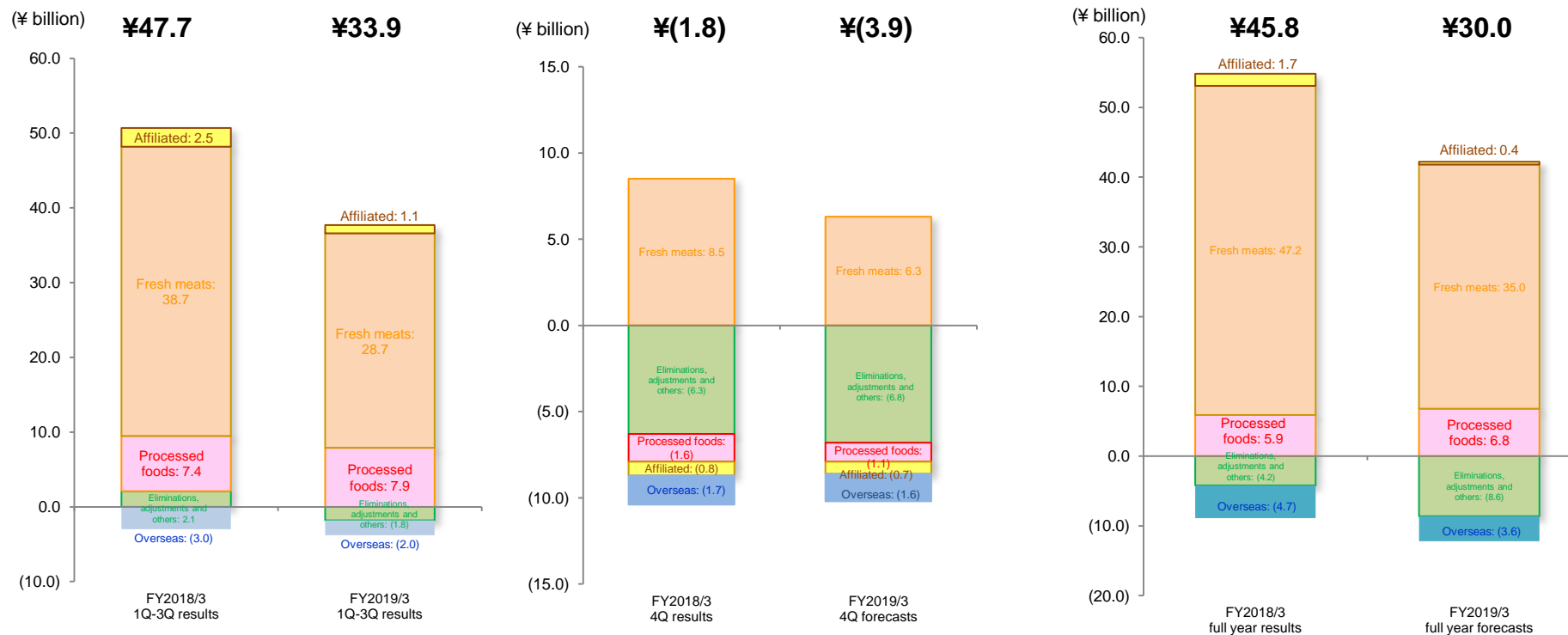
\* Net sales figures represent net sales to external customers.



