

# Business Results

for the Third Quarter of FY2020/3

January 31, 2020 (Fri.)  
NH Foods Ltd.

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\*The Company has adopted International Financial Reporting Standards (“IFRS”) since FY2019/3.

Accordingly, we have retroactively revised all figures up to FY2018/3.

\*For the purpose of clarifying income derived from business activities, NH Foods Ltd. and its subsidiaries (the “Group”) uses business profit instead of operating income from forecast of consolidated business results for the year ending March 31, 2020 onward. Business profit is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items.

# **I. Consolidated Business Results for FY2020/3 3Q**

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

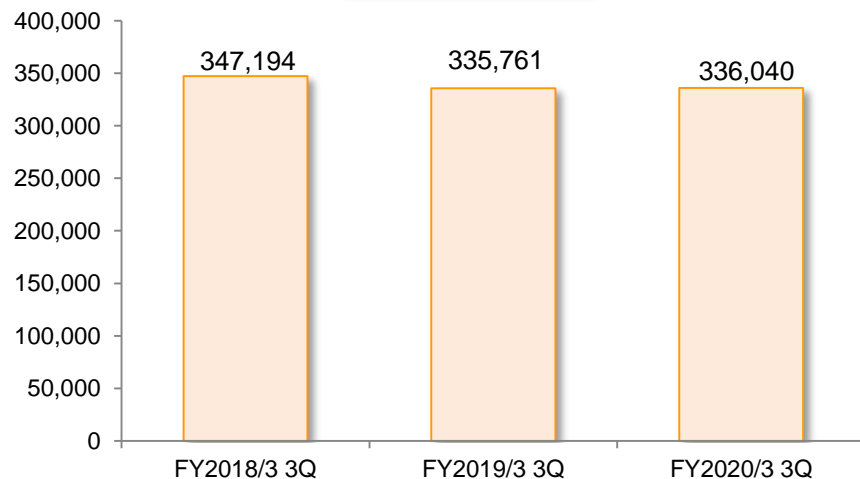
(¥ million)

		FY2018/3 3Q	FY2019/3 3Q	FY2020/3 3Q	Variance	Variance (%)
Processed Foods Business Division	Net sales	102,196	98,583	<b>99,093</b>	510	0.5
	Business profit	4,545	5,113	<b>5,993</b>	880	17.2
Fresh Meats Business Division	Net sales	211,682	204,127	<b>207,387</b>	3,260	1.6
	Business profit	13,206	10,451	<b>10,478</b>	27	0.3
Affiliated Business Division	Net sales	48,513	45,754	<b>42,514</b>	(3,240)	(7.1)
	Business profit	1,292	875	<b>1,122</b>	247	28.2
Overseas Business Division	Net sales	66,786	65,802	<b>66,207</b>	405	0.6
	Business profit	(1,672)	(1,103)	<b>1,146</b>	2,249	-
Eliminations, adjustments and others	Net sales	(81,983)	(78,505)	<b>(79,161)</b>	(656)	-
	Business profit	53	(1,713)	<b>(1,332)</b>	381	-
Consolidated	Net sales	347,194	335,761	<b>336,040</b>	279	0.1
	Business profit	17,424	13,623	<b>17,407</b>	3,784	27.8

(¥ million)

## Net Sales

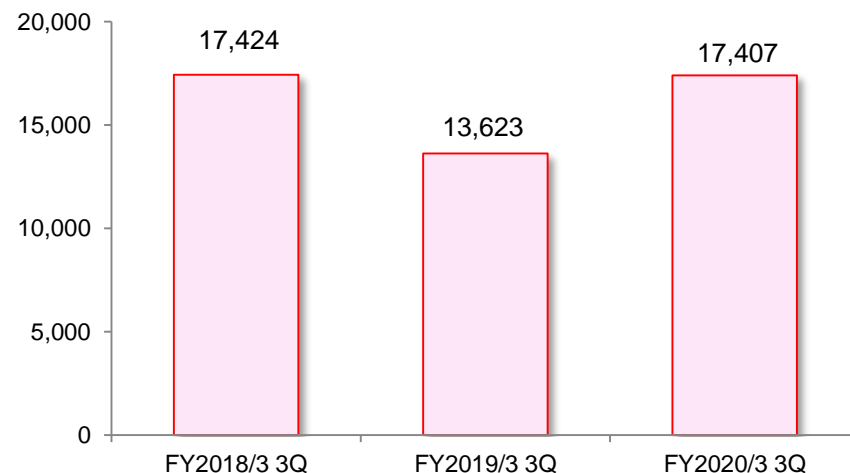
(Consolidated)



(¥ million)

## Business Profit

(Consolidated)



- Net sales for each segment include intersegment sales.

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

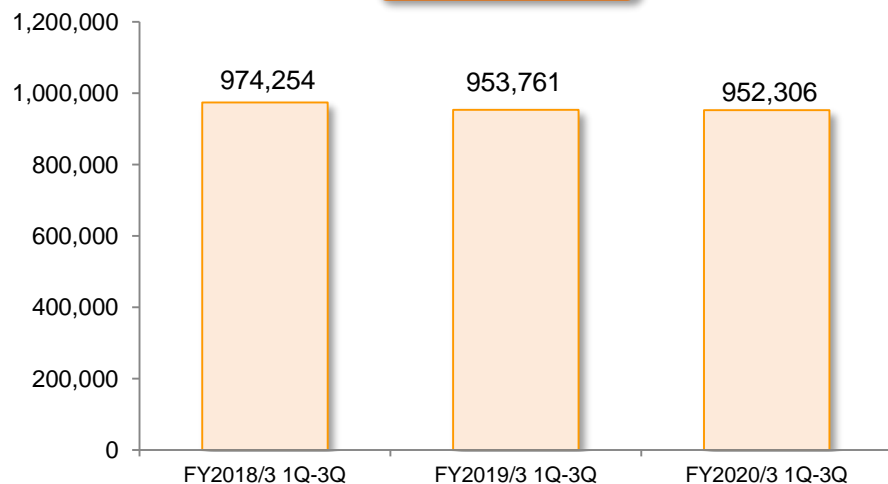
(¥ million)

		FY2018/3 1Q-3Q	FY2019/3 1Q-3Q	FY2020/3 1Q-3Q	Variance	Variance (%)
Processed Foods Business Division	Net sales	274,709	273,046	<b>272,186</b>	(860)	(0.3)
	Business profit	7,432	7,866	<b>10,559</b>	2,693	34.2
Fresh Meats Business Division	Net sales	601,279	583,262	<b>594,874</b>	11,612	2.0
	Business profit	38,711	28,703	<b>25,168</b>	(3,535)	(12.3)
Affiliated Business Division	Net sales	128,438	121,706	<b>112,135</b>	(9,571)	(7.9)
	Business profit	2,456	1,068	<b>1,356</b>	288	27.0
Overseas Business Division	Net sales	193,894	197,459	<b>197,975</b>	516	0.3
	Business profit	(3,033)	(1,958)	<b>3,048</b>	5,006	-
Eliminations, adjustments and others	Net sales	(224,066)	(221,712)	<b>(224,864)</b>	(3,152)	-
	Business profit	519	(185)	<b>(892)</b>	(707)	-
Consolidated	Net sales	974,254	953,761	<b>952,306</b>	(1,455)	(0.2)
	Business profit	46,085	35,494	<b>39,239</b>	3,745	10.6

(¥ million)

(Consolidated)

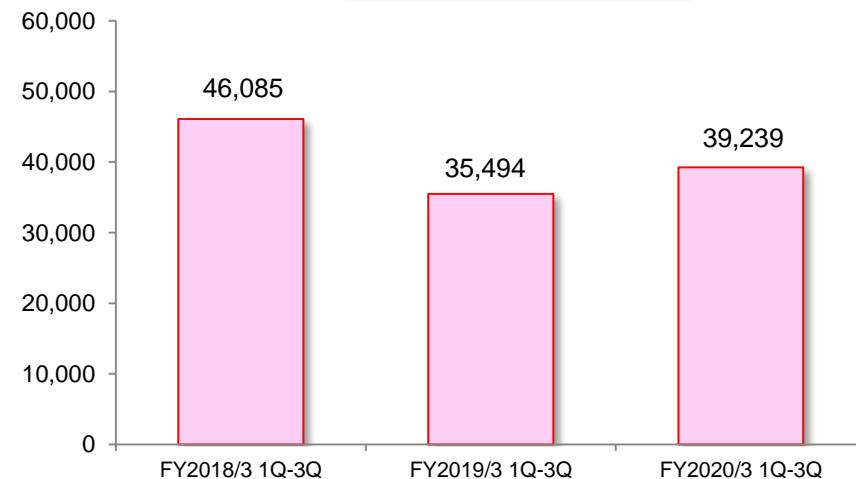
### Net Sales



(¥ million)

(Consolidated)

