



# Business Results

## for the First Half of FY2020/3

November 5, 2019 (Tue.)  
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 2Q**

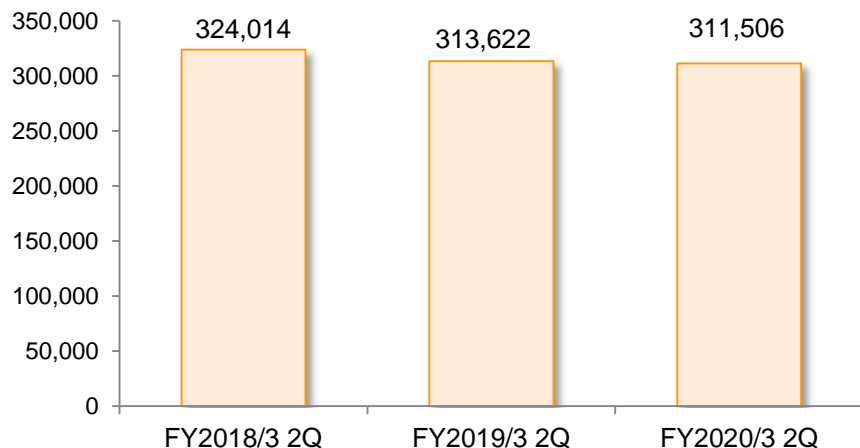
- 1. Segment Data: 2Q (Jul.-Sep.)**
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# 1. Segment Data: 2Q (Jul.-Sep.)

		(¥ million)				
		FY2018/3 2Q	FY2019/3 2Q	FY2020/3 2Q	Variance	Variance (%)
Processed Foods Business Division	Net sales	89,285	90,131	<b>89,123</b>	(1,008)	(1.1)
	Business profit	1,555	1,420	<b>2,358</b>	938	66.1
Fresh Meats Business Division	Net sales	196,496	189,907	<b>194,474</b>	4,567	2.4
	Business profit	11,815	8,495	<b>6,895</b>	(1,600)	(18.8)
Affiliated Business Division	Net sales	41,643	39,408	<b>35,826</b>	(3,582)	(9.1)
	Business profit	494	175	<b>323</b>	148	84.6
Overseas Business Division	Net sales	70,098	67,499	<b>66,976</b>	(523)	(0.8)
	Business profit	(1,194)	(798)	<b>1,116</b>	1,914	-
Eliminations, adjustments and others	Net sales	(73,508)	(73,323)	<b>(74,893)</b>	(1,570)	-
	Business profit	190	598	<b>66</b>	(532)	-
Consolidated	Net sales	324,014	313,622	<b>311,506</b>	(2,116)	(0.7)
	Business profit	12,860	9,890	<b>10,758</b>	868	8.8

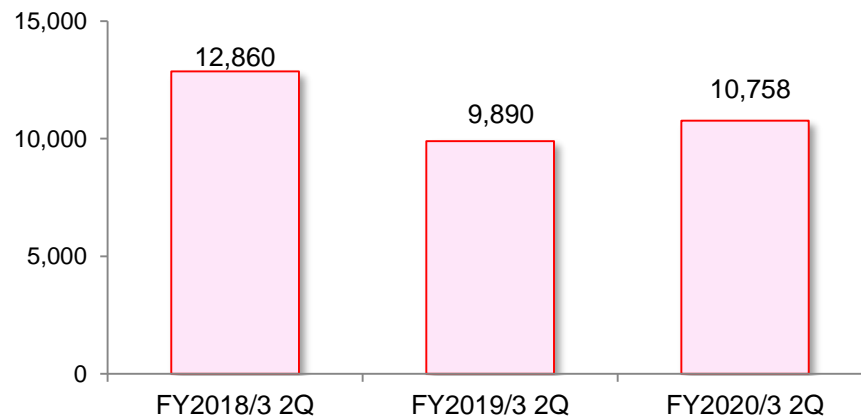
(¥ million)  
(Consolidated)

## Net Sales



(¥ million)  
(Consolidated)

## Business Profit



- Net sales by segment and net sales (by category) on page 25 of this presentation do not necessarily correspond (due to intersegment transactions).
- Net sales for each segment include intersegment sales.

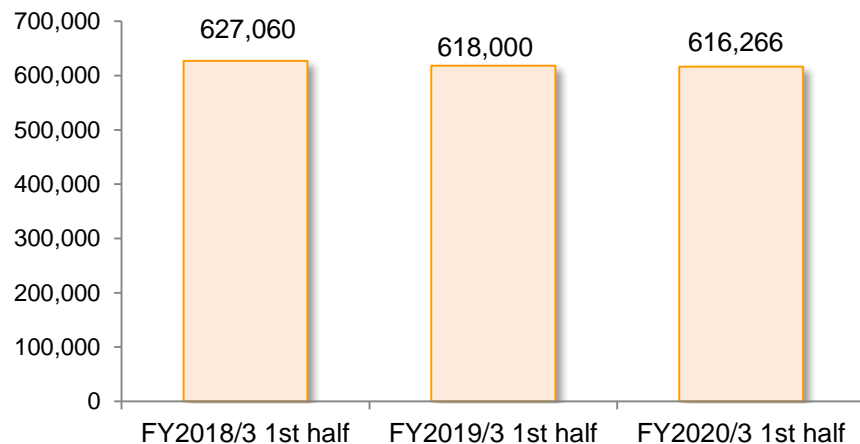
## 2. Segment Data: 1st Half (Apr.-Sep.)

(¥ million)

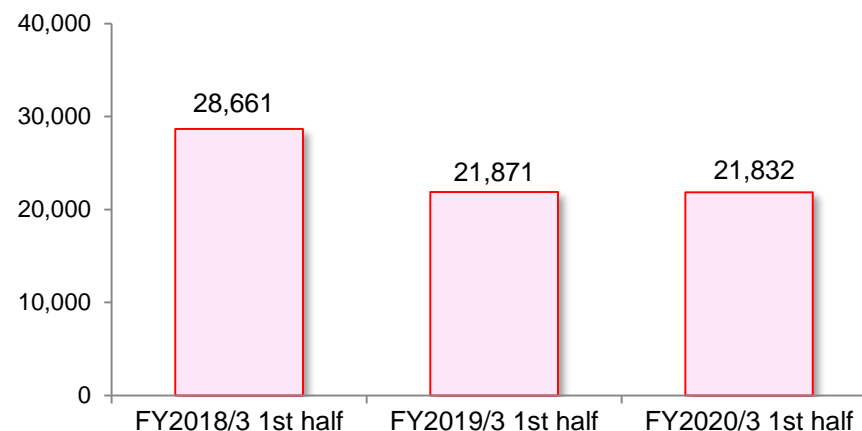
		FY2018/3 1st half	FY2019/3 1st half	FY2020/3 1st half	Variance	Variance (%)
Processed Foods Business Division	Net sales	172,513	174,463	<b>173,093</b>	(1,370)	(0.8)
	Business profit	2,887	2,753	<b>4,566</b>	1,813	65.9
Fresh Meats Business Division	Net sales	389,597	379,135	<b>387,487</b>	8,352	2.2
	Business profit	25,505	18,252	<b>14,690</b>	(3,562)	(19.5)
Affiliated Business Division	Net sales	79,925	75,952	<b>69,621</b>	(6,331)	(8.3)
	Business profit	1,164	193	<b>234</b>	41	21.2
Overseas Business Division	Net sales	127,108	131,657	<b>131,768</b>	111	0.1
	Business profit	(1,361)	(855)	<b>1,902</b>	2,757	-
Eliminations, adjustments and others	Net sales	(142,083)	(143,207)	<b>(145,703)</b>	(2,496)	-
	Business profit	466	1,528	<b>440</b>	(1,088)	-
Consolidated	Net sales	627,060	618,000	<b>616,266</b>	(1,734)	(0.3)
	Business profit	28,661	21,871	<b>21,832</b>	(39)	(0.2)

 (¥ million)  
 (Consolidated)

### Net Sales


 (¥ million)  
 (Consolidated)

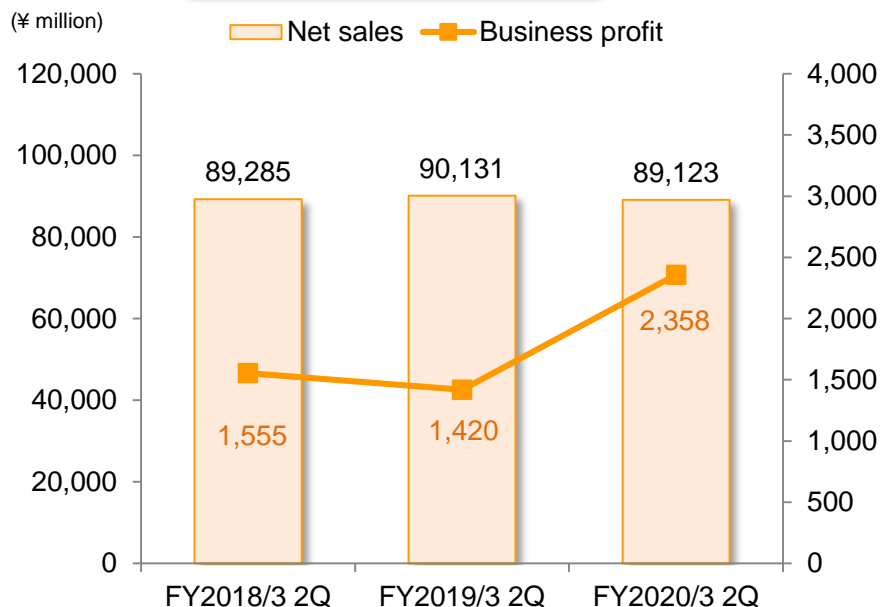
### Business Profit



- Net sales by segment and net sales (by category) on page 25 of this presentation do not necessarily correspond (due to intersegment transactions).
- Net sales for each segment include intersegment sales.