## **II. Outlook for FY2019/3**

- 1. FY2019/3 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. FY2019/3 Operating Income Forecasts (1)



	FY2019/3 1Q-3Q			FY2019/3 4Q			FY2019/3 full year		
	FY2018/3 results	Results	Variance	FY2018/3 results	Forecasts	Variance	FY2018/3 results	Forecasts	Variance
Processed Foods Business Division	7.4	7.9	0.4	(1.6)	(1.1)	0.5	5.9	6.8	0.9
Fresh Meats Business Division	38.7	28.7	(10.0)	8.5	6.3	(2.2)	47.2	35.0	(12.2)
Affiliated Business Division	2.5	1.1	(1.4)	(0.8)	(0.7)	0.1	1.7	0.4	(1.3)
Overseas Business Division	(3.0)	(2.0)	1.1	(1.7)	(1.6)	0.0	(4.7)	(3.6)	1.1
Eliminations, adjustments and others	2.1	(1.8)	(3.9)	(6.3)	(6.8)	(0.5)	(4.2)	(8.6)	(4.5)
<b>Total</b>	<b>47.7</b>	<b>33.9</b>	<b>(13.8)</b>	<b>(1.8)</b>	<b>(3.9)</b>	<b>(2.0)</b>	<b>45.8</b>	<b>30.0</b>	<b>(15.8)</b>



# 1. FY2019/3 Operating Income Forecasts (2)

## Variance from 2Q forecasts

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

(¥ billion)

	FY2019/3 3Q			FY2019/3 4Q			FY2019/3 2nd half			FY2019/3 full year		
	2Q forecasts	Results	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
Processed Foods Business Division	5.3	<b>5.1</b>	(0.2)	(0.4)	<b>(1.1)</b>	(0.7)	5.0	<b>4.0</b>	(0.9)	7.7	<b>6.8</b>	(0.9)
Fresh Meats Business Division	10.5	<b>10.5</b>	0.0	7.3	<b>6.3</b>	(1.0)	17.8	<b>16.8</b>	(1.0)	36.0	<b>35.0</b>	(1.0)
Affiliated Business Division	1.4	<b>0.9</b>	(0.5)	(0.3)	<b>(0.7)</b>	(0.4)	1.1	<b>0.2</b>	(0.9)	1.3	<b>0.4</b>	(0.9)
Overseas Business Division	(0.9)	<b>(1.1)</b>	(0.3)	(0.3)	<b>(1.6)</b>	(1.4)	(1.1)	<b>(2.7)</b>	(1.6)	(2.0)	<b>(3.6)</b>	(1.6)
Eliminations, adjustments and others	(1.8)	<b>(2.9)</b>	(1.1)	(6.3)	<b>(6.8)</b>	(0.5)	(8.1)	<b>(9.7)</b>	(1.6)	(7.0)	<b>(8.6)</b>	(1.6)
of which structural reform expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which value creation expenses	(0.0)	0.0	0.0	(0.2)	(0.0)	0.2	(0.2)	(0.0)	0.2	(0.2)	(0.0)	0.2
of which profit or loss of baseball club	(1.6)	(1.8)	(0.2)	(2.0)	(2.2)	(0.2)	(3.6)	(3.9)	(0.4)	(1.9)	(2.3)	(0.4)
of which loss on disaster	(0.0)	0.4	0.5	0.0	(0.2)	(0.2)	(0.0)	0.2	0.3	(1.4)	(1.2)	0.2
of which others	(0.2)	(1.5)	(1.3)	(4.1)	(4.4)	(0.3)	(4.3)	(5.9)	(1.6)	(3.5)	(5.1)	(1.6)
Total	14.5	<b>12.4</b>	(2.1)	0.1	<b>(3.9)</b>	(3.9)	14.6	<b>8.6</b>	(6.0)	36.0	<b>30.0</b>	(6.0)

## Forecast Variation Factors (full year)

- Fresh Meat: Expected to fall short of the forecast due to reduced income from the farming operation in Japan caused by bearish fresh meat market prices.
- Overseas: Expected to fall short of the forecast due to temporary expenses in Turkey and struggles in Uruguay caused by weaker currencies in neighboring rival countries.
- Others: Deficit is expected to grow due to IFRS adjustments during 3Q such as exchange rates and biological accounting.
- Disasters: Loss on disasters is expected to stop at ¥(1.2) billion.