### Business Profit

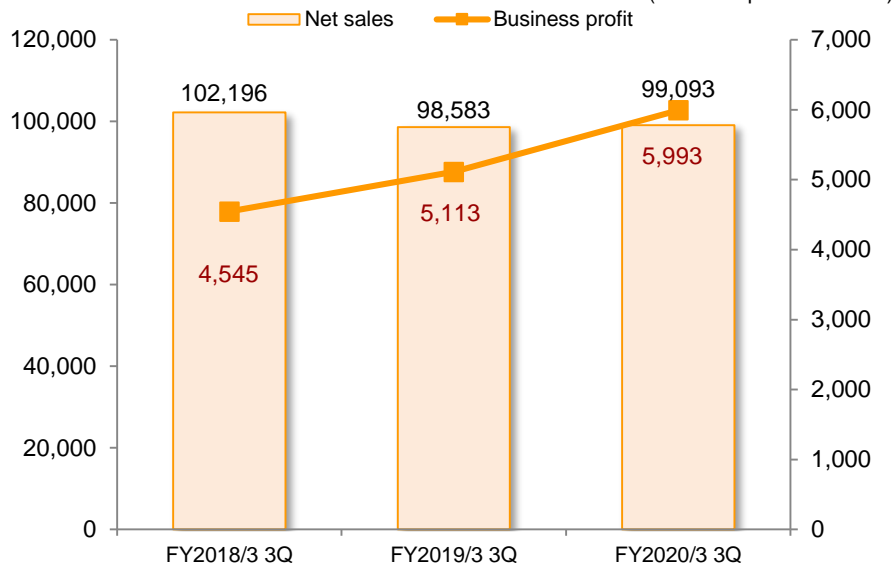


- Net sales for each segment include intersegment sales.

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

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

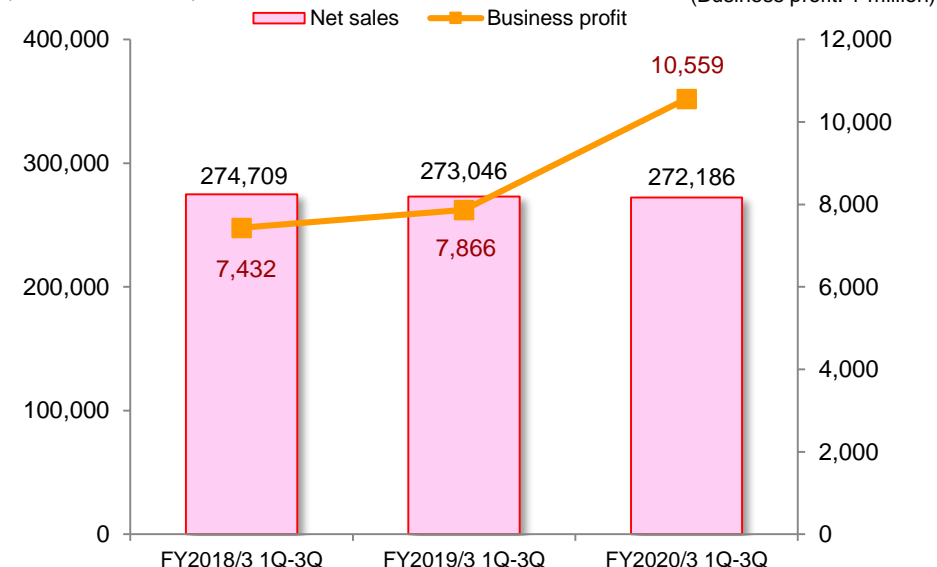
(Net sales: ¥ million)



	FY2019/3 3Q	FY2020/3 3Q	Variance	Variance(%)
Net sales	98,583	99,093	510	0.5
Business profit	5,113	5,993	880	17.2
Business profit ratio	5.2%	6.0%	-	-

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

(Net sales: ¥ million)



	FY2019/3 1Q-3Q	FY2020/3 1Q-3Q	Variance	Variance(%)
Net sales	273,046	272,186	(860)	(0.3)
Business profit	7,866	10,559	2,693	34.2
Business profit ratio	2.9%	3.9%	-	-

#### Net Sales in FY2020/3 1Q-3Q (Apr.-Dec.)

##### Existing businesses (hams, sausages, and deli and processed foods)

Net sales decreased because commercial-use deli foods struggled, despite consumer products' growth due to the introduction of new products to our **SCHAU ESSEN** and pizza lines.

##### Vendor, consumer frozen foods, and logistics businesses

Net sales increased due to the acquisition of new customers in logistics business and introduction of new products in the vendor business.

#### Business Profit in FY2020/3 1Q-3Q (Apr.-Dec.)

##### Existing businesses (hams, sausages, and deli and processed foods)

Business profit increased due to improved gross profit margin from rising unit prices associated with growth of core brand products, in addition to reduction of indirect costs, as well as automation and labor saving initiatives in the manufacturing operations.

##### Vendor, consumer frozen foods, and logistics businesses

Although consumer frozen foods struggled due to a decrease of PB products, business profit increased due to the acquisition of new customers in logistics business and strong performance of vendor business.

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

#### Factor Analysis: Changes in business profit

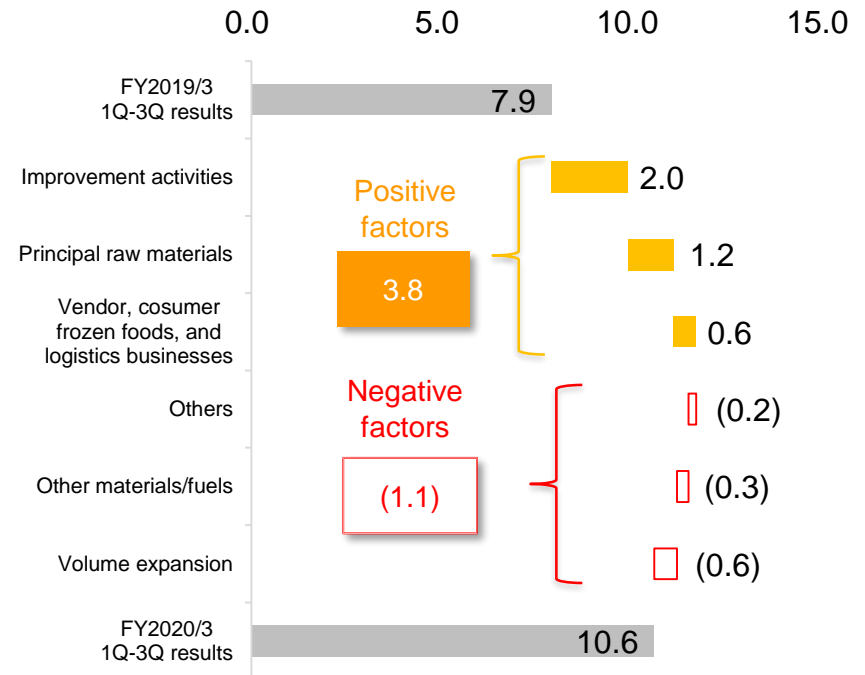
(¥ billion)

	FY2020/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
<b>Existing businesses</b>	1.5	0.8	1.5	2.3	0.8
<i>External factors</i>	0.7	0.2	0.2	0.9	0.8
Principal raw material price	1.1	0.1	0.8	1.2	0.4
Other materials/fuels	(0.3)	0.1	(0.7)	(0.3)	0.4
<i>Internal factors</i>	0.8	0.6	1.3	1.4	0.1
Volume expansion	(0.5)	(0.1)	(0.7)	(0.6)	0.2
Improvement activities	1.3	0.7	2.1	2.0	(0.1)
<b>Vendor, consumer frozen foods, and logistics businesses</b>	0.4	0.2	0.4	0.6	0.2
<b>Others</b>	(0.1)	(0.1)	(0.3)	(0.2)	0.1
<b>Total</b>	1.8	0.9	1.6	2.7	1.1

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

#### Factor Analysis Graph: Changes in business profit results (1Q-3Q)

(¥ billion)



#### ● Forecasts Variation Factor Analysis (FY2020/3 1Q-3Q)

Principal raw materials/other materials:

Business profit exceeded the forecast due to some raw materials and other materials prices being lower than expected and revisions made to purchasing methods.

Volume expansion:

Business profit exceeded the forecast due to growth of consumer brands exceeding the forecast.

Improvement activities:

Although gross profit exceeded the forecast due to the growth of products with high profit margins, expenses fell short of the forecast due to rising logistics costs.

Vendor, consumer frozen foods, and logistics businesses: Business profit exceeded the forecast due to acquisition of new customers in logistics business and introduction of new products in vendor business.