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

#### 2Q Results (Jul.-Sep.)



	(¥ million)			
	FY2019/3 2Q	FY2020/3 2Q	Variance	Variance (%)
Net sales	90,131	89,123	(1,008)	(1.1)
Business profit	1,420	2,358	938	66.1
Business profit ratio	1.6%	2.6%	-	-

#### Net Sales in FY2020/3 1st Half (Apr.-Sep.)

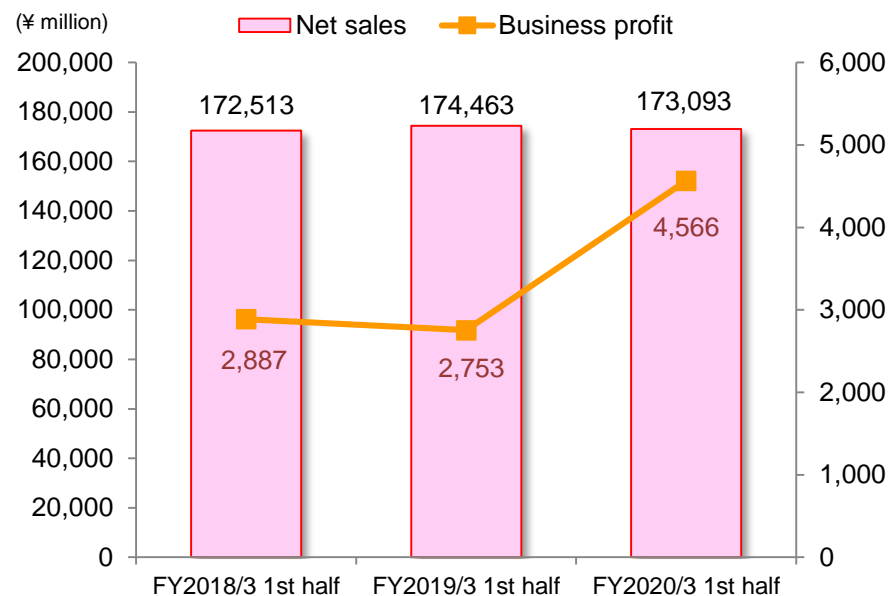
Existing businesses (hams, sausages, and deli and processed foods)

Sales of consumer products grew due to a growth through the introduction of new products for our core brands and acquisition of new PB products. However, revenue decreased as sales of commercial-use products struggled.

Vendor, consumer frozen foods, and logistics businesses

Although consumer frozen foods struggled due to a decrease of PB products for major chains, revenue increased due to acquisition of new businesses by logistics business and introduction of new products by vendor business.

#### 1st Half Results (Apr.-Sep.)



	(¥ million)			
	FY2019/3 1st half	FY2020/3 1st half	Variance	Variance (%)
Net sales	174,463	173,093	(1,370)	(0.8)
Business profit	2,753	4,566	1,813	65.9
Business profit ratio	1.6%	2.6%	-	-

#### Business Profit in FY2020/3 1st Half (Apr.-Sep.)

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

Business profit increased due to improved gross profit thanks to expansion of sales of core brands in sales operations and rising unit prices in addition to review of raw materials procurement and cost reduction through investments for saving labor in manufacturing operations.

Vendor, consumer frozen foods, and logistics businesses

Business profit increased due to effective use of sales promotion for consumer frozen foods, introduction of new products in vendor business and acquisition of new customers in logistics business.

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

#### Factor Analysis: Changes in business profit

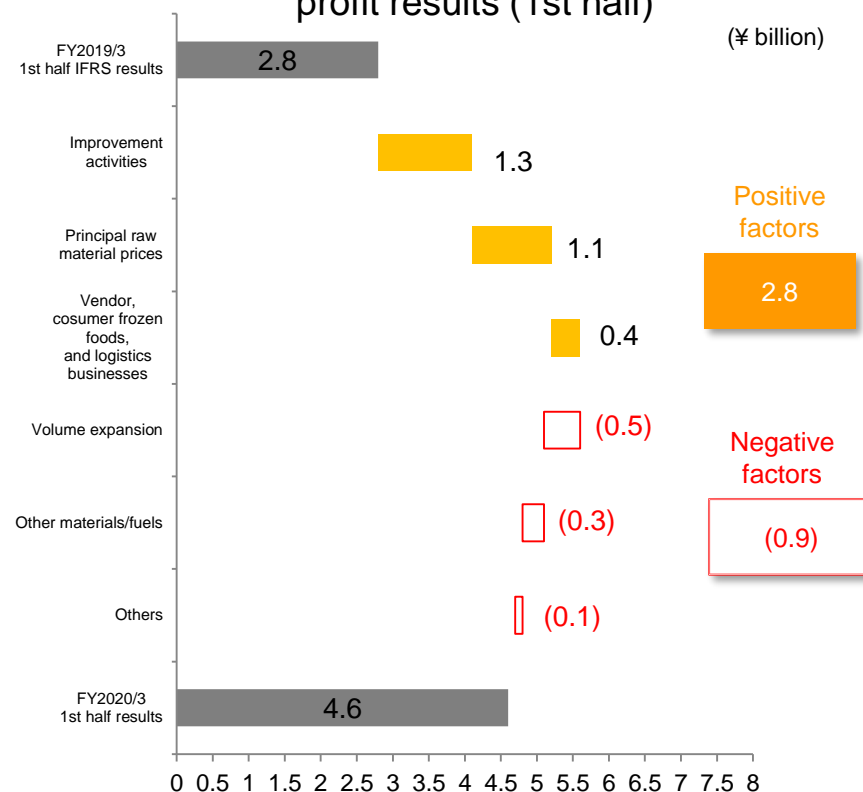
(¥ billion)

	FY2020/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
<b>Existing businesses</b>	0.7	0.9	0.9	1.5	0.7
<i>External factors</i>	0.4	0.4	0.5	0.7	0.2
Principal raw material price	0.6	0.5	1.1	1.1	0.0
Other materials/fuels	(0.3)	(0.1)	(0.5)	(0.3)	0.2
<i>Internal factors</i>	0.3	0.5	0.3	0.8	0.5
Volume expansion	(0.3)	(0.3)	(0.3)	(0.5)	(0.2)
Improvement activities	0.6	0.8	0.7	1.3	0.7
<b>Vendor, consumer frozen foods, and logistics businesses</b>	0.3	0.2	0.2	0.4	0.2
<b>Others</b>	(0.0)	(0.1)	(0.1)	(0.1)	0.0
<b>Total</b>	<b>0.9</b>	<b>0.9</b>	<b>1.0</b>	<b>1.8</b>	<b>0.9</b>

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

#### Factor Analysis Graph: Changes in business profit results (1st half)

(¥ billion)



#### ● Forecasts Variation Factor Analysis (FY2020/3 1st half)

**Principal raw materials/other materials:** Principal raw materials were as forecasted, and other materials exceeded forecasts due to improvement activities such as review of purchase methods.

**Volume expansion:** Consumer products exceeded the results of the previous year but fell short of forecasts.

**Improvement activities:** Gross profit unit price improved, exceeding the expectations, as sales unit price increased due to growth of core brands.

As for expenses, reduction of fixed costs, such as labor costs, exceeded the forecast.

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

#### ● Summer gift product sales results

- FY2020/3 results: Year on year, sales amount basis: 92%
- *Utsukushi-no-Kuni* gifts: Year on year, sales amount basis: 101%  
(Sales ratio at 37% on sales amount basis)

Reference: Year-on-year sales comparison of gift products

		FY2019/3 results	FY2020/3 results
		Variance	Variance
Summer gift-giving season	Overall sales	91%	92%
	( <i>Utsukushi-no-Kuni</i> )	90%	101%

#### ● Sales results by channel

##### 1) Consumer products

- Hams and sausages performed strongly due to acquisition of new consumer base with *SCHAU ESSEN Hot Chili* and *Cheddar & Camembert*, as well as strong performance by regular products and PB products.
- Performance of deli and processed foods was flat year-on-year, as struggling chilled dish was covered by chilled bakery and hamburg and meatball.