# 1. FY2019/3 Operating Income Forecasts (3)

## Factor Analysis: Changes in operating income forecasts

### ○ Processed Foods Business Division

(¥ billion)

Processed Foods Business Division	Factors for changes in operating income								
	4Q			2nd half			Full year		
	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
<b>Total existing businesses</b>	0.3	<b>(0.4)</b>	(0.7)	0.8	<b>(0.1)</b>	(0.8)	1.5	<b>0.7</b>	(0.8)
External factors	(0.2)	<b>0.1</b>	0.3	(0.2)	<b>0.1</b>	0.3	(0.6)	<b>(0.3)</b>	0.3
Principal raw material price	0.7	<b>0.7</b>	0.0	1.3	<b>1.3</b>	(0.0)	1.4	<b>1.4</b>	(0.0)
Other materials/fuels	(0.8)	<b>(0.5)</b>	0.3	(1.5)	<b>(1.2)</b>	0.3	(2.0)	<b>(1.7)</b>	0.3
Internal factors	0.5	<b>(0.5)</b>	(1.0)	0.9	<b>(0.2)</b>	(1.1)	2.1	<b>1.0</b>	(1.1)
Volume expansion	0.0	<b>(0.0)</b>	(0.0)	0.0	<b>(0.3)</b>	(0.3)	0.0	<b>(0.3)</b>	(0.3)
Improvement activities	0.5	<b>(0.5)</b>	(1.0)	0.9	<b>0.1</b>	(0.8)	2.1	<b>1.3</b>	(0.8)
<b>Developing businesses</b>	0.1	<b>0.2</b>	0.0	0.3	<b>0.2</b>	(0.1)	0.2	<b>0.1</b>	(0.1)
<b>Others</b>	0.7	<b>0.7</b>	0.0	1.0	<b>1.0</b>	0.0	0.1	<b>0.1</b>	0.0
<b>Total</b>	1.2	<b>0.5</b>	(0.7)	2.0	<b>1.1</b>	(0.9)	1.8	<b>0.9</b>	(0.9)

### ○ Fresh Meats Business Division

(¥ billion)

Fresh Meats Business Division	Factors for changes in operating income								
	4Q			2nd half			Full year		
	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
Imported fresh meat market	0.9	<b>0.5</b>	(0.4)	0.8	<b>0.5</b>	(0.3)	(0.5)	<b>(0.8)</b>	(0.3)
Domestic fresh meat market	(0.6)	<b>(0.7)</b>	(0.0)	(1.1)	<b>(0.8)</b>	0.4	(2.4)	<b>(2.0)</b>	0.4
Changes in farming operation in Japan	(1.3)	<b>(1.8)</b>	(0.5)	(3.0)	<b>(3.8)</b>	(0.8)	(5.8)	<b>(6.7)</b>	(0.8)
Growth in Nippon Food Group	(0.2)	<b>(0.2)</b>	0.0	(0.6)	<b>(0.6)</b>	0.1	(1.7)	<b>(1.7)</b>	0.1
Other factors	0.0	<b>(0.0)</b>	(0.0)	0.0	<b>(0.3)</b>	(0.3)	(0.7)	<b>(1.0)</b>	(0.3)
<b>Total</b>	(1.2)	<b>(2.2)</b>	(1.0)	(3.9)	<b>(4.9)</b>	(1.0)	(11.2)	<b>(12.2)</b>	(1.0)

### ○ Overseas Business Division

(¥ billion)

Overseas Business Division	Factors for changes in operating income								
	4Q			2nd half			Full year		
	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
Australia (including Uruguay)	1.0	<b>0.5</b>	(0.5)	1.6	<b>0.6</b>	(1.0)	2.4	<b>1.4</b>	(1.0)
Americas	0.2	<b>0.1</b>	(0.1)	0.1	<b>0.2</b>	0.0	0.3	<b>0.3</b>	0.0
Asia & Europe	0.4	<b>(0.4)</b>	(0.8)	0.7	<b>(0.0)</b>	(0.7)	0.3	<b>(0.4)</b>	(0.7)
Other factors	(0.2)	<b>(0.1)</b>	0.1	(0.2)	<b>(0.1)</b>	0.0	(0.3)	<b>(0.2)</b>	0.0
<b>Total</b>	1.4	<b>0.0</b>	(1.4)	2.2	<b>0.6</b>	(1.6)	2.7	<b>1.1</b>	(1.6)