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

#### ● Sales results by channel

Reference: FY2020/3 1Q-3Q year-on-year growth in sales by channel

##### 1) Consumer products

- Ham and sausages exceeded the previous year's sales due to the strong performance of loin ham PB products, in addition to newly acquired customer base thanks to the launch of *SCHAU ESSEN Hot Chili* and *SCHAU ESSEN Cheddar & Camembert*.
- Deli and processed foods exceeded the previous year's sales in value, due to the strong performance of our hamburg and meatball and our chilled bakery, despite chilled dish struggling.

##### 2) Commercial-use products

- Hams and sausages, and deli and processed foods both fell short of the previous year due to decreased sales to side dish and ready-made meal chains.

		Volume	Amount
Hams and sausages	Consumer	102%	102%
	Commercial-use	96%	96%
	Total	100%	100%
Deli and processed foods	Consumer	99%	101%
	Commercial-use	87%	87%
	Total	93%	94%

#### ● Major brands sales results

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



Hams and sausages	FY2020/3 results			Deli and processed foods	FY2020/3 results		
	1st half	3Q	1Q-3Q		1st half	3Q	1Q-3Q
Wieners	102%	102%	102%	Chilled bakery	103%	101%	102%
Loin hams	109%	111%	110%	Chilled dish	97%	96%	97%
Bacons	101%	103%	101%	Fried chicken	100%	100%	100%
Yakibutas	91%	90%	91%	Hamburg and meatball	101%	115%	106%
Consumer products total	102%	103%	102%	Consumer products total	100%	103%	101%

#### ● Gift product sales results



- Performance in the year-end gift-giving season sales for the FY2020/3 was 95% of the level of that in the previous year, putting nearly at the same level as the ham gift market overall.

Reference: Sales of gift products FY2020/3 results

		FY2020/3 results
		Variance
Summer gift-giving season	Overall sales	92%
	(Utsukushi-no-Kuni)	101%
Year-end gift-giving season	Overall sales	95%
	(Utsukushi-no-Kuni)	95%
Total	Overall sales	94%
	(Utsukushi-no-Kuni)	97%
	(Utsukushi-no-Kuni sales ratio)	35%

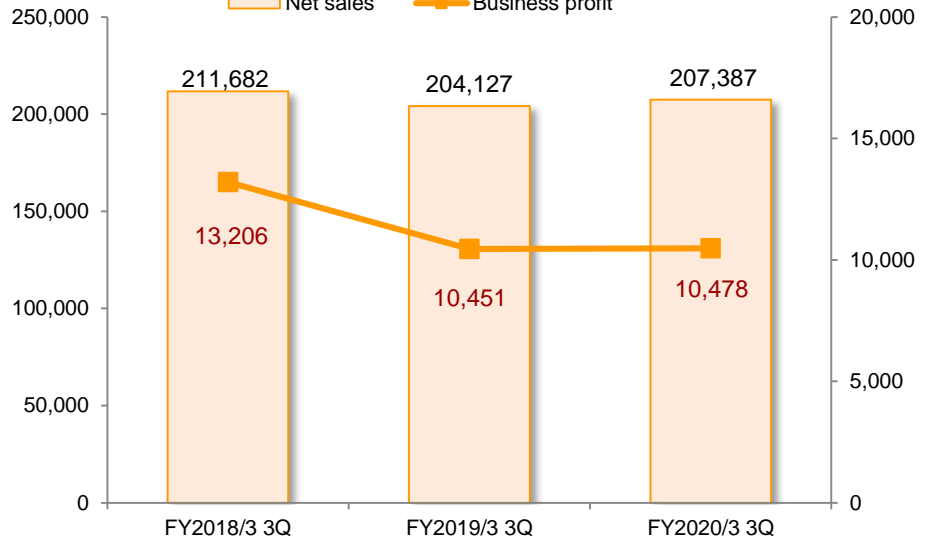


# 4. Segment Data: Fresh Meats Business Division (1)

3Q Results (Oct.-Dec.)

(Net sales: ¥million)

Net sales Business profit



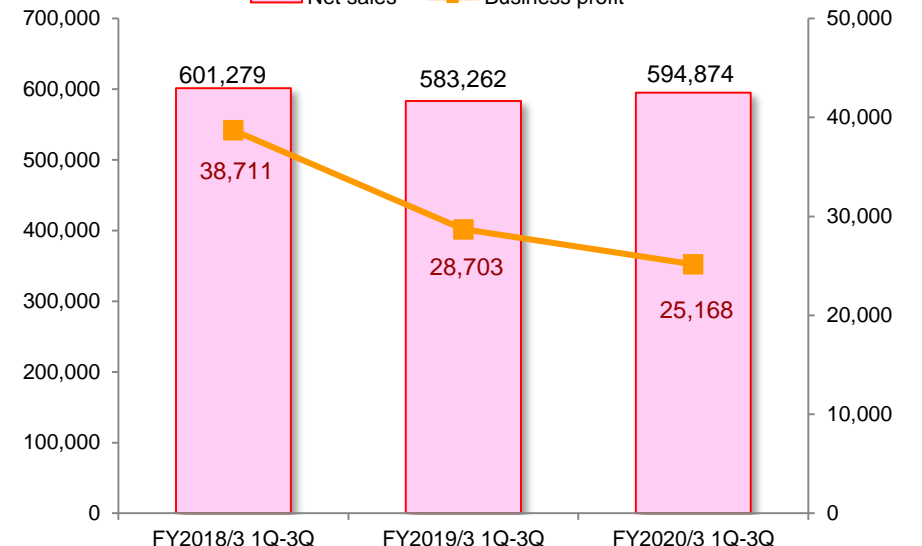
(¥ million)

	FY2019/3 3Q	FY2020/3 3Q	Variance	Variance(%)
Net sales	204,127	207,387	3,260	1.6
Business profit	10,451	10,478	27	0.3
Business profit ratio	5.1%	5.1%	-	-

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

(Net sales: ¥million)

Net sales Business profit



(¥ million)

	FY2019/3 1Q-3Q	FY2020/3 1Q-3Q	Variance	Variance(%)
Net sales	583,262	594,874	11,612	2.0
Business profit	28,703	25,168	(3,535)	(12.3)
Business profit ratio	4.9%	4.2%	-	-

## Net Sales in FY2020/3 1Q-3Q (Apr.-Dec.)

We conducted sales promotion focused on our branded fresh meats, particularly Mugikomachi and Sakurahime, and carried out a promotional campaign using social media in order to enhance communication with consumers.

Also, we increased sales volume and net sales with a focus on domestic and imported chicken and processed meat products by making proposals for broad sales channels, such as beef raised in Canada and Uruguay, as well as pork and chicken raised without antibiotics.

## Business Profit in FY2020/3 1Q-3Q (Apr.-Dec.)

The production operations had lower profit due to rising labor costs and weak market price of domestic chicken, despite efforts to improve breeding performance, streamline operations, and save on labor.

The sales operations also had lower profit due to rising procurement price of domestic and imported beef, as well as the sluggish selling prices of pork and chicken due to a decline in domestic market, despite our efforts to strengthen proposals of branded fresh meats and value added products along with efforts to make proposals and maintain stable product procurement from a wide range of countries of origin.

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

### Factor Analysis: Changes in business profit

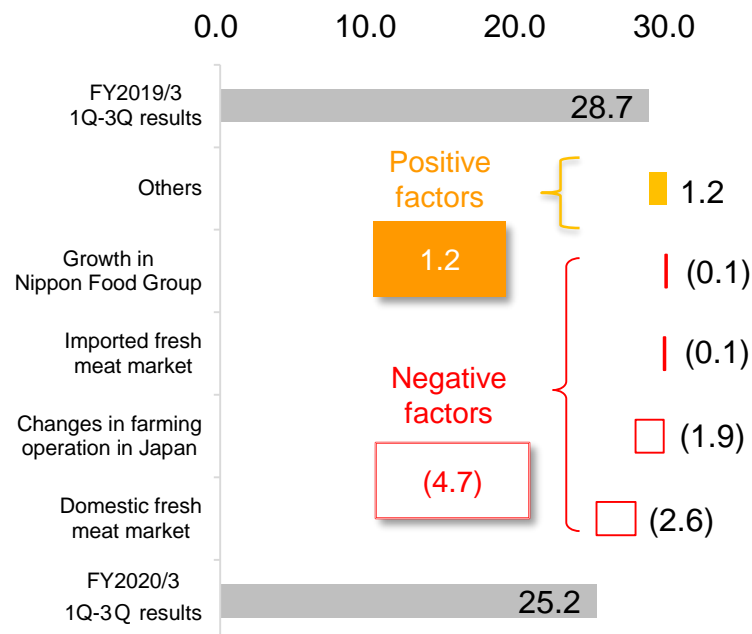
(¥ billion)