##### 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.

Reference: Year-on-year growth in sales by channel

FY2020/3 1st half results		Volume	Amount
Hams and sausages	Consumer	101%	102%
	Commercial-use	95%	96%
	<b>Total</b>	<b>99%</b>	<b>100%</b>
Deli and processed foods	Consumer	98%	100%
	Commercial-use	87%	86%
	<b>Total</b>	<b>92%</b>	<b>93%</b>

#### ● Major consumer products sales results



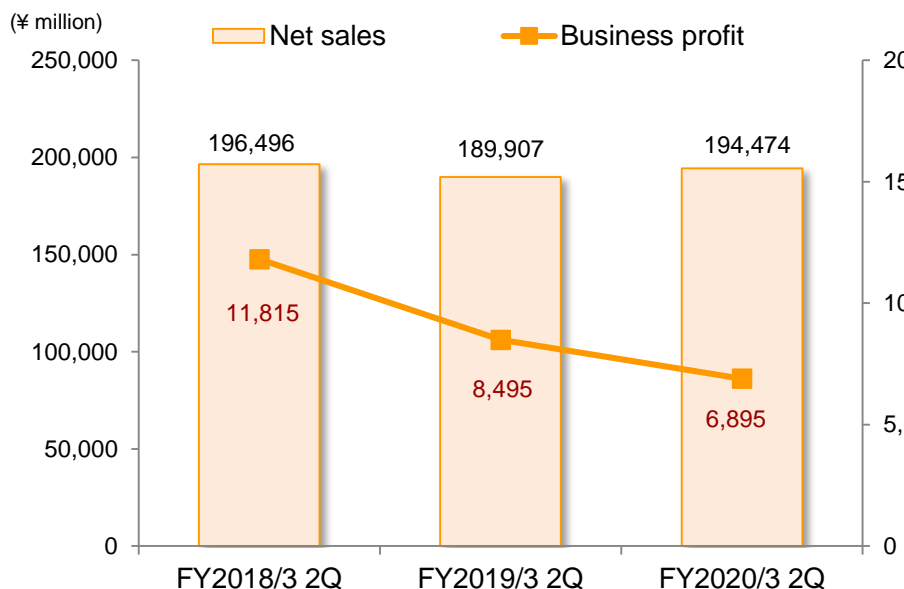
Reference: Year-on-year sales comparison of major consumer products

	FY2020/3 1st half results	Deli and processed foods	FY2020/3 1st half results
Hams and sausages			
Wieners	102%	Chilled bakery	103%
Loin hams	109%	Chilled dish	97%
Bacon	101%	Fried chicken	100%
Yakibutas	91%	Hamburg and meatball	101%
<b>Consumer products total</b>	<b>102%</b>	<b>Consumer products total</b>	<b>100%</b>



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

### 2Q Results (Jul.-Sep.)



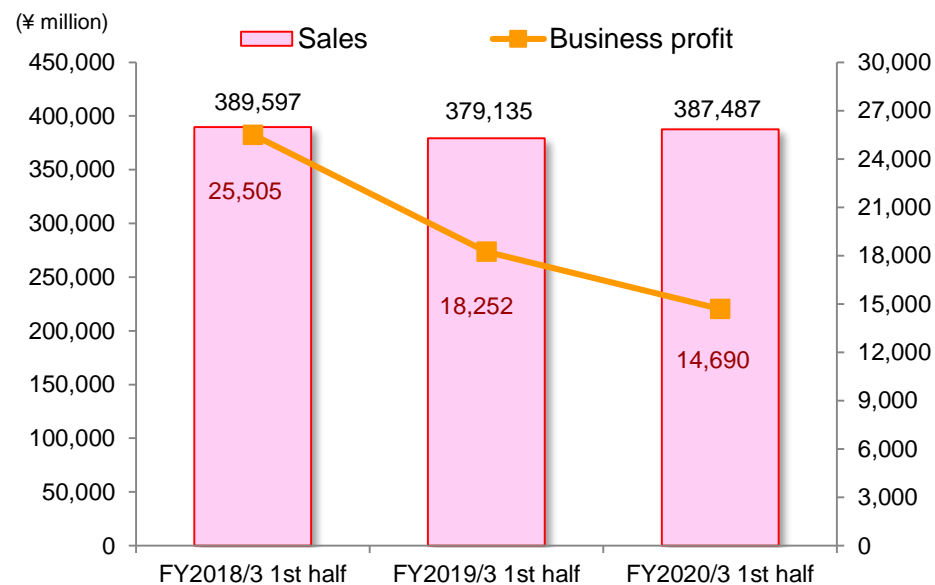
(¥ million)

	FY2019/3 2Q	FY2020/3 2Q	Variance	Variance(%)
Net sales	189,907	194,474	4,567	2.4
Business profit	8,495	6,895	(1,600)	(18.8)
Business profit ratio	4.5%	3.5%	-	-

#### Net Sales in FY2020/3 1st Half (Apr.-Sep.)

The division conducted sales promotion mainly for branded fresh meats such as by implementing campaign during the cherry blossom season in spring, and enhancement of sales promotion measures. In addition, as a result of sales enhancement measures for deli and restaurants operations, such as proposing Canadian and Uruguayan beef, and proposing high value added products, sales of various types of meats and processed meat products grew and revenue increased.

### 1st Half Results (Apr.-Sep.)



(¥ million)

	FY2019/3 1st half	FY2020/3 1st half	Variance	Variance(%)
Net sales	379,135	387,487	8,352	2.2
Business profit	18,252	14,690	(3,562)	(19.5)
Business profit ratio	4.8%	3.8%	-	-

#### Business Profit in FY2020/3 1st Half (Apr.-Sep.)

The production operations had lower business profit due to the stagnant market price of domestic chicken and rise in manufacturing costs, despite working to increase the number of shipments and to improve breeding performance.

The sales operations also had reduced business profit due to an increase in procurement price of domestic and imported beef, drop in sales price of pork and chicken caused by an increase in supply of imported pork and domestic chicken, poor sales due to inclement weather during the summer and a rise in logistics cost, despite efforts to propose branded fresh meats and value added products.

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

### Factor Analysis: Changes in business profit

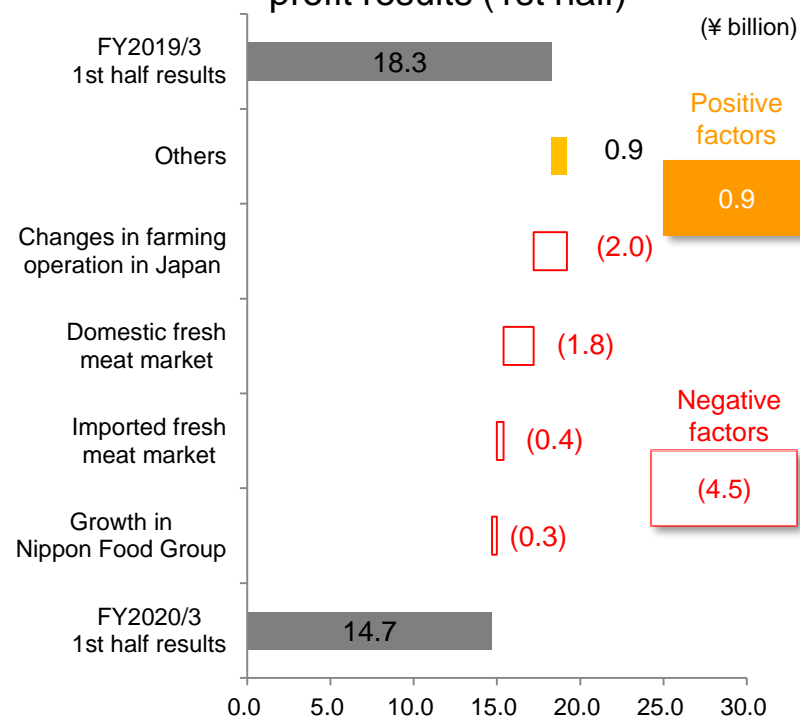
(¥ billion)

	FY2020/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Imported fresh meat market	0.2	(0.6)	0.3	(0.4)	(0.7)
Domestic fresh meat market	(1.1)	(0.6)	(1.2)	(1.8)	(0.5)
Changes in farming operation in Japan	(1.1)	(0.9)	(1.8)	(2.0)	(0.2)
Growth in Nippon Food Group	(0.2)	(0.0)	(0.0)	(0.3)	(0.3)
Others	0.2	0.6	0.3	0.9	0.5
<b>Total</b>	<b>(2.0)</b>	<b>(1.6)</b>	<b>(2.5)</b>	<b>(3.6)</b>	<b>(1.1)</b>

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

### Factor Analysis Graph: Changes in business profit results (1st half)

(¥ billion)



### ● Forecasts Variation Factor Analysis (1st half)

Imported fresh meat market:

Business profit fell short of the forecast due to increased procurement prices of imported beef caused by global demand increase and sluggish movement of beef organs.

Domestic fresh meat market:

Business profit fell short of the forecast due to decreased sales price of pork and chicken caused by an imbalance of supply and demand for fresh meats including imported products.