### Operating income forecasts

(¥ billion)

Overseas Business Division	Operating income					
	4Q		2nd half		Full year	
	2Q forecasts	Forecasts	2Q forecasts	Forecasts	2Q forecasts	Forecasts
Australia (including Uruguay)	0.2	<b>(0.3)</b>	(0.2)	<b>(1.2)</b>	(0.7)	<b>(1.7)</b>
Americas	0.0	<b>(0.1)</b>	(0.3)	<b>(0.2)</b>	(0.3)	<b>(0.3)</b>
Asia & Europe	(0.2)	<b>(1.0)</b>	(0.1)	<b>(0.8)</b>	0.1	<b>(0.6)</b>
Other factors	(0.4)	<b>(0.2)</b>	(0.6)	<b>(0.5)</b>	(1.2)	<b>(1.1)</b>
<b>Total</b>	(0.3)	<b>(1.6)</b>	(1.1)	<b>(2.7)</b>	(2.0)	<b>(3.6)</b>

## 2. Processed Foods Business Division: Outlook

### ● Sales promotion measures for major consumer products

- 1) For ham and sausages, enhance sales promotions such as the 35th anniversary sales promotion of core product *SCHAU ESSEN* and measures to increase volume of *Hojun coarse-ground weiners*, while also acquiring new fans by launching new products.
- 2) For deli products, increase revenue and income by further expanding sales of core products *Chuka Meisai* and *Ishigama Kobo*, and other products, as well as enhancing lineup through introduction of new products.



The *SCHAU ESSEN* brand offers a new Hot Chili (*Kindan-no-umakara*) flavor to acquire younger customers.



Propose a product incorporating the spicy trend for the *Chuka Meisai* brand.

Reference: Net sales and forecasts of major consumer products (year-on-year comparison)

Hams and sausages	FY2019/3 full year forecasts	Deli and processed foods	FY2019/3 full year forecasts
Wieners	101%	Chilled bakery	105%
Loin hams and bacons	100%	Chilled dish	109%
Yakibutas	98%	Fried chicken	99%
Total consumer products	100%	Hamburg and meatball	105%
		Total consumer products	105%

\* This forecast was revised after the third quarter.

### ● Sales promotion measures by channel

#### 1) Consumer products

- Enhance store sales promotions, mainly area promotions, to increase sales.
- Expand sales and improve profitability through introduction of new products.
- Expand sales routes including drug stores and e-commerce.

#### 2) Commercial-use products

- Acquire large product deals and introduce new products for CVS and restaurant channels.
- Increase income in core categories by improving line operation with enhanced coordination between manufacturing and sales.

Reference: Net sales forecasts by channel (year-on-year comparison)

FY2019/3 full year forecasts		Amount
Hams and sausages	Consumer	100%
	Commercial-use	93%
	Total	98%
Deli and processed foods	Consumer	105%
	Commercial-use	94%
	Total	100%

\* This forecast was revised after the third quarter.

### 3. Fresh Meats Business Division: Outlook

#### ● Domestic production business

- Feed prices are expected to grow in 4Q. While production of corn and soy beans is stable, attention must be paid to the US-China trade friction.
- Stable supply of chicken is expected due to increased production by companies. We also plan to improve breeding productivity for stable production in response to solid demand.
- Despite pork's sporadic diseases, the number of hogs are increasing mainly in eastern Japan, and the number of livestock shipped is expected to be comparable to last year.

