



NH Foods Group Medium-Term Management Plan 2020 - Progress at the End of FY2020/3

May 15, 2020

NH Foods Ltd.

President and Representative Director

Yoshihide Hata

1. Business Results for FY2020/3

2. Changes in the Business Environment due to the Impact of COVID-19 and FY2021/3 Results Forecasts

3. Management Strategy and Future Direction

- * NH Foods Ltd. and its subsidiaries (the “Group”) has adopted International Financial Reporting Standards (“IFRS”) since FY2019/3.
- * For the purpose of clarifying income derived from business activities, the Group uses business profit instead of operating income from forecast of consolidated business results for the year ended 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.
- * Due to rounding, numbers may not match totals.

The impact of COVID-19 has dramatically changed the environment surrounding food

Domestic environment

until Dec. 2019

Decrease in working population

Increase in manufacturing and logistics costs

Diversification of food/changes in lifestyles

Increase in meat consumption volumes

Expansion of time-saving and simple menu

Increase in inbound demand

Expansion of demand for Japanese *wagyu* beef

Spread of disease (CSF)

Unstable domestic pork market

Jan. to Mar. 2020

Changes in lifestyles

Increased demand for home lunches as people are encouraged to work from home and schools are requested to close temporarily

Deceleration of Japanese economy

Inbound demand wiped out

Decrease in restaurant demand

Self-restraint for holding events

Postponement of the opening of professional baseball

Overseas environment

Shortage of animal protein due to the spread of ASF infection in China

Costs rising for imported fresh meat and raw materials for processed food

Cattle shipments increased due to drought in Australia

Beef and pork production in US, and chicken production in Brazil were steady

Impact of infection spreading from China to other countries

Deceleration of consumption in China

Decrease in exports to China

Cattle shipments decreased due to rainfall in Australia

While production of beef was steady in the US, prices declined due to falling demand

1. Business Results for FY2020/3 (1)

Business profit ratio improved, driven by the Overseas Business Division and the Processed Foods Business Division

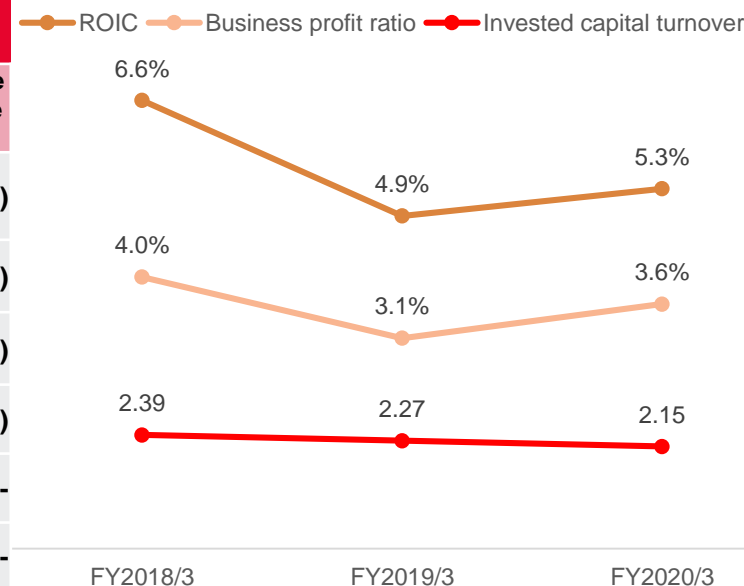
Invested capital turnover decreased, but ROIC improved thanks to the improved business profit ratio

- Net sales: ¥1,229.8 billion (YoY (0.4)% / Variance from the Plan (9.6)%)
- Business profit: ¥43.8 billion (YoY +¥5.5 billion / Variance from the Plan ¥(8.2) billion)
- Business profit ratio: 3.6% (YoY +0.5% / Variance from the Plan (0.2)%)
- ROIC: 5.3% (YoY +0.4%)