Changes in farming operations in Japan:

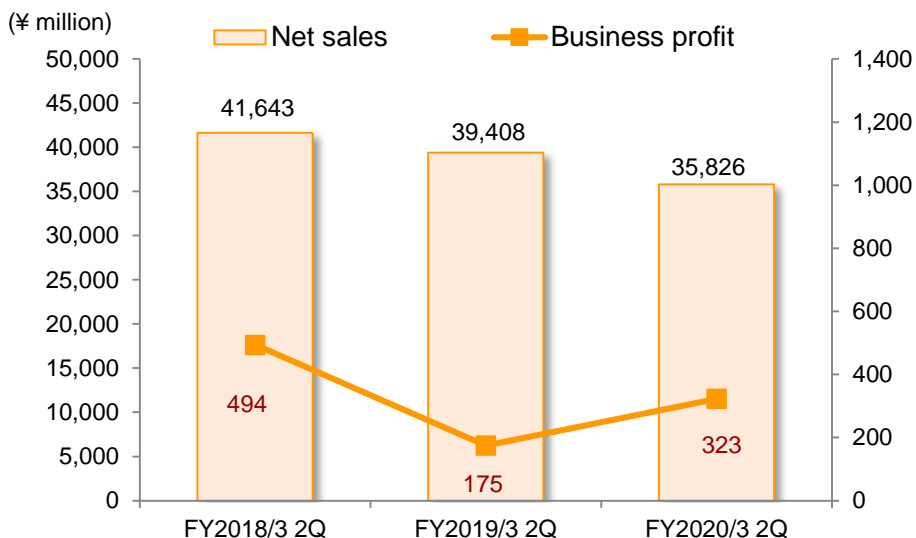
While business profit for chicken exceeded the forecast due to improvement of production performance, business profit overall fell short of the forecast due to insufficient number of pork and beef.

Growth in Nippon Food Group:

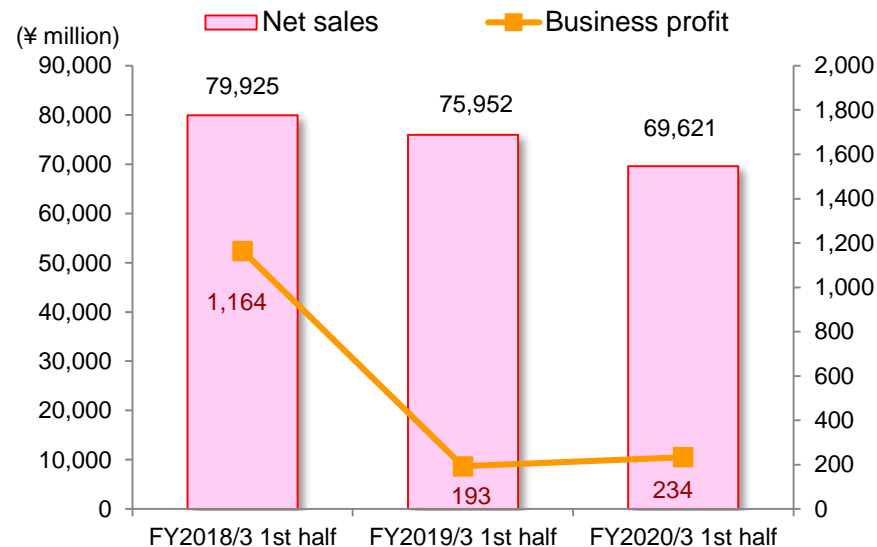
Business profit fell short of the forecast as sales struggled more than expected due to high prices of domestic and imported beef, and due to delayed cost transfer of logistics cost increase.

## 5. Segment Data: Affiliated Business Division

### 2Q Results (Jul.-Sep.)



### 1st Half Results (Apr.-Sep.)



(¥ million)

	FY2019/3 2Q	FY2020/3 2Q	Variance	Variance(%)
Net sales	39,408	35,826	(3,582)	(9.1)
Business profit	175	323	148	84.6
Business profit ratio	0.4%	0.9%	-	-

(¥ million)

	FY2019/3 1st half	FY2020/3 1st half	Variance	Variance(%)
Net sales	75,952	69,621	(6,331)	(8.3)
Business profit	193	234	41	21.2
Business profit ratio	0.3%	0.3%	-	-

### Net Sales in FY2020/3 1st Half (Apr.-Sep.)

#### Marine products business

Revenue decreased due to struggling sales of tuna and eel caused by intensified price competition, and a decrease in handling of some fish due to reduced catch.

#### Dairy products business

Revenue of yogurt decreased due to declining sales of probiotic beverages, despite our core product *Vanilla Yogurt* performing strongly. Sales of cheese increased due to strong sales of commercial-use products to restaurants and convenience stores.

### Business Profit in FY2020/3 1st Half (Apr.-Sep.)

#### Marine products business

Business profit increased due to improved profitability of sushi toppings and improved productivity in plant operations.

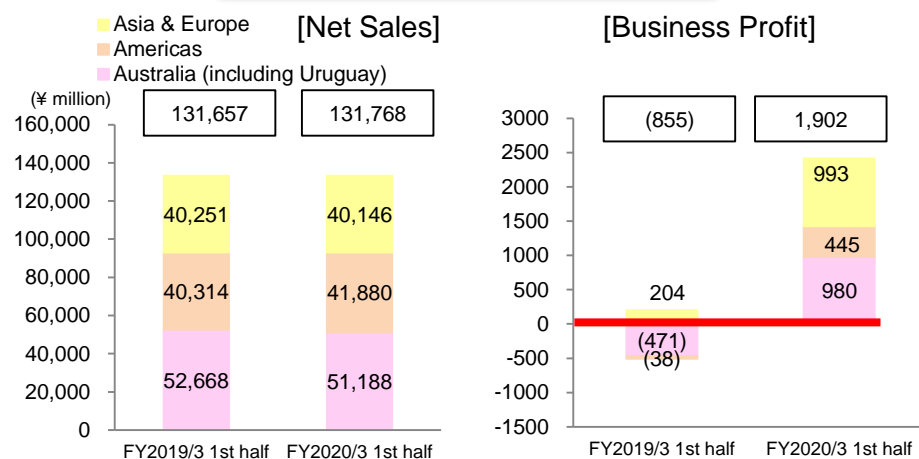
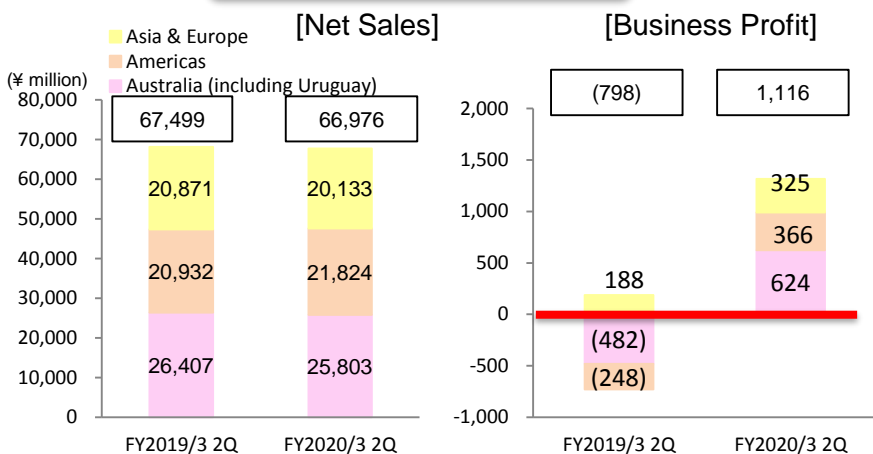
#### Dairy products business

Business profit from yogurt decreased due to sluggish sales of probiotic beverages and rising expenses caused by the operation of our new plant. Business profit from cheese increased due to improved profit resulting from price increases and volume growth.

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

## 2Q Results (Jul.-Sep.)

## 1st Half Results (Apr.-Sep.)



	FY2019/3 2Q	FY2020/3 2Q	Variance	Variance(%)
Net sales	67,499	66,976	(523)	(0.8)
Business profit	(798)	1,116	1,914	-
Business profit ratio	(1.2)%	1.7%	-	-

	FY2019/3 1st half	FY2020/3 1st half	Variance	Variance(%)
Net sales	131,657	131,768	111	0.1
Business profit	(855)	1,902	2,757	-
Business profit ratio	(0.6)%	1.4%	-	-

\* 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 1st Half (Apr.-Sep.)

#### Australia/Uruguay

Revenue decreased due to stagnant number of cattle processed caused by fluctuations in livestock prices, despite higher sales price in Australia and Uruguay underpinned by strong demand in China.

#### Americas

Revenue increased due to strong exports of North American fresh meat to Japan.

#### Asia & Europe

Revenue was flat year-on-year despite rising sales prices in Ege-Tav in Turkey and strong fresh meat exports to Japan from Europe.