	FY2020/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Imported fresh meat market	(0.4)	0.3	(0.5)	(0.1)	0.4
Domestic fresh meat market	(1.8)	(0.8)	(2.8)	(2.6)	0.2
Changes in farming operation in Japan	(2.0)	0.2	(2.4)	(1.9)	0.5
Growth in Nippon Food Group	(0.3)	0.2	(0.3)	(0.1)	0.2
Others	0.9	0.3	1.0	1.2	0.2
<b>Total</b>	<b>(3.6)</b>	<b>0.0</b>	<b>(5.0)</b>	<b>(3.5)</b>	<b>1.5</b>

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

### Factor Analysis Graph: Changes in business profit results (1Q-3Q)

(¥ billion)



### ● Forecasts Variation Factor Analysis (FY2020/3 1Q-3Q)

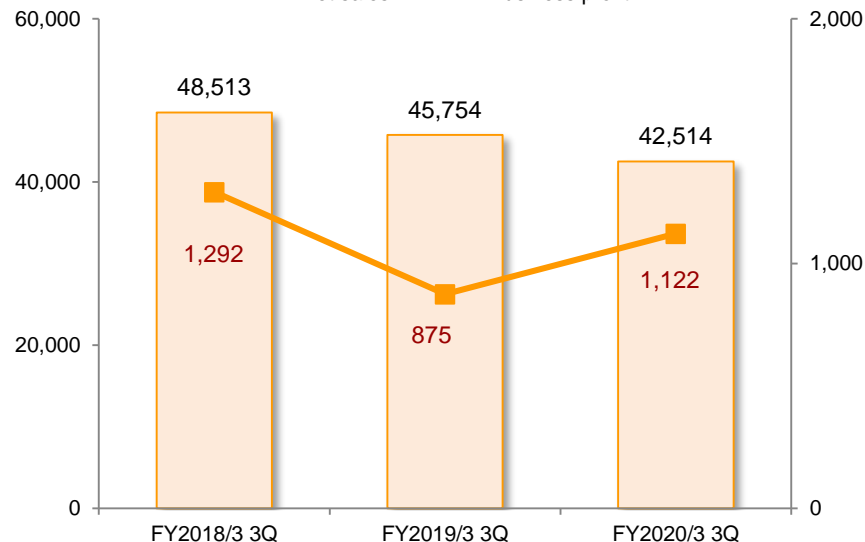
Imported fresh meat market:	Business profit exceeded the forecast thanks to domestic price of imported chicken rising into December, as well as strong shipments at the end of the year.
Domestic fresh meat market:	Business profit exceeded the forecast due to higher profit margin from the impact of Japanese beef and Holstein beef market prices dropping sharply near the end of the year.
Changes in farming operations in Japan:	Business profit exceeded the forecast due to the expansion of sales volume through restoration of poultry houses and improved productivity, as well as chicken market prices exceeding expectations.
Growth in Nippon Food Group:	Business profit exceeded the forecast by securing sales volume and profit mainly in sales to restaurants, as well as improving profit margins of the logistics operations beyond expectations.

# 5. Segment Data: Affiliated Business Division

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

(Net sales: ¥million)

Net sales Business profit

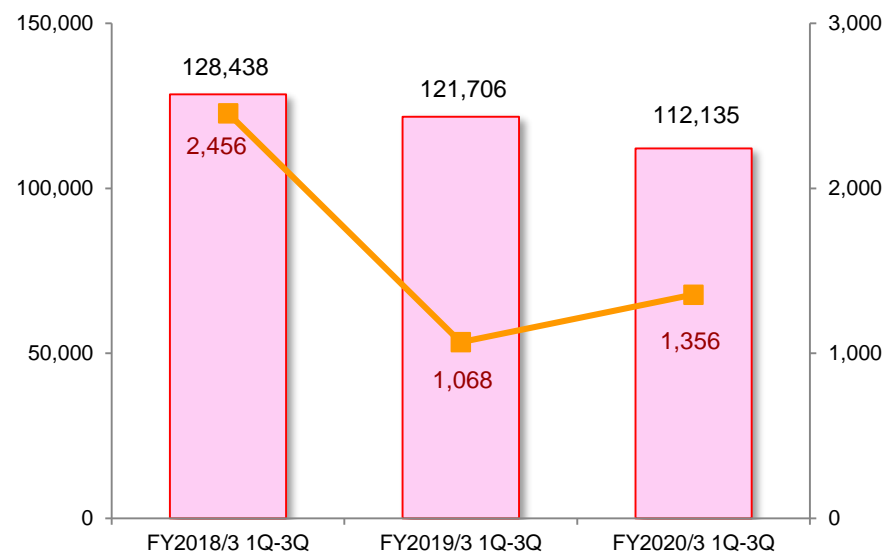


(Business profit: ¥million) (Net sales: ¥million)

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

Net sales Business profit

(Business profit: ¥million)



(¥ million)

(¥ million)

	FY2019/3 3Q	FY2020/3 3Q	Variance	Variance (%)
Net sales	45,754	42,514	(3,240)	(7.1)
Business profit	875	1,122	247	28.2
Business profit ratio	1.9%	2.6%	-	-

	FY2019/3 1Q-3Q	FY2020/3 1Q-3Q	Variance	Variance (%)
Net sales	121,706	112,135	(9,571)	(7.9)
Business profit	1,068	1,356	288	27.0
Business profit ratio	0.9%	1.2%	-	-

### Net Sales in FY2020/3 1Q-3Q (Apr.-Dec.)

#### Marine products business

Net sales decreased due to reduced market prices of our core tuna and roe, as well as the impact of removing unprofitable items.

#### Dairy products business

Net sales increased due to the growth of core yogurt products such as *Vanilla Yogurt* and drink-type yogurts, as well as growth in sales of cheeses such as commercial-use products for CVS and smoked cheese for consumer use.

### Business Profit in FY2020/3 1Q-3Q (Apr.-Dec.)

#### Marine products business

Business profit increased due to improved profit margin for our core shrimp and crab, as well as expanded sales of high value-added products.

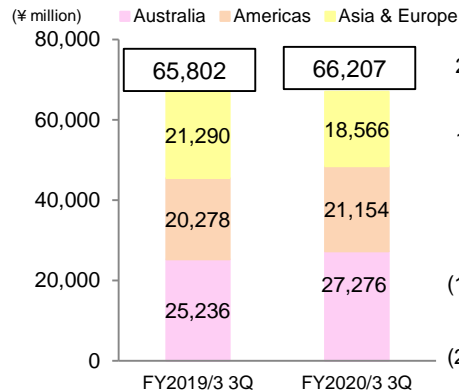
#### Dairy products business

Gross profit increased due to the higher sales of yogurt and cheese. Business profit increased due to improved productivity brought about by full-scale operation of our Takasaki Plant, which produces yogurt.

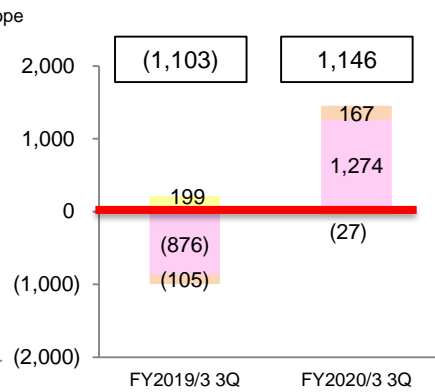
# 6. Segment Data: Overseas Business Division (1)

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

### [Net Sales]



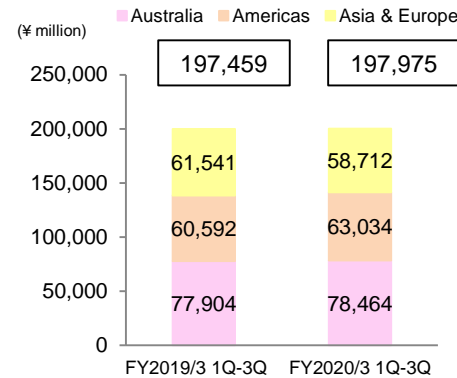
### [Business Profit]



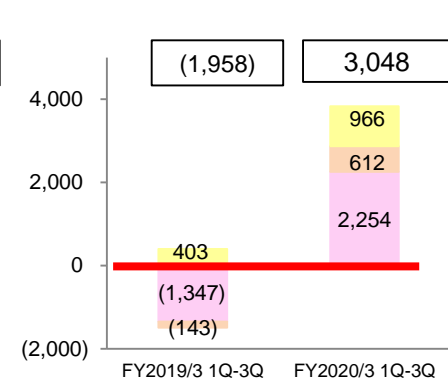
		FY2019/3 3Q	FY2020/3 3Q	Variance	Variance (%)
Overseas total	Net sales	65,802	66,207	405	0.6
	Business profit	(1,103)	1,146	2,249	-
Australia (including Uruguay)	Net sales	25,236	27,276	2,040	8.1
	Business profit	(876)	1,274	2,150	-
Americas	Net sales	20,278	21,154	876	4.3
	Business profit	(105)	167	272	-
Asia & Europe	Net sales	21,290	18,566	(2,724)	(12.8)
	Business profit	199	(27)	(226)	-

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

### [Net Sales]



### [Business Profit]



		FY2019/3 1Q-3Q	FY2020/3 1Q-3Q	Variance	Variance (%)
Overseas total	Net sales	197,459	197,975	516	0.3
	Business profit	(1,958)	3,048	5,006	-
Australia (including Uruguay)	Net sales	77,904	78,464	560	0.7
	Business profit	(1,347)	2,254	3,601	-
Americas	Net sales	60,592	63,034	2,442	4.0
	Business profit	(143)	612	755	-
Asia & Europe	Net sales	61,541	58,712	(2,829)	(4.6)
	Business profit	403	966	563	-

\* Net sales and business profit 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 FY2020/3 1Q-3Q (Apr.-Dec.)