Medium-Term Management Plan 2020

	FY2018/3	FY2019/3		FY2020/3					
	Results	The Plan	Results	Variance	The Plan	3Q revised forecast	Results	YoY	Variance from the Plan
Net sales	1,258.5	1,310.0	1,234.2	(75.8)	1,360.0	1,240.0	1,229.8	(4.4)	(130.2)
Business profit	50.6	50.0	38.3	(11.7)	52.0	40.0	43.8	5.5	(8.2)
Business profit ratio	4.0%	3.8%	3.1%	(0.7)	3.8%	3.2%	3.6%	0.5	(0.2)
ROE	9.5%	7.5%	4.8%	(2.7)	7.3%	4.6%	4.8%	0	(2.5)
ROIC	6.6%	-	4.9%	-	-	4.8%	5.3%	0.4	-
D/E ratio	0.27	0.36	0.37	-	0.42	-	0.44	0.07	-

ROIC/Business profit ratio/ Invested capital turnover



* Operating income and operating income ratio were used to plan business profits and business profit ratio in the Medium-Term Management Plan.

(¥ billion, %)

Medium-Term Management Plan 2020 (Breakdown of Business Profit)

(¥ billion, %)

		FY2019/3			FY2020/3			
		The Plan	Results	Variance	The Plan	Results	Variance	YoY
Processed Foods Business Division	Business profit	8.5	7.8	(0.7)	11.0	11.4	0.4	3.6
	Business profit ratio	2.3	2.2		2.9	3.2		
Fresh Meats Business Division	Business profit	44.0	35.7	(8.3)	46.5	32.8	(13.7)	(3.0)
	Business profit ratio	5.5	4.7		5.7	4.2		
Affiliated Business Division	Business profit	3.0	0.4	(2.6)	4.5	1.1	(3.4)	0.7
	Business profit ratio	1.8	0.3		2.6	0.8		
Overseas Business Division	Business profit	0.5	(3.8)	(4.3)	1.5	1.8	0.3	5.6
	Business profit ratio	0.2	-		0.5	0.7		
Eliminations, adjustments and others	of which value creation expenses	(6.0)	(1.9)	4.1	(11.5)	(3.3)	8.2	(1.4)
	of which profit or loss of baseball club	(2.0)	(0.0)	2.0	(5.0)	(0.6)	4.4	(0.6)
	of which structural reform expenses	(2.2)	(1.7)	0.5	(2.2)	(2.1)	0.1	(0.4)
	of which others	(2.0)	0.0	2.0	(4.0)	-	-	-
		0.2	(0.2)	(0.4)	(0.3)	(0.6)	(0.3)	(0.4)
Consolidated total	Business profit	50.0	38.3	(11.7)	52.0	43.8	(8.2)	5.5
	Business profit ratio	3.8	3.1		3.8	3.6		

* Structural reform expenses for FY2020/3 are included in each segment.

Major factors for YoY difference and variance from the Plan in business profit

YoY

Two-year cumulative variance from the Plan

Processed Foods Business Division (+¥3.6 billion)

- Profit increased due to increase in sales unit price caused by growth of core consumer products and internal factors (¥2.2 billion) such as improvement of product mix.

Fresh Meats Business Division (¥(3.0) billion)

- Despite making efforts to improve productivity and cultivate brand products, profit decreased due to the weak domestic chicken market and the unstable domestic pork market.

Affiliated Business Division (+¥0.7 billion)

- Profit improved due to better procurement of marine products and price revision of dairy products.

Overseas Business Division (+¥5.6 billion)

- Profit improved significantly due to internal improvements and an improved external environment in Australia business(¥3.1 billion) .
- Processed Food Business in the US improved as well.

Processed Foods Business Division (¥(0.3) billion)

- Profit-oriented sales measures and product mix, as well as productivity improvements were successful. In addition, raw material prices trended below expectations. As such, profit exceeded the Plan in FY2020/3.

Fresh Meats Business Division (¥(22.0) billion)

- Suffered a significant downturn because the domestic chicken market, which drove profits in the previous Plan, declined more than initially expected, and due to disaster damage that affected poultry houses, among other factors.

Affiliated Business Division (¥(6.0) billion)

- Lactic acid probiotic beverages struggled due to intensified competition.
- Delays in passing on costs to sales prices for marine and dairy products.
- Dairy products are partially recovering due to improvements in productivity as a result of operating new plants.

Overseas Business Division (¥(4.0) billion)

- Profit improved due to internal improvements and an improved external environment in Australia business. Business base is stabilizing in Australia. External environment in Uruguay deteriorated more than expected.