### Business Profit in FY2020/3 1st Half (Apr.-Sep.)

#### Australia/Uruguay

Sales price rose due to an increase in beef demand caused by African swine fever ("ASF") in China. Australia was able to secure business profit due to rise in sales price, stable procurement price, and improved productivity. Uruguay also reduced deficit due to high sales price.

#### Americas

Business profit was secured due to price increases of processed food products and sales promotion expense control.

#### Asia & Europe

Business profit increased due to high sales price of chicken in Turkey.

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

### Factor Analysis: Changes in business profit

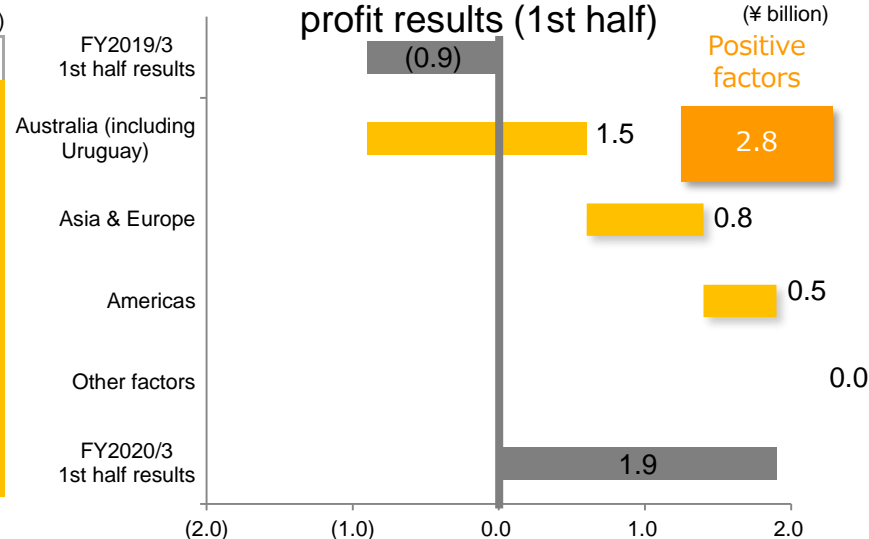
(¥ billion)

	FY2020/3				
	1Q results	2Q results	1st half forecasts	1st half results	Variance
Australia (including Uruguay)	0.4	1.1	0.8	1.5	0.7
Americas	(0.1)	0.6	0.3	0.5	0.2
Asia & Europe	0.7	0.1	0.9	0.8	(0.1)
Others	(0.0)	0.1	(0.1)	0.0	0.2
<b>Total</b>	<b>0.8</b>	<b>1.9</b>	<b>1.9</b>	<b>2.8</b>	<b>0.9</b>

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

### Factor Analysis Graph: Changes in business profit results (1st half)

(¥ billion)



### Forecast Variation Factors

#### Australia/Uruguay:

Business profit exceeded the forecast due to continuing high sales price mainly in products for China, as well as improvements of productivity in both Australia and Uruguay.

#### Americas:

Business profit exceeded the forecast due to more than expected productivity improvements in processed food products in North America and a growth in the fresh meat export volume to Japan.

#### Asia & Europe:

Business profit exceeded the forecast due to reduction of raw materials cost for processed foods in Thailand and strong fresh meat exports to Japan from Europe.

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

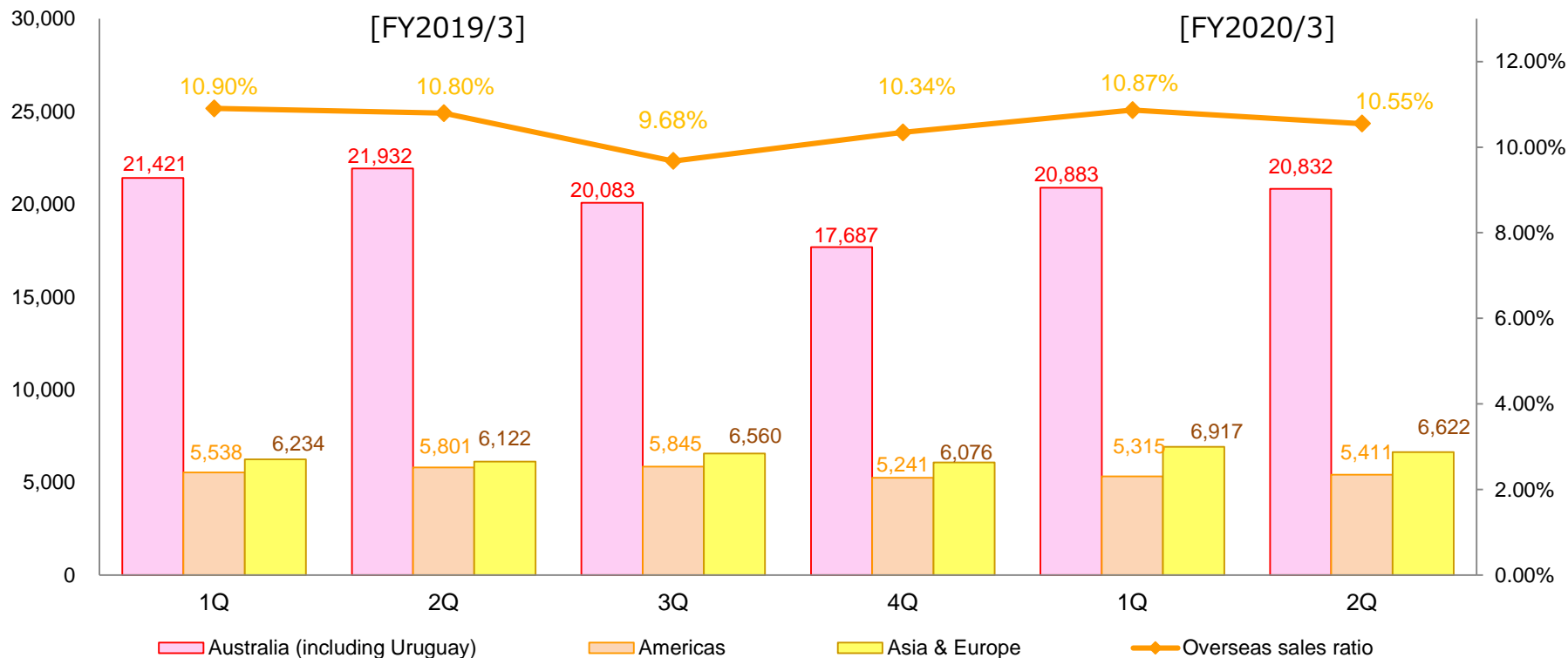


(¥ million, %)

	FY2019/3					FY2020/03	
	1Q	2Q	3Q	4Q	Full year	1Q	2Q
Australia (including Uruguay)	21,421	21,932	20,083	17,687	81,123	20,883	20,832
Americas	5,538	5,801	5,845	5,241	22,425	5,315	5,411
Asia & Europe	6,234	6,122	6,560	6,076	24,992	6,917	6,622
Overseas total	33,192	33,857	32,487	29,004	128,540	33,116	32,864
Overseas sales ratio	10.90%	10.80%	9.68%	10.34%	10.42%	10.87%	10.55%

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

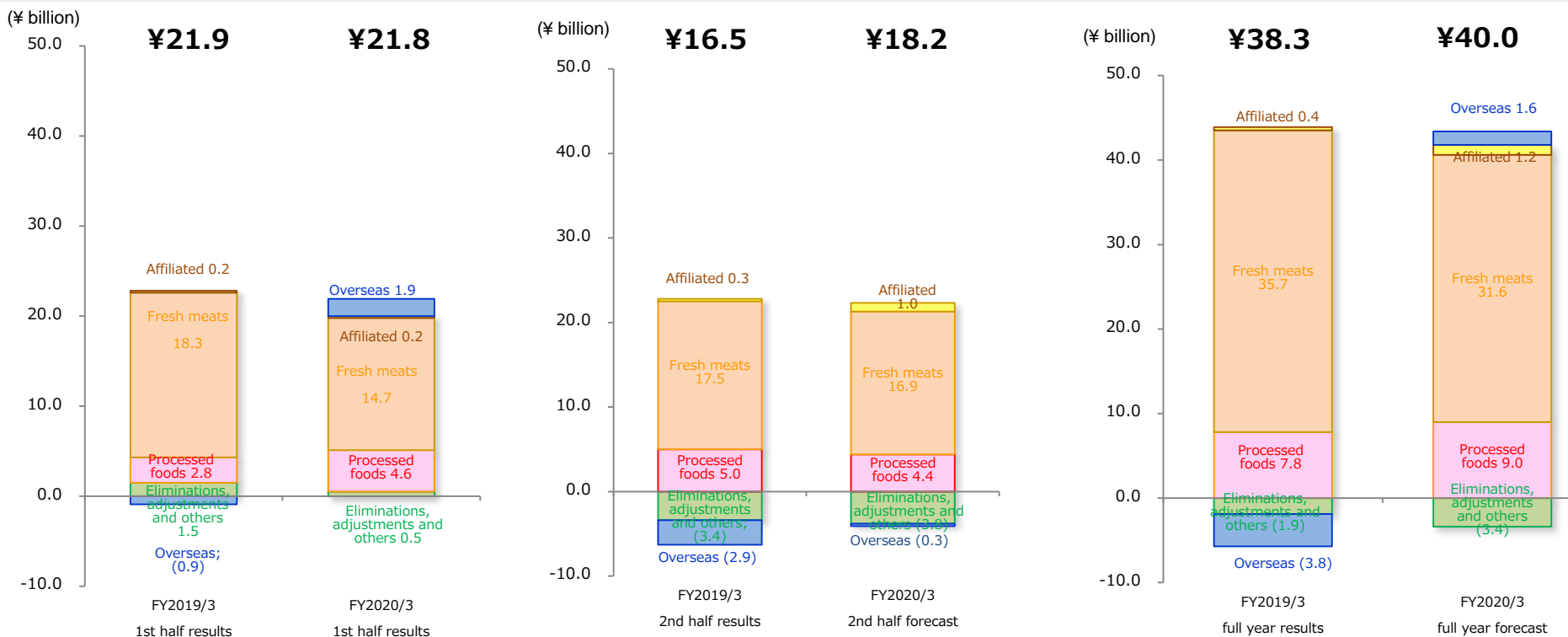
(¥ million, %)