#### Australia/Uruguay

Net sales increased due to steady livestock procurement and strong sales of beef to China.

#### Americas

Net sales increased because of the strong performance of processed food product sales in North America and raw material exports in the United States and Chile.

#### Asia & Europe

Sales of processed food products grew in China and Taiwan, but net sales decreased because sales volume of processed food products shrank in Thailand.

### Business Profit in FY2020/3 1Q-3Q (Apr.-Dec.)

#### Australia/Uruguay

Business profit increased due to continuous stable selling prices in Australia and Uruguay, in addition to improvement in production and processing costs.

#### Americas

Business profit increased due to profits secured in our processed food product sales in North America, as well as stable procurement prices for raw materials exported to Japan from the United States and Chile.

#### Asia & Europe

Business profit increased due to the stabilization of raw material prices for processed food products in Thailand, as well as rising chicken selling prices in Turkey.

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

### Factor Analysis: Changes in business profit

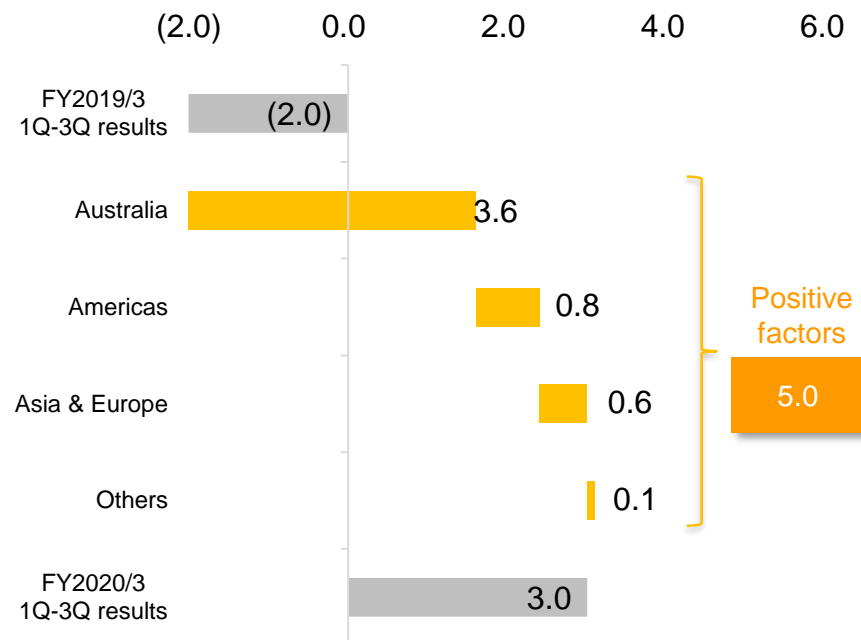
(¥ billion)

	FY2020/3				
	1st half results	3Q results	1Q-3Q forecasts	1Q-3Q results	Variance
Australia (including Uruguay)	1.5	2.2	2.5	3.6	1.1
Americas	0.5	0.3	0.7	0.8	0.0
Asia & Europe	0.8	(0.2)	0.8	0.6	(0.2)
Other factors	0.0	0.1	0.1	0.1	0.0
<b>Total</b>	<b>2.8</b>	<b>2.3</b>	<b>4.1</b>	<b>5.0</b>	<b>1.0</b>

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

### Factor Analysis Graph: Changes in business profit results (1Q-3Q)

(¥ billion)



### ● Forecasts Variation Factor Analysis (FY2020/3 1Q-3Q)

**Australia:** Business profit exceeded the forecast due to steady livestock procurement in Australia, as well as strong sales in both Australia and Uruguay.

**Americas:** Forecasts were met due to the effective use of sales promotion expenses for processed food products in North America.

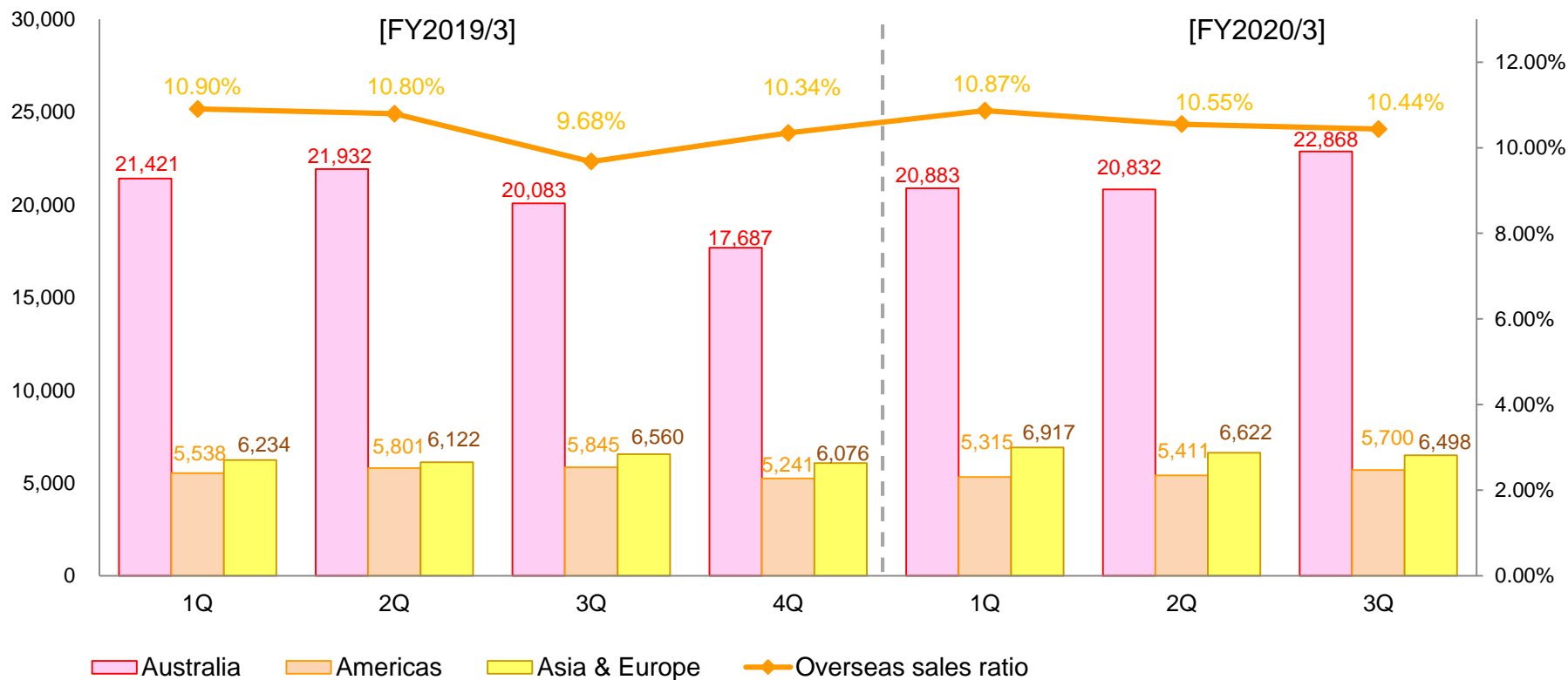
**Asia & Europe:** Business profit fell short of the forecast due to decreased volume of processed food product manufacturing in ASEAN.