1. Business Results for FY2020/3

2. Changes in the Business Environment due to the Impact of COVID-19 and FY2021/3 Results Forecasts

3. Management Strategy and Future Direction

Due to the Japanese government declaring a state of emergency, lifestyles and eating habits have changed more since April.

The global pandemic has also had an impact on fresh meat procurement.

Domestic environment

Jan. to Mar. 2020

Changes in lifestyles

Increased demand for home lunches as people are encouraged to work from home and schools are requested to close temporarily

Deceleration of Japanese economy

Inbound demand wiped out
Decrease in restaurant demand

Self-restraint for holding events

Postponement of the opening of professional baseball

Impact of infection spreading from China to other countries

Deceleration of consumption in China
Decrease in exports to China

Cattle shipments decreased due to rainfall in Australia.

While production of beef was steady in the US, prices declined due to falling demand

Apr. 2020 to Mar. 2021

State of emergency (request of no unnecessary outings)

Demand: Restaurant demand will decrease further, home meal demand will increase, recovery will be gradual after situation settles down

Expert Meeting on Control of the Novel Coronavirus Disease Control

Proposal of “New Lifestyle”

Further deceleration of Japanese economy

Rise in frugal spending

Self-restraint for holding events

Postponement of the opening of professional baseball

Global Pandemic

Demand: Slow consumption due to stagnant economic activity
Prospects for the pandemic settling down varies among countries, but it will take some time for consumption to recover after situation settles down

Supply: Some North American packers have suspended operations

Risk of temporary tight supply in beef and pork, but expected to be resolved by the end of this fiscal year.

► Supply-demand balance will fluctuate depending on trends in China



Overseas environment

Contribute to improving people's health and Quality Of Life (QOL) by offering a stable supply of safe and secure food products ► Pursue our corporate philosophies

The Group's basic stance

Respond to rising demand, while preventing the spread of infection and considering employee safety

The Group's strengths

Stable supply system with production, manufacturing, and sales bases nationwide

Quick supply with an integration system that operates from production to sales in-house

Procurement system with hedged country risk

Diverse product lineup centered on proteins

Differentiated brand products

External environment

Significant changes in consumer and shopping behavior due to self-restraint of outings

More people staying at home will lead to increased consumption of food and daily necessities

Specific changes (creating opportunities)

Changes in shopping

Expansion of online shopping

Increased stock demand

Bulk purchasing

Use of home delivery service and to-go

Expansion of electronic payment

Behavioral changes due to working from home, etc.

Increased home meal demand

Rise of healthy living trends

More people will want nutritionally balanced meals in order to maintain their immune systems

Make the most of the Group's strengths to respond to changes in consumption and lifestyle

Make agile response to optimize channel mix and product mix

Maximize group synergy

We will keep “building systems that pave the way to the future” throughout the final year of the Medium-Term Management Plan

Priority measures for each segment in response to environmental changes

Processed Foods

Deepen brand strategy (new brand development, brand extension) and maximize synergies

Manufacturing: Utilize commercial-use product lines in response to growing consumer demand

Sales: Promptly grasp consumer needs, promote channel strategy and further strengthen sales of brand products by proposals that respond to changes

Going forward: Early integration of business segments from before reorganization with Dairy Products, Marine Products, Extracts, and Primary Meat Processing, through development, purchasing, manufacturing, sales, logistics and management

Fresh Meats

Channel and product strategy that supports demand changes with a diverse product lineup

Production: While improving production, stabilize supply in response to growing domestic demand for fresh meat

Procurement: Supply fresh meat based on changes in demand by strengthening cooperation with packers in each country

Sales: Respond to changing consumer needs, strengthen brand meat proposals

Going forward: Sustainable integration and further strengthening of procurement

Overseas

Strengthen business base for strategic growth

Production: Australia ⇒ Pursuit brand strategy and optimal operating rate

Uruguay ⇒ Drastic reform through brand strategy and marketing

Export: For Japan: Stable supply in line with demand by cooperation between Processed Foods and Fresh Meats

For Overseas: Propose products that meet the demand of each country

Going forward: Strengthen our Processed Foods Business and make a profit structure that mitigates volatility

Group

Maximize group synergies

Pursue an optimal portfolio

Utilize digital technology and rebuild system infrastructure

2. FY2021/3 Results Forecasts

Business profit is expected to decrease. Profit before tax and profit are expected to increase.