## **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 1st half			FY2020/3 2nd half			FY2020/3 full year		
	FY2019/3 1st half results	Results	Variance	FY2019/3 2nd half results	Forecasts	Variance	FY2019/3 full year results	Forecasts	Variance
Processed Foods Business Division	2.8	<b>4.6</b>	1.8	5.0	<b>4.4</b>	(0.6)	7.8	<b>9.0</b>	1.2
Fresh Meats Business Division	18.3	<b>14.7</b>	(3.6)	17.5	<b>16.9</b>	(0.6)	35.7	<b>31.6</b>	(4.1)
Affiliated Business Division	0.2	<b>0.2</b>	0.0	0.3	<b>1.0</b>	0.7	0.4	<b>1.2</b>	0.8
Overseas Business Division	(0.9)	<b>1.9</b>	2.8	(2.9)	<b>(0.3)</b>	2.6	(3.8)	<b>1.6</b>	5.4
Eliminations, adjustments and others	1.5	<b>0.5</b>	(1.1)	(3.4)	<b>(3.8)</b>	(0.4)	(1.9)	<b>(3.4)</b>	(1.5)
of which value creation expenses	(0.0)	<b>(0.2)</b>	(0.1)	(0.0)	<b>(0.6)</b>	(0.5)	(0.0)	<b>(0.7)</b>	(0.7)
of which profit or loss of baseball club (consolidated)	1.7	<b>1.1</b>	(0.6)	(3.3)	<b>(3.1)</b>	0.2	(1.7)	<b>(2.1)</b>	(0.4)
of which others	(0.2)	<b>(0.5)</b>	(0.3)	0.0	<b>(0.2)</b>	(0.2)	(0.2)	<b>(0.6)</b>	(0.4)
<b>Total</b>	<b>21.9</b>	<b>21.8</b>	(0.0)	<b>16.5</b>	<b>18.2</b>	1.7	<b>38.3</b>	<b>40.0</b>	1.7



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

## Variance from 1Q forecasts

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

(¥ billion)

	FY2020/3 1st half			FY2020/3 3Q			FY2020/3 4Q			FY2020/3 2nd half			FY2020/3 full year		
	1Q forecasts	Results	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
Processed Foods Business Division	3.7	<b>4.6</b>	0.9	5.2	<b>4.9</b>	(0.3)	(0.4)	<b>(0.5)</b>	(0.1)	4.8	<b>4.4</b>	(0.4)	8.5	<b>9.0</b>	0.5
Fresh Meats Business Division	15.8	<b>14.7</b>	(1.1)	11.4	<b>9.0</b>	(2.4)	8.7	<b>7.9</b>	(0.8)	20.1	<b>16.9</b>	(3.2)	35.9	<b>31.6</b>	(4.3)
Affiliated Business Division	0.0	<b>0.2</b>	0.2	1.3	<b>1.0</b>	(0.3)	(0.1)	<b>(0.0)</b>	0.1	1.2	<b>1.0</b>	(0.2)	1.2	<b>1.2</b>	0.0
Overseas Business Division	1.0	<b>1.9</b>	0.9	(0.3)	<b>0.2</b>	0.5	(1.1)	<b>(0.5)</b>	0.6	(1.4)	<b>(0.3)</b>	1.1	(0.4)	<b>1.6</b>	2.0
Eliminations, adjustments and others	0.5	<b>0.5</b>	(0.1)	(3.0)	<b>(2.1)</b>	0.9	(2.7)	<b>(1.7)</b>	1.0	(5.7)	<b>(3.8)</b>	1.9	(5.2)	<b>(3.4)</b>	1.8
of which value creation expenses	(0.5)	<b>(0.2)</b>	0.3	(0.7)	<b>(0.2)</b>	0.5	(0.3)	<b>(0.4)</b>	(0.1)	(1.0)	<b>(0.6)</b>	0.5	(1.5)	<b>(0.7)</b>	0.8
of which profit or loss of baseball club	1.4	<b>1.1</b>	(0.3)	(2.0)	<b>(1.7)</b>	0.3	(2.1)	<b>(1.5)</b>	0.6	(4.1)	<b>(3.2)</b>	1.0	(2.7)	<b>(2.1)</b>	0.6
of which others	(0.4)	<b>(0.5)</b>	(0.1)	(0.3)	<b>(0.2)</b>	0.1	(0.3)	<b>0.1</b>	0.4	(0.6)	<b>(0.1)</b>	0.5	(1.0)	<b>(0.6)</b>	0.4
Total	21.0	<b>21.8</b>	0.8	14.6	<b>13.0</b>	(1.6)	4.4	<b>5.2</b>	0.8	19.0	<b>18.2</b>	(0.8)	40.0	<b>40.0</b>	0.0

\* Structural reform expenses are allocated to each segment, and we expect to generate ¥1.6 billion annually as per our initial forecast.

# 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 1Q forecasts								
	3Q			4Q			Full year		
	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
<b>Total existing businesses</b>	0.2	<b>(0.0)</b>	(0.2)	(0.4)	<b>(0.4)</b>	(0.0)	0.6	<b>1.1</b>	0.5
External factors	(0.3)	<b>(0.6)</b>	(0.3)	(0.4)	<b>(0.4)</b>	(0.1)	(0.2)	<b>(0.3)</b>	(0.1)
Principal raw material price	(0.1)	<b>(0.3)</b>	(0.2)	(0.4)	<b>(0.4)</b>	(0.1)	0.6	<b>0.4</b>	(0.3)
Other materials/fuels	(0.3)	<b>(0.3)</b>	(0.1)	0.0	<b>(0.0)</b>	(0.0)	(0.8)	<b>(0.7)</b>	0.1
Internal factors	0.5	<b>0.6</b>	0.0	(0.1)	<b>0.0</b>	0.1	0.8	<b>1.4</b>	0.6
Volume expansion	(0.0)	<b>(0.2)</b>	(0.2)	0.1	<b>(0.1)</b>	(0.2)	(0.2)	<b>(0.8)</b>	(0.6)
Improvement activities	0.5	<b>0.8</b>	0.2	(0.2)	<b>0.1</b>	0.3	1.0	<b>2.2</b>	1.2
<b>Vendor, consumer frozen foods, and logistics businesses</b>	0.0	<b>0.0</b>	(0.0)	0.2	<b>0.2</b>	0.1	0.4	<b>0.6</b>	0.2
<b>Others</b>	(0.1)	<b>(0.2)</b>	(0.1)	(0.1)	<b>(0.2)</b>	(0.1)	(0.3)	<b>(0.5)</b>	(0.2)
<b>Total</b>	0.1	<b>(0.2)</b>	(0.3)	(0.3)	<b>(0.4)</b>	(0.1)	0.7	<b>1.2</b>	0.5

### ○ Fresh Meats Business Division

(¥ billion)

Fresh Meats Business Division	Variance from 1Q forecasts								
	3Q			4Q			Full year		
	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
Imported fresh meat market	1.3	<b>(0.1)</b>	(1.5)	0.4	<b>0.3</b>	(0.1)	2.0	<b>(0.3)</b>	(2.3)
Domestic fresh meat market	(0.2)	<b>(1.1)</b>	(0.9)	0.7	<b>0.1</b>	(0.6)	(0.7)	<b>(2.8)</b>	(2.0)
Changes in farming operation in Japan	(0.3)	<b>(0.4)</b>	(0.1)	0.3	<b>0.2</b>	(0.1)	(1.8)	<b>(2.2)</b>	(0.4)
Growth in Nippon Food Group	0.0	<b>(0.0)</b>	(0.0)	0.3	<b>0.4</b>	0.1	0.3	<b>0.1</b>	(0.2)
Others	0.1	<b>0.1</b>	0.1	(0.0)	<b>(0.1)</b>	(0.0)	0.4	<b>0.9</b>	0.6
<b>Total</b>	1.0	<b>(1.5)</b>	(2.4)	1.7	<b>0.9</b>	(0.8)	0.2	<b>(4.1)</b>	(4.3)