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

(¥ million)

	FY2019/3					FY2020/3		
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q
Australia	21,421	21,932	20,083	17,687	81,123	20,883	20,832	22,868
Americas	5,538	5,801	5,845	5,241	22,425	5,315	5,411	5,700
Asia & Europe	6,234	6,122	6,560	6,076	24,992	6,917	6,622	6,498
Overseas total	33,192	33,857	32,487	29,004	128,540	33,116	32,864	35,067
Overseas sales ratio	10.90%	10.80%	9.68%	10.34%	10.42%	10.87%	10.55%	10.44%

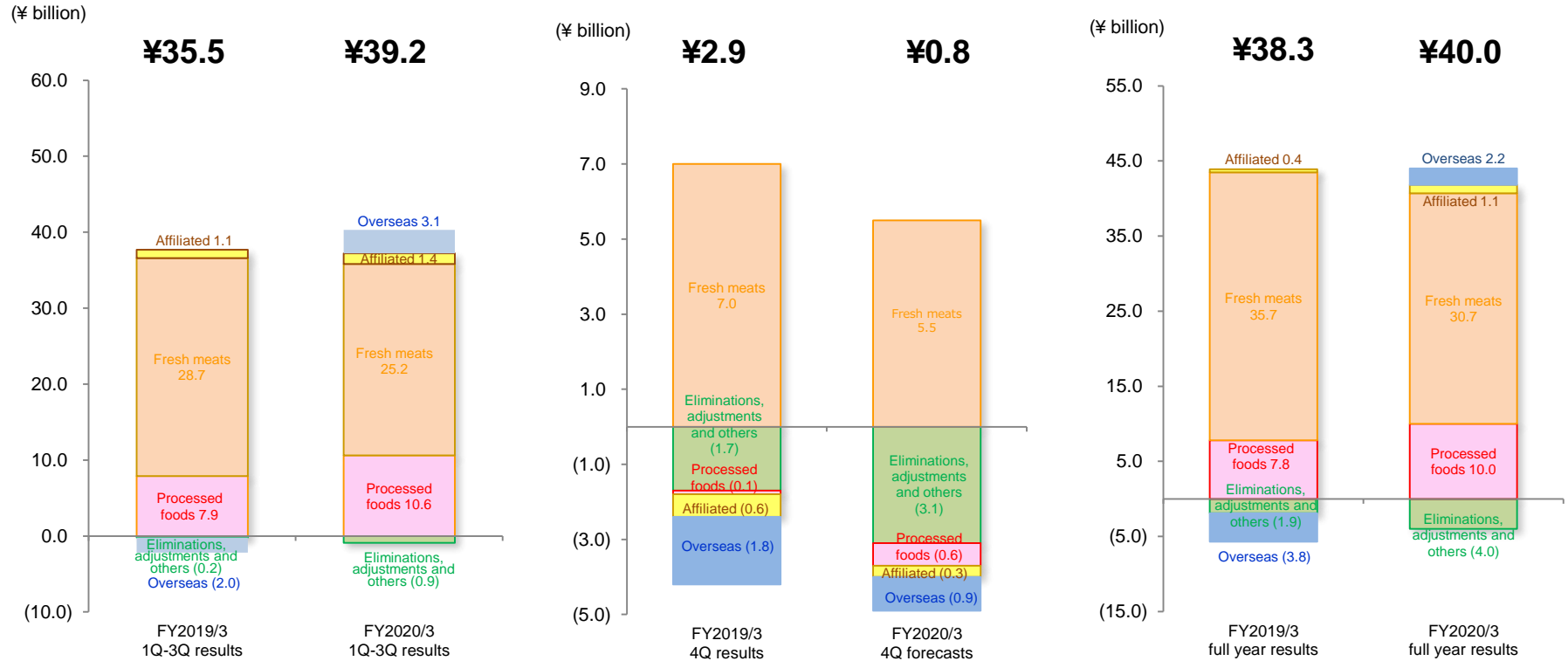
\*Net sales figures represent net sales to external customers.



## **II. Outlook for FY2020/3**

- 1. FY2020/3 Business Profit Forecasts**
- 2. Processed Foods Business Division: Outlook**
- 3. Fresh Meats Business Division: Outlook**
- 4. Affiliated Business Division: Outlook**
- 5. Overseas Business Division: Outlook**

# 1. FY2020/3 Business Profit Forecasts (1)



	FY2020/3 1Q-3Q			FY2020/3 4Q			FY2020/3 full year		
	FY2019/3 results	Results	Variance	FY2019/3 results	Forecasts	Variance	FY2019/3 results	Forecasts	Variance
Processed Foods Business Division	7.9	10.6	2.7	(0.1)	(0.6)	(0.5)	7.8	10.0	2.2
Fresh Meats Business Division	28.7	25.2	(3.5)	7.0	5.5	(1.5)	35.7	30.7	(5.0)
Affiliated Business Division	1.1	1.4	0.3	(0.6)	(0.3)	0.4	0.4	1.1	0.7
Overseas Business Division	(2.0)	3.1	5.0	(1.8)	(0.9)	0.9	(3.8)	2.2	6.0
Eliminations, adjustments and others	(0.2)	(0.9)	(0.7)	(1.7)	(3.1)	(1.4)	(1.9)	(4.0)	(2.1)
of which value creation expenses	(0.0)	(0.3)	(0.3)	(0.0)	(0.4)	(0.4)	(0.0)	(0.7)	(0.7)
of which profit or loss of baseball club (consolidated)	(0.1)	(0.3)	(0.2)	(1.6)	(1.7)	(0.1)	(1.7)	(2.0)	(0.3)
of which others	(0.1)	(0.3)	(0.2)	(0.1)	(1.0)	(0.9)	(0.2)	(1.3)	(1.1)
Total	35.5	39.2	3.8	2.9	0.8	(2.1)	38.3	40.0	1.7



# 1. FY2020/3 Business Profit Forecasts (2)

## Variance from 2Q forecasts

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

(¥ billion)

	FY2020/3 3Q			FY2020/3 4Q			FY2020/3 2nd half			FY2020/3 full year		
	2Q forecasts	Results	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
Processed Foods Business Division	4.9	<b>6.0</b>	1.1	(0.5)	<b>(0.6)</b>	(0.1)	4.4	<b>5.4</b>	1.0	9.0	<b>10.0</b>	1.0
Fresh Meats Business Division	9.0	<b>10.5</b>	1.5	7.9	<b>5.5</b>	(2.4)	16.9	<b>16.0</b>	(0.9)	31.6	<b>30.7</b>	(0.9)
Affiliated Business Division	1.0	<b>1.1</b>	0.1	(0.0)	<b>(0.3)</b>	(0.2)	1.0	<b>0.9</b>	(0.1)	1.2	<b>1.1</b>	(0.1)
Overseas Business Division	0.2	<b>1.2</b>	1.0	(0.5)	<b>(0.9)</b>	(0.4)	(0.3)	<b>0.3</b>	0.6	1.6	<b>2.2</b>	0.6
Eliminations, adjustments and others	(2.1)	<b>(1.3)</b>	0.8	(1.7)	<b>(3.1)</b>	(1.4)	(3.8)	<b>(4.4)</b>	(0.6)	(3.4)	<b>(4.0)</b>	(0.6)
of which value creation expenses	(0.2)	(0.1)	0.1	(0.4)	(0.4)	(0.1)	(0.6)	(0.6)	0.0	(0.7)	(0.7)	0.0
of which profit or loss of baseball club	(1.7)	(1.4)	0.3	(1.5)	(1.7)	(0.2)	(3.2)	(3.1)	0.1	(2.1)	(2.0)	0.1
of which others	(0.2)	0.2	0.4	0.1	(1.0)	(1.1)	(0.1)	(0.8)	(0.7)	(0.6)	(1.3)	(0.7)
Total	13.0	<b>17.4</b>	4.4	5.2	<b>0.8</b>	(4.4)	18.2	<b>18.2</b>	0.0	40.0	<b>40.0</b>	0.0

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

# 1. FY2020/3 Business Profit Forecasts (3)

## Factor Analysis: Changes in business profit forecasts

### ○Processed Foods Business Division

(¥ billion)

Processed Foods Business Division	Variance from 2Q forecasts								
	4Q			2nd half			Full year		
	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
<b>Total existing businesses</b>	(0.4)	<b>(0.4)</b>	0.1	(0.5)	<b>0.4</b>	0.9	1.1	<b>1.9</b>	0.9
External factors	(0.4)	<b>(0.3)</b>	0.1	(1.0)	<b>(0.1)</b>	0.9	(0.3)	<b>0.6</b>	0.9
Principal raw material price	(0.4)	<b>(0.4)</b>	0.1	(0.7)	<b>(0.2)</b>	0.5	0.4	<b>0.8</b>	0.5
Other materials/fuels	(0.0)	<b>0.1</b>	0.1	(0.3)	<b>0.1</b>	0.4	(0.7)	<b>(0.2)</b>	0.4
Internal factors	0.0	<b>(0.1)</b>	(0.1)	0.6	<b>0.5</b>	(0.0)	1.4	<b>1.3</b>	(0.0)
Volume expansion	(0.1)	<b>(0.2)</b>	(0.1)	(0.3)	<b>(0.2)</b>	0.1	(0.8)	<b>(0.7)</b>	0.1
Improvement activities	0.1	<b>0.1</b>	(0.0)	0.9	<b>0.7</b>	(0.1)	2.2	<b>2.1</b>	(0.1)
Vendor, consumer frozen foods, and logistics	0.2	<b>0.2</b>	(0.0)	0.2	<b>0.3</b>	0.1	0.6	<b>0.8</b>	0.1
Others	(0.2)	<b>(0.3)</b>	(0.1)	(0.4)	<b>(0.4)</b>	0.0	(0.5)	<b>(0.5)</b>	0.0
<b>Total</b>	(0.4)	<b>(0.5)</b>	(0.1)	(0.6)	<b>0.4</b>	1.0	1.2	<b>2.2</b>	1.0