(¥ billion)

	FY2019/3	FY2020/3	FY2021/3		The Plan
	Results	Results	Forecast	YoY	
Net sales	1,234.2	1,229.8	1,200.0	(29.8)	1,410.0
Business profit	38.3	43.8	34.0	(9.8)	56.0
Business profit ratio	3.1%	3.6%	2.8%	(0.8)	4.0%
Profit before tax	30.3	27.0	27.5	0.5	51.0
Profit	19.6	19.2	20.0	0.8	35.0
ROE	4.8%	4.8%	4.9%	0.1	7.0% or more
ROIC	4.9%	5.3%	3.9%	(1.4)	5.5% or more
D/E ratio	0.37	0.44	0.47	0.03	0.40-0.50

* Operating income / operating income ratio are used as business profit and business profit ratio in the Plan.

	ROIC (1)×(2)×(3)	Business profit ratio (1)	Invested capital turnover (2)	(1 - standard tax rate) (3)
FY2019/3 results	4.9%	3.1%	2.27	0.69
FY2020/3 results	5.3%	3.6%	2.15	0.69
FY2021/3 forecast	3.9%	2.8%	1.99	0.69
YoY	(1.4)%	(0.8)%	(0.16)	0
FY2021/3 Medium-Term Management Plan	5.5% or more	4.0%	2.08	0.69

Improve ROIC by raising business profit ratio and realizing returns from capital expenditures through priority measures

Medium-Term Management Plan 2020 (Breakdown of Business Profit)

(¥ billion)

	FY2019/3	FY2020/3	FY2021/3		
	Results	Results	Forecast	YoY	The Plan
Processed Foods Business Division	9.7	13.6	11.5	(2.1)	21.8
of which former Processed Foods Business Division	7.8	11.4	12.0	0.6	14.0
of which dairy and marine products, extract, etc.	1.9	2.2	(0.5)	(2.7)	7.8
Fresh Meats Business Division	34.2	31.7	32.5	0.8	45.2
Overseas Business Division	(3.8)	1.8	(1.0)	(2.8)	2.0
Eliminations, adjustments and others	(1.9)	(3.3)	(9.0)	(5.7)	(13.0)
of which value creation expenses	(0.0)	(0.6)	(2.5)	(1.9)	(4.0)
of which profit or loss of baseball club (consolidated)	(1.7)	(2.1)	(6.0)	(3.9)	(2.2)
of which structural reform expenses	0.0	-	-	-	(7.0)
of which others	(0.2)	(0.7)	(0.5)	0.1	0.2
Business profit	38.3	43.8	34.0	(9.8)	56.0

* The figures for FY2019/3, FY2020/3 and the Plan was revised retrospectively (reclassified) due to the change of jurisdiction in FY2021/3 (integration of former Affiliated Business Division and extract/primary meat processing business into the Processed Foods Business Division). The figures, however, are provisional.

* Structural reform expenses for FY2020/3 and FY2021/3 are included in each segment.

YoY business profit variance factors

Processed Foods Business Division (YoY ¥(2.1) billion)

Principal raw material and other materials/fuels	(2.3)
Improvement activities	3.0
Dairy and marine products and extract	(2.7)

Fresh Meats Business Division (YoY ¥0.8 billion)

Farming operation in Japan	1.2
Domestic fresh meat market	2.1
Imported fresh meat market	(0.6)
Nippon Food Group	(1.9)

Overseas Business Division (YoY ¥(2.8) billion)