### ○ Overseas Business Division

(¥ billion)

Overseas Business Division	Variance from 1Q forecasts								
	3Q			4Q			Full year		
	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance	1Q forecasts	Forecasts	Variance
Australia (including Uruguay)	0.5	<b>1.1</b>	0.6	0.7	<b>0.7</b>	0.1	2.0	<b>3.2</b>	1.3
Americas	0.2	<b>0.3</b>	0.1	0.4	<b>0.2</b>	(0.2)	0.9	<b>0.9</b>	0.1
Asia & Europe	0.1	<b>(0.0)</b>	(0.1)	0.0	<b>0.4</b>	0.3	1.1	<b>1.1</b>	0.0
Others	(0.0)	<b>0.0</b>	0.0	(0.4)	<b>0.0</b>	0.5	(0.5)	<b>0.1</b>	0.6
<b>Total</b>	0.8	<b>1.3</b>	0.5	0.7	<b>1.3</b>	0.6	3.4	<b>5.4</b>	2.0

### Business profit forecasts

(¥ billion)

Overseas Business Division	3Q		4Q		Full year	
	1Q forecasts	Forecasts	1Q forecasts	Forecasts	1Q forecasts	Forecasts
Australia (including Uruguay)	(0.4)	<b>0.2</b>	(0.1)	<b>(0.0)</b>	(0.9)	<b>1.1</b>
Americas	0.1	<b>0.1</b>	0.2	<b>(0.0)</b>	0.4	<b>0.6</b>
Asia & Europe	0.3	<b>0.2</b>	(0.5)	<b>(0.2)</b>	0.4	<b>1.0</b>
Others	(0.3)	<b>(0.3)</b>	(0.7)	<b>(0.2)</b>	(1.9)	<b>(1.0)</b>
<b>Total</b>	(0.3)	<b>0.2</b>	(1.1)	<b>(0.5)</b>	(2.0)	<b>1.6</b>

## 2. Processed Foods Business Division: Outlook (1)

### ● Sales promotion measures by channel

#### 1) Consumer products

Expand sales mainly of new autumn and winter products and high unit price products for year-end to improve revenue and profit.

Continue to improve unit price of existing products to improve revenue and profit.

#### 2) Commercial-use products

Expand sales by creating new menus aimed at securing regular products for convenience stores and restaurants, and cultivating new customers.

Reference: Net sales forecasts by channel

FY2020/3 full year forecasts (2Q revision)		Amount (year-on-year comparison)
Hams and sausages	Consumer	103%
	Commercial-use	97%
	<b>Total</b>	<b>101%</b>
Deli and processed foods	Consumer	100%
	Commercial-use	87%
	<b>Total</b>	<b>94%</b>

### ● Sales promotion measures for major consumer products

1) For hams and sausages, expand customer base by introducing new products for our core product *SCHAU ESSEN* and autumn and winter products, while improving profitability.

2) Expand sales by introducing TV commercials for *Ishigama Kobo* and *CHUKA MEISAI*, and actively conducting sales promotion for chains.

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	101%	Chilled bakery	103%
Loin hams	108%	Chilled dish	99%
Bacon	102%	Fried chicken	101%
Yakubutas	94%	Hamburg and meatball	102%
<b>Total consumer products</b>	<b>103%</b>	<b>Total consumer products</b>	<b>100%</b>

### ● Sales promotion measures for gift products

- Introduce hors d'oeuvre set for *Utsukushi-no-Kuni*.
- Review sales promotion of gifts in *Honkakuha* brand.
- Expand side dish gift, which is a growing category.

Reference: Net sales results and forecasts of gift products (year-on-year comparison)

		FY2019/3 results	FY2020/3 results & forecasts
		Variance	Variance
Summer gift-giving season	Overall unit sales	91%	92%
	( <i>Utsukushi-no-Kuni</i> )	90%	101%
Year-end gift-giving season	Overall unit sales	88%	100%
	( <i>Utsukushi-no-Kuni</i> )	97%	101%
Total	Overall unit sales	89%	97%
	( <i>Utsukushi-no-Kuni</i> )	95%	101%
	(Sales ratio of <i>Utsukushi-no-Kuni</i> )	34%	35%

### ➤ Initiatives to improve profitability

#### Expansion of gross profit

##### ● Consumer

- Expand profits through brand extension
- Strengthen initiatives toward new channel

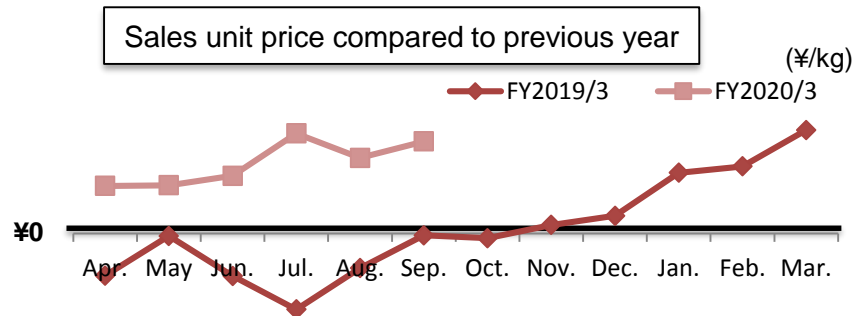


##### ● Commercial-use

- Improve profits through active utilization of brand products
- Expand delicatessen operations



Improve sales unit price through above initiatives



#### Reduction of expenses

##### ● Reduction of labor costs

- Reduce labor costs through revision of working days and investments in labor saving



##### ● Effective use of sales promotion expenses

- Sales promotion using YouTube and Twitter



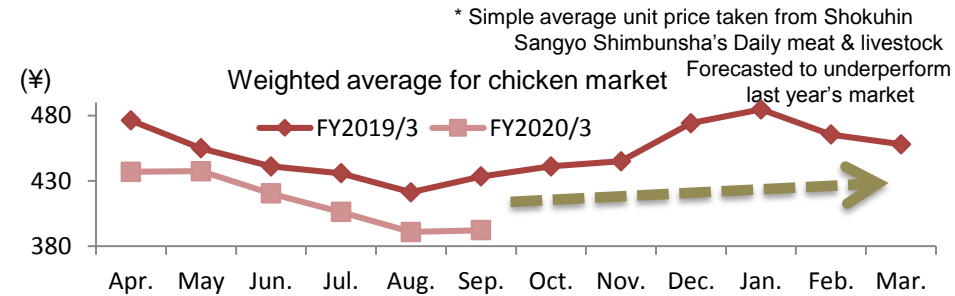
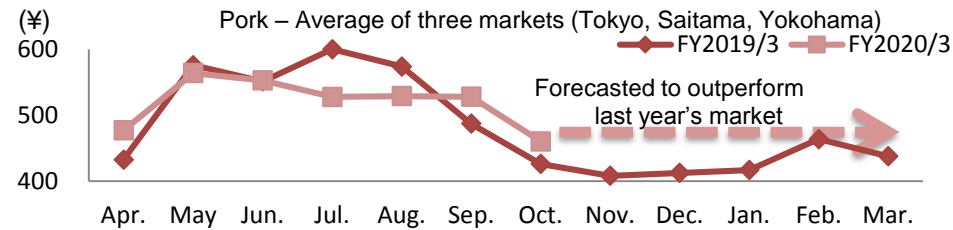
##### ● Reduction of logistics costs

- Revision of delivery including plant direct delivery and improvement in logistics efficiency



### 3. Fresh Meats Business Division: Outlook

#### ● Domestic fresh meat market



Chicken: Production system of *Sakurahime* recovered from the Hokkaido Eastern Iburi earthquake due to restoration of poultry house. We are working toward stable supply in addition to implementing productivity improvement measures.

Pork: We are working toward improved performance and stable supply through ensuring prevention of disease and strengthening of disease control. Additionally, we will work toward productivity improvements through introduction of new technologies.

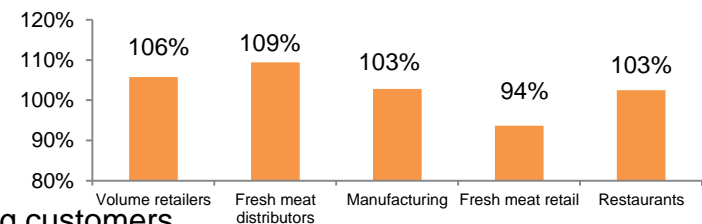
#### ● Imported fresh meat market

- While “overstock and weak demand” continues in Japan, the outlook is uncertain for pork due to expected price fluctuations from the effects of ASF and US-China trade friction overseas.
- The outlook is uncertain for chicken due to weak domestic market.
- Beef is expected to remain at a high price due to continuing demand.