### ○Fresh Meats Business Division

(¥ billion)

Fresh Meats Business Division	Variance from 2Q forecasts								
	4Q			2nd half			Full year		
	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
Imported fresh meat market	0.3	<b>(0.4)</b>	(0.7)	0.1	<b>(0.1)</b>	(0.3)	(0.3)	<b>(0.5)</b>	(0.3)
Domestic fresh meat market	0.1	<b>(0.3)</b>	(0.4)	(1.0)	<b>(1.2)</b>	(0.2)	(2.8)	<b>(2.9)</b>	(0.2)
Changes in farming operation in Japan	0.2	<b>(0.8)</b>	(1.0)	(0.2)	<b>(0.6)</b>	(0.4)	(2.2)	<b>(2.6)</b>	(0.4)
Growth in Nippon Food Group	0.4	<b>0.2</b>	(0.2)	0.4	<b>0.3</b>	(0.1)	0.1	<b>0.0</b>	(0.1)
Others	(0.1)	<b>(0.2)</b>	(0.1)	0.1	<b>0.1</b>	0.1	0.9	<b>1.0</b>	0.1
<b>Total</b>	0.9	<b>(1.5)</b>	(2.4)	(0.6)	<b>(1.5)</b>	(0.9)	(4.1)	<b>(5.0)</b>	(0.9)

### ○Overseas Business Division

(¥ billion)

Overseas Business Division	Variance from 2Q forecasts								
	4Q			2nd half			Full year		
	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance	2Q forecasts	Forecasts	Variance
Australia (including Uruguay)	0.7	<b>0.7</b>	0.0	1.8	<b>2.9</b>	1.1	3.2	<b>4.3</b>	1.1
Americas	0.2	<b>0.1</b>	(0.1)	0.4	<b>0.4</b>	(0.1)	0.9	<b>0.9</b>	(0.1)
Asia & Europe	0.4	<b>0.2</b>	(0.2)	0.3	<b>(0.0)</b>	(0.4)	1.1	<b>0.8</b>	(0.4)
Others	0.0	<b>(0.1)</b>	(0.1)	0.1	<b>(0.0)</b>	(0.1)	0.1	<b>0.0</b>	(0.1)
<b>Total</b>	1.3	<b>1.0</b>	(0.4)	2.6	<b>3.2</b>	0.6	5.4	<b>6.0</b>	0.6

## Business profit forecasts

(¥ billion)

Overseas Business Division	Business profit					
	4Q		2nd half		Full year	
	2Q forecasts	Forecasts	2Q forecasts	Forecasts	2Q forecasts	Forecasts
Australia (including Uruguay)	(0.0)	<b>(0.0)</b>	0.1	<b>1.2</b>	1.1	<b>2.2</b>
Americas	(0.0)	<b>(0.1)</b>	0.1	<b>0.1</b>	0.6	<b>0.5</b>
Asia & Europe	(0.2)	<b>(0.4)</b>	(0.0)	<b>(0.4)</b>	1.0	<b>0.6</b>
Others	(0.2)	<b>(0.4)</b>	(0.5)	<b>(0.6)</b>	(1.0)	<b>(1.1)</b>
<b>Total</b>	(0.5)	<b>(0.9)</b>	(0.3)	<b>0.3</b>	1.6	<b>2.2</b>

## 2. Processed Foods Business Division: Outlook

### ● Sales promotion measures by channel

#### 1) Consumer products

Improve profits by continuing work to enhance core brand products and create new categories, as well as expand sales of new products and their sales areas, and improve unit price.



#### 2) Commercial-use products

Increase sales while maintaining appropriate business profit by expanding brand products for commercial use and making proposals in line with the social environment, such as labor shortage countermeasures and food loss countermeasures.

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

FY2020/3 full year forecasts		Amount
Hams and sausages	Consumer	103%
	Commercial-use	96%
	Total	101%
Deli and processed foods	Consumer	101%
	Commercial-use	87%
	Total	95%

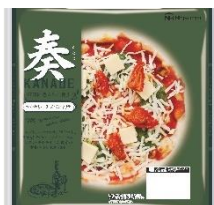
### ● Sales promotion measures for major consumer products

#### 1) Hams and sausages

Acquire new users and improve profitability with extension of our core *SCHAU ESSEN* line and development of online advertisement.

#### 2) Deli and processed foods

Expand sales and profit by working to create new food scenes for adults with chilled pizza, and by working to expand sales of more convenient new products.



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

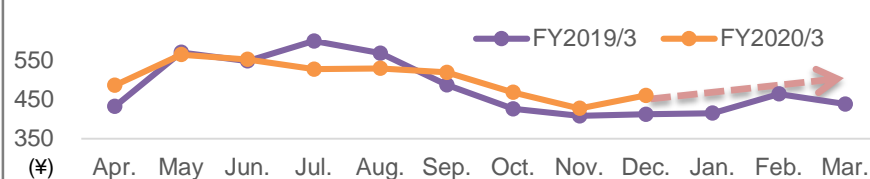
Hams and sausages	FY2020/3 full year forecasts	Deli and processed foods	FY2020/3 full year forecasts
Wieners	102%	Chilled bakery	102%
Loin hams	109%	Chilled dish	97%
Bacons	102%	Fried chicken	100%
Yakubutas	90%	Hamburg and meatball	107%
Total consumer products	103%	Total consumer products	101%

# 3. Fresh Meats Business Division: Outlook

## ● Domestic fresh meat market

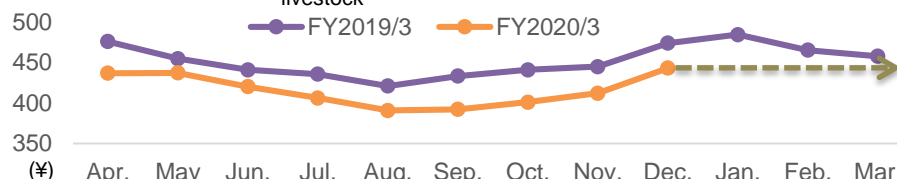
- Continuously improve productivity and take disease control measures for pork, so as to continue building a stable production system.
  - Production companies are enhancing their supply capacity in response to strong demand for chicken.
- We also aim to provide a stable supply by increasing the number of chickens and improving productivity.

[Pork market price] "Excellent" pork average of three markets (Tokyo, Saitama, Yokohama)



- Pork market prices are expected to exceed last year.

[Chicken market price] Weighted average for chicken market: Simple average unit price taken from Shokuhin Sangyo Shimbunsha's Daily meat & livestock



- Chicken is expected to recover nearly to the level of the previous year by the end of the fiscal year.

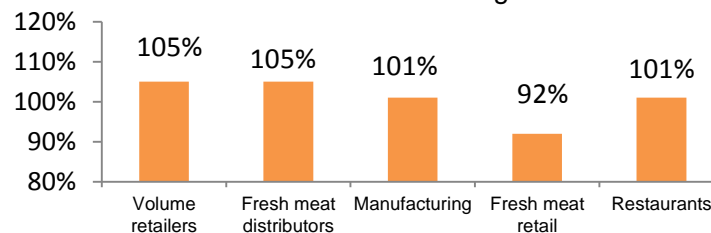
## ● Imported fresh meat market

- The market price of beef demands attention, because it is expected to rise depending on progress in the future, such as the potential for lifting the ban on exports of US beef to China through US-China trade negotiations.
- Pork prices are expected to remain high due to the decline in Chinese pork production volume from the impact of ASF.
- Chicken prices are expected to stabilize due to weaker inquiries from China for chicken produced in Brazil.

## ● Fresh meat sales (Nippon Food Group)

- Aim to increase sales volume by proposing core brand fresh meats and using a spring promotional campaign.
- Promote product proposals and development to meet each customer's needs, such as volume retailers and restaurants, and work to expand sales share.

1Q-3Q Results: Overall volume growth of 103%



## Initiatives to improve profitability

### ● Marine products business

[Establish “marine product integration” from raw material procurement to processing and sales]

- Expand sales of sushi toppings that have high profit rate and products developed at our own plants.
- Enhance sales of MARINE RED brand of farmed salmon trout.
- Stable production and accumulation of knowhow regarding the shrimp aquaculture business in Thailand, with cyclical onshore aquaculture systems.



### ● Dairy products business

#### (Cheese)

[Increase sales by developing and promoting high value-added products]

- Strengthen the development of value-added commercial products utilizing processing technologies.
- Promote sales of consumer products using Ms. Masami Tanaka, the ambassador for our HOKO brand.
- Expand production capacity and productivity by upgrading our production equipment.