Australia	(3.0)
Uruguay	0.1
Americas	(0.3)
Asia & Europe	(0.6)
Other	0.9

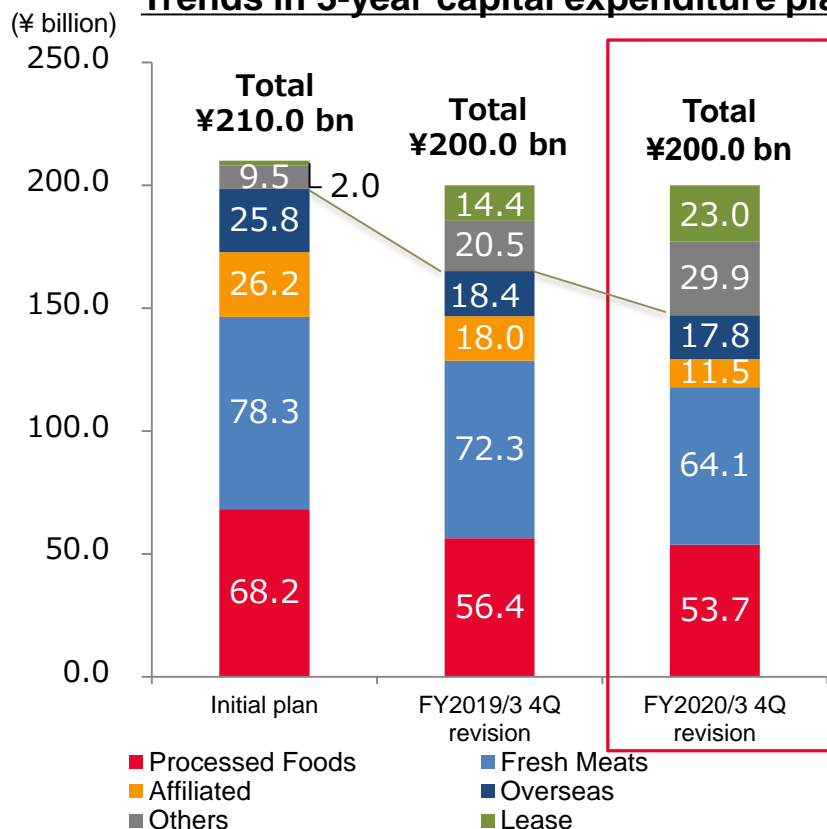
Value creation expenses (YoY ¥(1.9) billion)
Mainly expenses for rebuilding IT system

Profit or loss of baseball club
(YoY ¥(3.9) billion)
Decreased revenue due to fewer games being held

Capital expenditures and free cash flow policy

- Re-examine projects and review the capital expenditure plan as of FY2019/3
- Leased assets increased to ¥23.0 billion mainly due to changes in accounting standards
However, this is not due to new acquisition, and is a cash outflow over the remaining lease term.

Trends in 3-year capital expenditure plans



Trends in 3-year free cash flow plans

	Medium-Term Management Plan	As of March 31, 2019	As of March 31, 2020
Operating cash flows	179.5	143.5	166.4
Investing cash flows	(198.6)	(176.5)	(166.3)
Free cash flows	(19.1)	(33.0)	0.1
Capital expenditures	210.0	200.0	200.0
Depreciation and amortization	82.6	80.0	89.8

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3. Management Strategy and Future Direction

Outline of Medium-Term Management Plan 2020

Theme

Building systems that pave the way to the future

Management Strategies

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

Functional Strategies

(1) Strategy formulation and promotion

(2) Business segment sustainability improvement

(3) Internal and external communications

Foundation

“High-level Management for No. 1 Quality”

Improve corporate value from a non-financial perspective

(2) Create value through dialog with consumers

Initiatives: Promote consumer-oriented management
 Reflect future dining market forecast in development and sales promotion

Going forward: Implement branding and marketing practices that resonate with consumers
 Cooperate with other companies in future dining market forecasts



Communication cycle in the Nipponham Group

(3) Enhance and develop technological capabilities for conceptualizing and realizing the future of food

Initiatives: Research and develop new protein
 Kick off the smart hog farming project

Going forward: Accelerate research, including investment in cultured meat
 Respond to domestic meatless (meat-alternatives) market
 Expand the number of business bases for smart hog farming project as needed



New series "NatuMeat" using plant-based raw materials released on March 1

(5) Pursue sustainability – Five important CSR issues

Initiatives: Support CSR procurement, spread allergen-friendly products, address health consciousness including elderly frailty, reduce environmental impact (energy saving, resource saving, lightweight packaging materials, food loss reduction)