#### ● Domestic fresh meat market

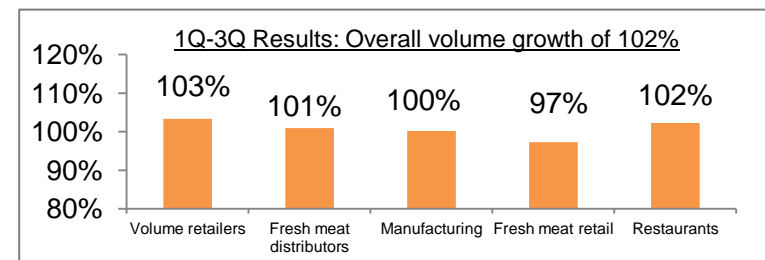
- A shortage in supplies of Japanese beef and Holstein beef is continuing. The prices are expected to remain high going forward.
- The domestic supply volume of pork is stable and the market price are also expected to remain stable.
- While the market price of chicken was weak due to a stable supply, the market price of imported chicken is on an upward trend, and close attention must be paid in the future especially to breast meat.

#### ● Imported fresh meat market

- Beef prices are expected to remain high because of strong demand especially in Asia.
- Pork prices are expected to remain stable because, among other reasons, the domestic pork market price is relatively reasonable amid increasing production in North America.
- Market prices for chicken are rising due to more expensive Brazilian chicken by stronger foreign currencies and decreased inventory in the domestic market.

#### ● Fresh meat sales (food companies)

- Starting with the Nipponham Group Exhibition in January, propose value-added products such as branded fresh meats and foods processed overseas in order to increase sales.
- Increase actual sales by airing television commercials for *Sakurahime* and *Mugikomachi* in each area, in addition to actively conducting consumer campaigns and store promotions.



## 4. Affiliated Business Division: Outlook

### ● Sales promotion measures for marine products business

- Secure proprietary procurement routes in Japan and overseas to enhance raw materials procurement capacity.
- Reduce the number of items and streamline manufacturing to enhance earning capability.
- Work on further structural reform by realigning purchasing and sales systems.
- Continue to enhance sales of canned mackerel, which has high demand.



Canned mackerel in renewed package that highlights the domestic ingredients.

### ● Sales promotion measures for dairy products business

#### (Cheese)

- Continue price revision to cover soaring raw materials costs.
- Build a structure to increase production in our two plants in the east and west to enhance sales of consumer products.

#### (Yogurt)

- Build an effective production system in preparation for full operation of the new plant from April.
- Enhance sales of high income products, focused on smoothies and yogurt.



Working to further promote sales of smoothies by introducing new products

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

- Marine products prices are remaining high due to the impact of decreased supply volume caused by increasing global demand.
- Prices of raw materials for cheese are expected to remain high due to increasing global demand.
- Prices of skim milk powder, a principal raw material, are expected to remain high due to decreased raw milk production caused by drought.

## 5. Overseas Business Division: Outlook

### ● Australia

#### <Australia>

- Fattening: Livestock procurement prices are expected to bottom out and costs such as grain prices are expected to rise.
- Processing: Livestock procurement costs are expected to rise due to the deteriorating collection environment.
- Sales: While sales prices have stabilized, attention must still be paid to trends in U.S. beef.

→Currently, livestock procurement is moving ahead of schedule. We will secure income amid the expected difficulties in procurement going forward.

#### <Uruguay>

- Difficult situations are expected to continue in 4Q, with livestock procurement costs remaining high and the currencies of beef export rival countries remaining weak.