#### (Yogurt)

[Create new markets by launching new category products]

- Create new markets and strengthen business negotiations with *isey SKYR*, the first high-protein, zero-fat yogurt in Japan.
- Improve productivity with stable operations of Takasaki Plant.
- Continuously expand sales of our core product *Vanilla Yogurt*.



## 5. Overseas Business Division: Outlook

- Until 3Q, profits improved dramatically, driven by a favorable external environment and our own internal initiatives for improvement

Turkey: Improved productivity, higher selling price  
Variance year on year: 1Q-3Q +¥0.8 billion,  
full-year forecast +¥1.2 billion



New feed plant which started its operation during the 1st half

Australia: Improved productivity, product measures  
Variance year on year: 1Q-3Q +¥2.9 billion,  
full-year forecast +¥3.4 billion

Americas: Improved productivity of processed food products in North America  
Variance year on year: 1Q-3Q +¥0.8 billion,  
full-year forecast +¥0.9 billion

Uruguay: Promotion of improvement project  
Variance year on year: 1Q-3Q +¥0.8 billion,  
full-year forecast +¥0.9 billion

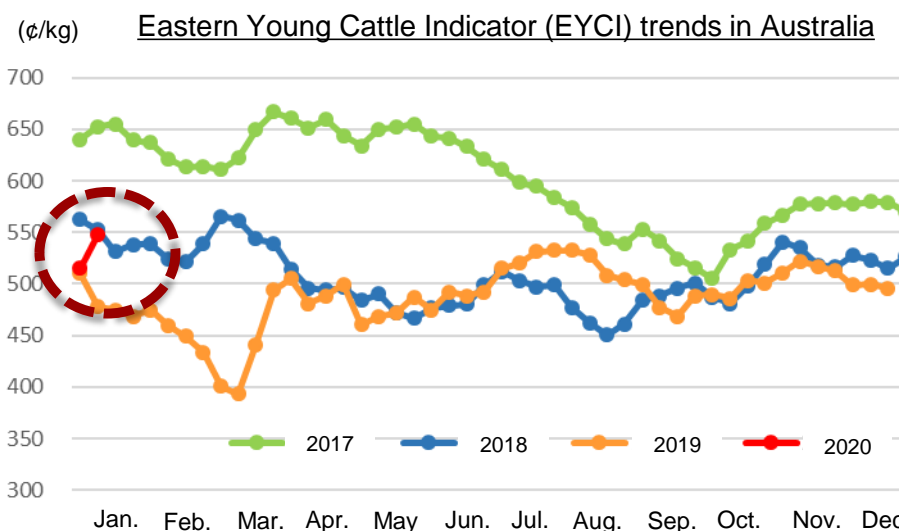
- However, deceleration is expected in 4Q due to a deteriorating external environment

### ■ Rising livestock prices in Australia

- Shipments are expected to decrease due to early shipments caused by record-setting drought and the impacts of massive bushfires.
- Prices of livestock are expected to rise.

### ■ Decreasing sales to China

- There is uncertainty about demand after the Chinese New Year.
- US-China trade negotiations may lead to expanded exports of US beef and pork to China.
- Attention must be paid to changes in the consumption environment due to the spread of novel coronavirus.



## **III. Consolidated Financial Results for FY2020/3 3Q**

- 1. FY2020/3 Business Results at a Glance and Full Year Forecasts**
- 2. Balance Sheets / Capital Expenditures / Depreciation and Amortization**



# 1. FY2020/3 Business Results at a Glance and Full Year Forecasts

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

(¥ million, %)

	FY2019/3 results			FY2020/3 results and forecasts								
	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
(1) Net sales	953,761	280,419	1,234,180	952,306	(0.2)	-	287,694	2.6	-	1,240,000	0.5	-
Hams and sausages	100,908	27,448	128,356	102,250	1.3	(0.2)	28,250	2.9	2.1	130,500	1.7	0.3
Processed foods	177,391	56,264	233,655	175,102	(1.3)	(3.4)	55,198	(1.9)	(3.9)	230,300	(1.4)	(3.5)
Fresh meats	541,742	161,815	703,557	549,756	1.5	3.9	168,944	4.4	2.3	718,700	2.2	3.5
Beef	231,294	66,289	297,583	234,861	1.5	1.7	67,939	2.5	0.0	302,800	1.8	1.3
Pork	169,205	51,952	221,157	172,316	1.8	2.6	55,784	7.4	3.6	228,100	3.1	2.8
Chicken	120,597	40,224	160,821	125,544	4.1	8.2	41,956	4.3	2.8	167,500	4.2	6.8
Other fresh meats	20,646	3,350	23,996	17,035	(17.5)	(23.1)	3,265	(2.5)	(2.7)	20,300	(15.4)	(20.9)
Marine products	69,490	18,648	88,138	64,338	(7.4)	(3.8)	17,362	(6.9)	(10.4)	81,700	(7.3)	(5.3)
Dairy products	25,705	7,565	33,270	25,707	0.0	(1.4)	7,893	4.3	3.0	33,600	1.0	(0.4)
Others	38,525	8,679	47,204	35,153	(8.8)	-	10,047	15.8	-	45,200	(4.2)	-
(2) Cost of goods sold	794,563	239,014	1,033,577	788,663	(0.7)							
Gross profit	159,198	41,405	200,603	163,643	2.8							
Gross profit ratio	16.7%	14.8%	16.3%	17.2%	-							
(3) SG&A expenses	125,337	43,001	168,338	122,860	(2.0)							
Other income and expenses	2,319	(3,101)	(782)	(7,010)	-		(4,190)	-		(11,200)	-	
Finance income and costs	(1,965)	(169)	(2,134)	(1,196)	-		(604)	-		(1,800)	-	
Share of profit (loss) in investments accounted for using the equity method	469	449	918	823	75.5		177	-		1,000	8.9	
Profit before tax	34,684	(4,417)	30,267	33,400	(3.7)		(7,400)	-		26,000	(14.1)	
Income tax expense	10,788	462	11,250	9,364	(13.2)		(1,564)	-		7,800	(30.7)	
Tax rate	31.1%	-	37.2%	28.0%	-		21.1%	-		30.0%	-	
Profit attributable to owners of parent	24,046	(4,485)	19,561	23,927	(0.5)		(5,427)	-		18,500	(5.4)	
(4) Operating income (1)-(2)-(3)	33,861	(1,596)	32,265	40,783	20.4		(2,783)	-		38,000	17.8	
(5) Foreign exchange gains (losses)	(2,345)	(720)	(3,065)	(1,645)	-		-	-		-	-	
Adjustments in accordance with IFRS and others	712	(3,693)	(2,981)	3,189	-		-	-		-	-	
(6) Business profit (4)-(5)-(6)	35,494	2,817	38,311	39,239	10.6		761	-		40,000	4.4	



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

(¥ million, %)

Consolidated balance sheets		FY2019/3 Year-end results	FY2020/3 3Q results	Variance (%)	Variance
Total assets		741,388	813,164	9.7	71,776
★(1)	Cash and cash equivalents	48,108	54,391	13.1	6,283
	Trade and other receivables	153,260	185,246	20.9	31,986
	Inventories	113,415	116,776	3.0	3,361
	Property, plant and equipment	289,898	318,206	9.8	28,308
	Other financial assets - non-current	34,125	35,958	5.4	1,833
	Deferred tax assets	28,004	25,153	(10.2)	(2,851)
Total liabilities		336,030	387,785	15.4	51,755
★(2)	Trade and other payables	111,573	125,886	12.8	14,313
	Interest-bearing liabilities	147,009	196,196	33.5	49,187
Total equity attributable to owners of parent		401,014	416,379	3.8	15,365
Non-controlling interests		4,344	9,000	107.2	4,656
Total equity		405,358	425,379	4.9	20,021

Major reasons for  
increase/decrease

★(1) **Property, plant and equipment:** Increased by approximately ¥28.3 billion due to changes in accounting standards for leases

★(2) **Interest-bearing liabilities:** Increased by approximately ¥49.2 billion due to changes in accounting standards for leases and increased short-term bank loans.

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2019/3 1Q-3Q results	FY2020/3			FY2020/3 Full year forecasts
		1Q-3Q results	Variance (%)	Variance	
Capital expenditures	35,102	30,410	(13)	(4,692)	50,000
Processed Foods Business Division	6,933	8,048	16	1,115	13,000
Fresh Meats Business Division	16,023	8,373	(48)	(7,650)	14,000
Affiliated Business Division	7,206	1,565	(78)	(5,641)	4,000
Overseas Business Division	4,000	4,668	17	668	6,800
Other facilities	940	7,756	725	6,816	12,200
Depreciation and amortization	16,439	24,545	49	8,106	33,000

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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.