Going forward: Expand the scope of CSR procurement (including domestic and foreign suppliers), continue reducing environmental impact, perform area analysis of water risks, Work Style Reform Ver.2 to improve productivity and creativity



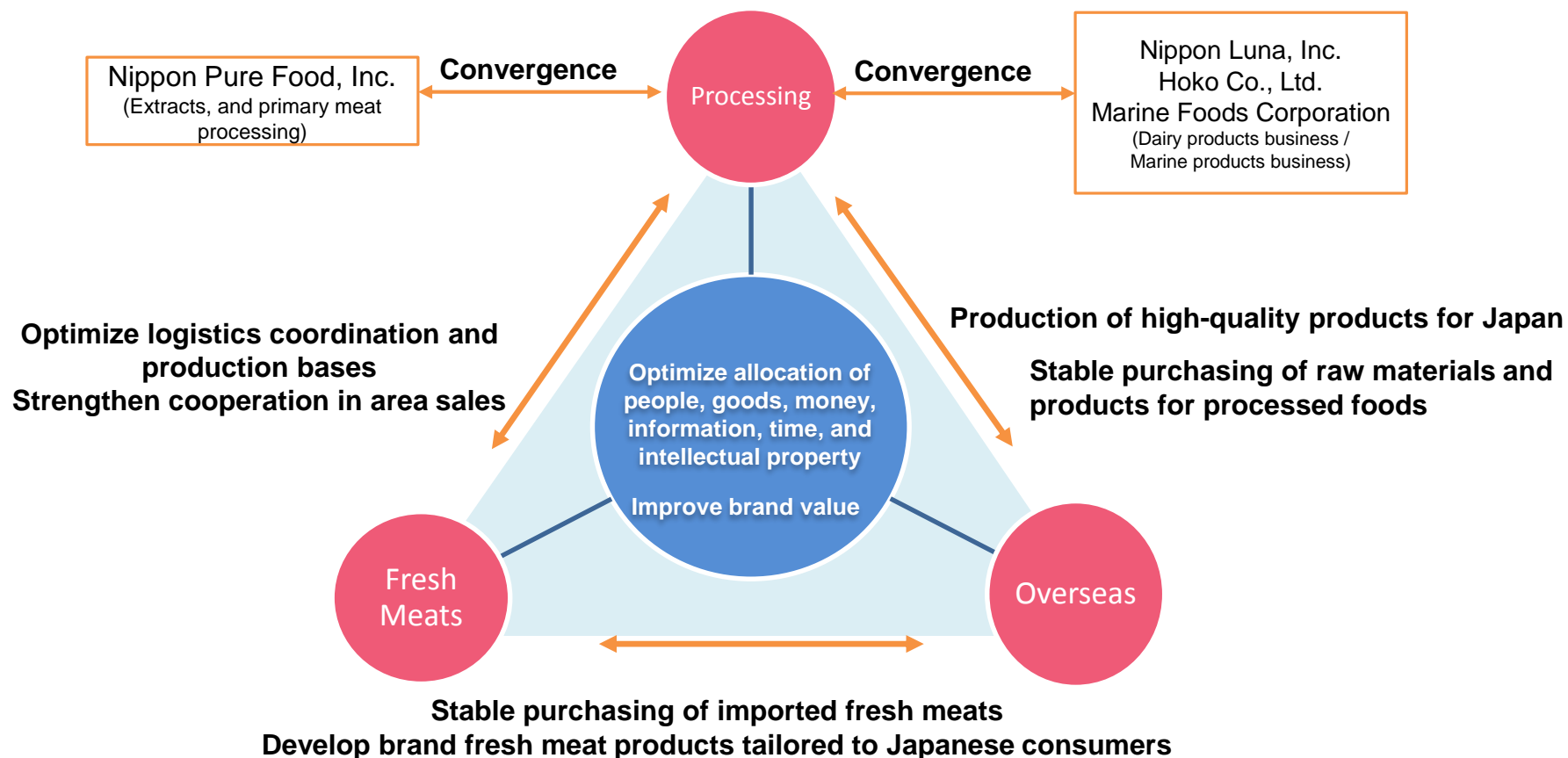
Minna no Shokutaku series made without 7 specified ingredients (egg, milk, wheat, buckwheat, peanuts, shrimp, crab)