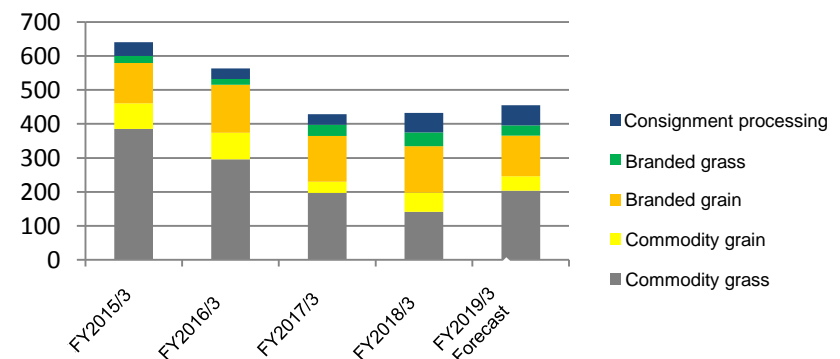
Reference: FY2019/3 1Q-3Q Australia sales results

Major countries for sales	Volume (ratio break down)	Volume (variance year on year)
Japan	26%	98%
United States	12%	103%
Korea	11%	112%
China	11%	120%
Taiwan	4%	102%
Australia	24%	110%
Others	13%	97%
<b>Total</b>	<b>100%</b>	<b>105%</b>

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

Reference: FY2019/3 Forecast of the number of cattle to be processed in Australia

(thousand heads)



### ● Americas

- Fresh meat exports are expected to secure stable income as procurement prices remain low.
- Processed food products are expected to struggle in securing income as sales competition continues to be more intense.

### ● Asia & Europe

- Turkey is expected to struggle in securing income due to sustained high feed prices caused by the weak lira and increasing manufacturing costs.
- Income in Thailand is expected to recover due to increased sales volume of processed chicken products to Japan.

## **III. Consolidated Financial Results for FY2019/3 3Q**

- 1. FY2019/3 Business Results at a Glance and Full Year Forecasts**
- 2. Balance Sheets / Capital Expenditures / Depreciation and Amortization**

# 1. FY2019/3 Business Results at a Glance and Full Year Forecasts

\* Variance and volume growth rate: Year-on-year comparisons are expressed as % increases/decreases.

(¥ million, %)

	FY2018/3 results (IFRS)			FY2019/3 results and forecasts (IFRS)								
	1Q-3Q results	4Q results	Full year results	1Q-3Q results	Variance	Volume growth rate	4Q forecasts	Variance	Volume growth rate	Full year forecasts	Variance	Volume growth rate
Net sales	974,254	284,209	1,258,463	953,761	(2.1)	-	296,239	4.2	-	1,250,000	(0.7)	-
Hams and sausages	104,598	27,806	132,404	100,908	(3.5)	(3.0)	28,092	1.0	(0.4)	129,000	(2.6)	(2.4)
Processed foods	177,869	55,220	233,089	177,391	(0.3)	(3.0)	54,109	(2.0)	(4.6)	231,500	(0.7)	(3.4)
Fresh meats	551,387	164,956	716,343	541,742	(1.7)	1.1	173,558	5.2	6.5	715,300	(0.1)	2.4
Beef	227,002	66,285	293,287	231,294	1.9	4.3	69,606	5.0	12.7	300,900	2.6	6.1
Pork	174,263	52,923	227,186	169,205	(2.9)	1.6	54,195	2.4	3.6	223,400	(1.7)	2.1
Chicken	131,613	40,888	172,501	120,597	(8.4)	(1.9)	44,103	7.9	5.3	164,700	(4.5)	(0.1)
Other fresh meats	18,509	4,860	23,369	20,646	11.5	10.3	5,654	16.3	7.3	26,300	12.5	9.7
Marine products	74,737	19,067	93,804	69,490	(7.0)	(17.4)	21,410	12.3	(16.1)	90,900	(3.1)	(17.1)
Dairy products	26,107	8,084	34,191	25,705	(1.5)	(2.2)	8,195	1.4	(0.4)	33,900	(0.9)	(1.8)
Others	39,556	9,076	48,632	38,525	(2.6)	-	10,875	19.8	-	49,400	1.6	-
Cost of goods sold	804,144	243,334	1,047,478	794,563	(1.2)							
Gross profit	170,110	40,875	210,985	159,198	(6.4)							
Gross profit ratio	17.5%	14.4%	16.8%	16.7%	-							
SG&A expenses	122,436	42,719	165,155	125,337	2.4							
Operating income	47,674	(1,844)	45,830	33,861	(29.0)		(3,861)	-		30,000	(34.5)	
Transfer fee for a professional baseball player	2,273	-	2,273	-	-		-	-		-	-	
Other income and expenses	1,681	1,017	2,698	2,319	38.0		(1,319)	-		1,000	(62.9)	
Finance income and costs	256	672	928	(1,965)	-		(2,235)	-		(4,200)	-	
Equity in earnings (losses) of associated companies	877	192	1,069	469	(46.5)		(269)	-		200	(81.3)	
Profit before tax	52,761	37	52,798	34,684	(34.3)		(7,684)	-		27,000	(48.9)	
Income tax expense	16,227	(1,153)	15,074	10,788	(33.5)		(2,388)	-		8,400	(44.3)	
Tax rate	30.8%	-	28.6%	31.1%	-		31.1%	-		31.1%	-	
Profit	36,534	1,190	37,724	23,896	(34.6)		(5,296)	-		18,600	(50.7)	
Profit attributable to owners of parent	36,221	1,331	37,552	24,046	(33.6)		(5,046)	-		19,000	(49.4)	