Promote initiatives and disseminate information to appeal to stakeholders

Maximize Group synergy

➤ Optimize production / manufacturing / sales / logistics system

Maximize synergies by sharing product development, technology, sales channels, and assets



Pursue an optimal portfolio

Improve efficiency and create new business models by using digital technology and rebuilding system infrastructure

IT project “Connect” that paves the way to the future

Group cooperation / maximization of business profit / optimization of IT cost

- Prompt information collection and swift decision making
- Enhancement of productivity by improving Group-wide work efficiency
- Responding to drastic changes and reform in the current times
- Achieve liberation from old technologies and address digital transformation (DX)

Use of big data and AI

Creation of new business model and transformation of business

- Development of smart hog farming system
- Product development utilizing ID-POS and supply/demand forecasting using AI
- Consider automation of customer inquiry records
- Promote introduction of robotic process automation (RPA)

Use of mobile and cloud

Support for various working styles

- New groupware study project
- Support working from home and mobile working
- Promote introduction and use of cloud IT technology

Standardization and business process reengineering (BPR) without exceptions
Acquisition and development of IT specialists, improvement of IT literacy

HR Strategy for improving productivity and creativity

➤ Workplaces in which employees can play active roles

2020→

Work Style Reform Ver.1

Various measures for shortening / reducing working hours

~Reduce input (working hours)~

Work Style Reform Ver.2

Develop human resources who can demonstrate high creativity
Enhance employee engagement

~Maximize output (added value)~

Medium-Term Management Plan 2020

Medium-Term Management Plan 2023

Use of mobile and cloud



HR system reform

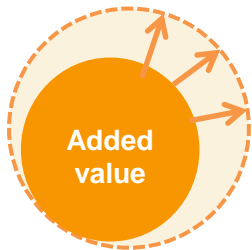
Education and training, evaluation, and pay reform that respond to changes in the environment

Utilization of human resources

Building of systems based on diverse values and career plans

Corporate culture for challenge

Implementation of internal open call for new businesses



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Towards enhanced productivity and creativity
~Workplaces in which employees can play active roles~

Improve corporate value (financial value / non-financial value)

➤ “Business operation that pursues efficiency, flexibility and group synergies”

➤ “Building systems that pave the way to the future”

➔ Promote on two pillars

Medium-Term Management Plan 2020
Build a system that paves the way to the future by promoting five management strategies

Agility
Synergy
GRIT

Financial value improvement measures



Promptly realize business profit ratio of 5% or more
Improve ROIC, reduce WACC, maximize FCF

- Strengthen profitability through group synergies
- Allocate management resources pursuing an optimal business portfolio
- Minimize WACC by pursuing optimal capital structure
- Take on challenges in new business areas
- Dividend policy aimed at stability and growth (DOE of about 2.3%)
- Promote use of digital technology, reconstruct system infrastructure

Non-financial value improvement measures



Pursue ESG KPIs-Improve external evaluation
Improve brand value

- Solve social issues through business activities (SDGs)
- HR strategy to enhance productivity and creativity
- Enhance engagement with stakeholders

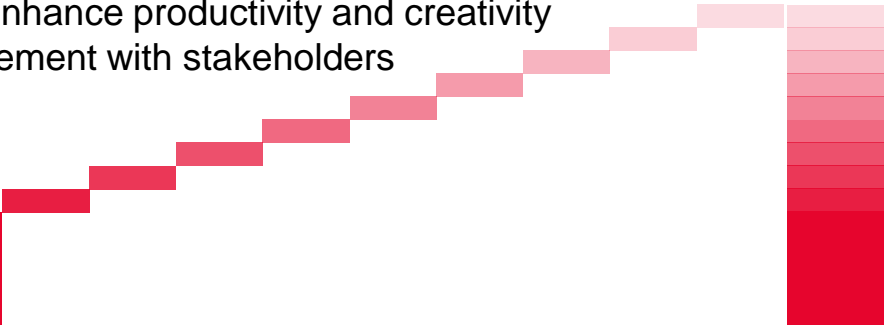
Next Medium-Term Management Plan

Under the next Medium-Term Plan, secure results and enter the next growth phase with the business environment in mind

2030 Ideals



Medium-Term Management Plan 2020



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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.