\* Equity in earnings (losses) of associated companies in 3Q includes losses due to fire at Panus in Thailand.



## 2. Balance Sheets / Capital Expenditures / Depreciation and Amortization

(¥ million, %)

	Consolidated balance sheets	FY2018/3 Year-end results	FY2019/3 3Q results	Variance (%)	Variance
★(1)	Total assets	734,528	776,969	5.8	42,441
	Cash and cash equivalents	58,290	46,104	(20.9)	(12,186)
	Trade and other receivables	154,781	191,233	23.6	36,452
★(2)	Inventories	105,422	116,533	10.5	11,111
	Property, plant and equipment	269,143	283,356	5.3	14,213
	Other financial assets - non-current	40,638	33,944	(16.5)	(6,694)
	Deferred tax assets	24,772	25,546	3.1	774
	Total liabilities	311,640	346,769	11.3	35,129
	Trade and other payables	113,984	132,856	16.6	18,872
★(3)	Interest-bearing debt	111,401	144,051	29.3	32,650
	Total equity attributable to owners of parent	417,982	425,452	1.8	7,470
	Non-controlling interests	4,906	4,748	(3.2)	(158)
	Total equity	422,888	430,200	1.7	7,312

Major reasons for  
increase/decrease

- ★(1) Total assets: Total assets increased by approximately ¥42.4 billion mainly due to increased property, plant and equipment by capital expenditures as well as increased trade receivables despite a decrease in cash and cash equivalents.
- ★(2) Inventories: Increased by approximately ¥11.1 billion, due to increases of all types of fresh meat livestock as well as marine products.
- ★(3) Interest-bearing debt: Increased by approximately ¥32.7 billion, due primarily to increase in short term bank loans.

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2018/3 1Q-3Q results	FY2019/3			FY2019/3 Full year forecasts
		1Q-3Q results	Variance (%)	Variance	
Capital expenditures	24,317	35,102	44.4	10,785	52,000
Processed Foods Business Division	7,585	6,933	(8.6)	(652)	10,200
Fresh Meats Business Division	8,573	16,023	86.9	7,450	22,200
Affiliated Business Division	3,956	7,206	82.2	3,250	11,000
Overseas Business Division	2,585	4,000	54.7	1,415	6,600
Other facilities	1,618	940	(41.9)	(678)	2,000
Depreciation and amortization	15,339	16,439	7.2	1,100	22,500

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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.