#### ● Fresh meat sales (Nippon Food Group)

- Enhance product development capability and sales force aimed at restaurant channel.
- Propose brand meat and beef to volume retailer channel, and strengthen business negotiations in delicatessen operations to expand sales from existing customers.

1st Half Results: Overall volume growth of 105%



### ➤ Initiatives to improve profitability

- Marine products business: Profit is improving (Year on year)
  - Expand sales of sushi toppings that have high profit rate and products developed at our plant.
  - Strengthen promotion of crab products toward December, a month when the largest demand is expected.
  - Sales expansion of salmon through branding.  
*Blessing from Black Sea: Salmon Trout, Blessing from Magellan: Salmon Trout*



- Dairy products business [Cheese]: Revenue and profit are improving (Year on year)
  - Expansion of production capability and improved productivity through production equipment upgrade.
  - Expansion of commercial-use product share through product development utilizing processing technologies.
  - Further expansion of sales of consumer-use cupcakes, one of our strongest products.

- Dairy products business [Yogurt] : Profit is improving (Year on year)
  - Improved productivity through stable operation of Takasaki Plant.
  - Continuous expansion of sales of the core product, *Vanilla Yogurt*, which is performing well even after the price hike.
  - Sales expansion through product renewal and active introduction of new products.
  - Creation of new market through the launch of SKYR, a high-protein zero-fat product to be sold in Japan for the first time next spring.



Implement cost reduction through in-house production of *Vanilla Yogurt* containers



# 5. Overseas Business Division: Outlook

➤ Certain prospects for stabilization of business profits

Efforts to improve profits were successful in addition to support from external environment

Turkey: Improve productivity and product mix  
 Variance year on year: 1st half +¥0.8 billion, full-year forecast +¥1.2 billion



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

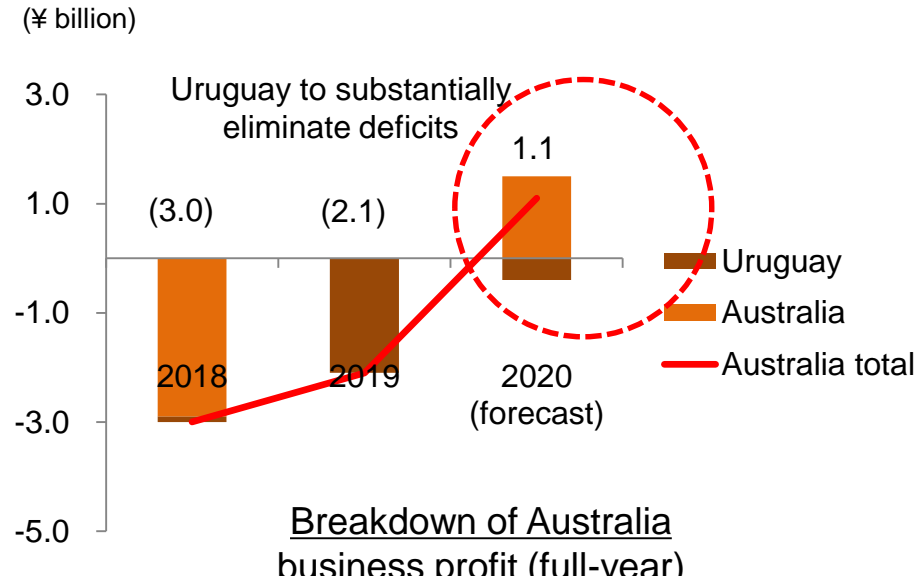
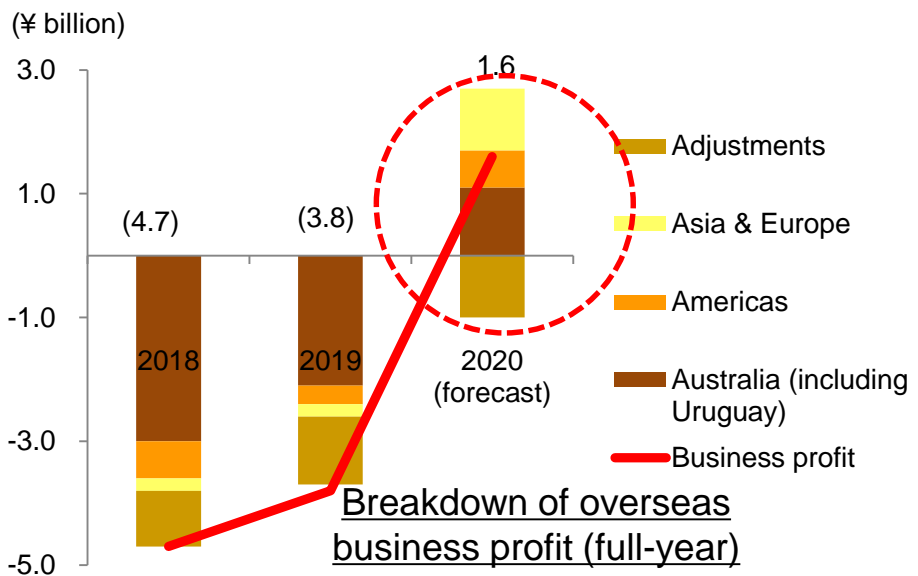
Americas: Improve productivity of processed food products in North America  
 Variance year on year: 1st half +¥0.5 billion, full-year forecast +¥0.9 billion

Australia: Improve productivity and product measures  
 Variance year on year: 1st half +¥1.0 billion, full-year forecast +¥1.5 billion

Uruguay: Promote improvement project  
 Variance year on year: 1st half +¥0.5 billion, full-year forecast +¥1.7 billion

➤ Breaking away from deficit in FY2020/3

While Australia and Turkey is expected to decelerate due to seasonal factors, we will secure profit for the full year.



## **III. Consolidated Financial Results for FY2020/3 2Q**

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



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

(¥ million, %)

	FY2019/3 results			FY2020/3 results and forecasts						
	1st half results	2nd half results	Full year results	1st half results	Variance	Volume growth rate	2nd half forecasts	Variance	Full year forecasts	Variance
(1) Net sales	618,000	616,180	1,234,180	616,266	(0.3)	-	623,734	1.2	1,240,000	0.5
Hams and sausages	62,653	65,703	128,356	63,394	1.2	(0.5)	66,506	1.2	129,900	1.2
Processed foods	115,107	118,548	233,655	114,059	(0.9)	(3.8)	116,141	(2.0)	230,200	(1.5)
Fresh meats	353,222	350,335	703,557	357,962	1.3	3.8	357,938	2.2	715,900	1.8
Beef	150,455	147,128	297,583	152,689	1.5	1.5	150,011	2.0	302,700	1.7
Pork	111,937	109,220	221,157	112,645	0.6	2.7	113,655	4.1	226,300	2.3
Chicken	77,259	83,562	160,821	81,504	5.5	8.2	83,996	0.5	165,500	2.9
Other fresh meats	13,571	10,425	23,996	11,124	(18.0)	(24.9)	10,276	(1.4)	21,400	(10.8)
Marine products	42,116	46,022	88,138	38,433	(8.7)	(10.3)	46,267	0.5	84,700	(3.9)
Dairy products	17,058	16,212	33,270	16,908	(0.9)	(3.0)	17,592	8.5	34,500	3.7
Others	27,844	19,360	47,204	25,510	(8.4)	-	19,290	(0.4)	44,800	(5.1)
(2) Cost of goods sold	514,481	519,096	1,033,577	511,628	(0.6)					
Gross profit	103,519	97,084	200,603	104,638	1.1					
Gross profit ratio	16.8%	15.8%	16.3%	17.0%	-					
(3) SG&A expenses	82,097	86,241	168,338	81,161	(1.1)					
Other income and expenses	2,717	(3,499)	(782)	(7,939)	-		(3,261)	(6.8)	(11,200)	-
Finance income and costs	(1,611)	(523)	(2,134)	(862)	-		(938)	-	(1,800)	-
Share of profit (loss) in investments accounted for using the equity method	645	273	918	287	(55.5)		713	161.2	1,000	8.9
Profit before tax	23,173	7,094	30,267	14,963	(35.4)		11,037	55.6	26,000	(14.1)
Income tax expense	7,051	4,199	11,250	4,469	(36.6)		3,331	(20.7)	7,800	(30.7)
Tax rate	30.4%	59.2%	37.2%	29.9%	-		30.2%	-	30.0%	-
Profit attributable to owners of parent	16,371	3,190	19,561	10,331	(36.9)		8,169	156.1	18,500	(5.4)
(4) Operating income ((1)-(2)-(3))	21,422	10,843	32,265	23,477	9.6		14,523	33.9	38,000	17.8
(5) Foreign exchange gains (losses)	1,327	1,738	3,065	1,005	-		-	-	-	-
(6) Adjustments in accordance with IFRS and others	(878)	3,859	2,981	(2,650)	-		-	-	-	-
Business profit ((4)+(5)+(6))	21,871	16,440	38,311	21,832	(0.2)		18,168	10.5	40,000	4.4

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

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

(¥ million, %)

Consolidated balance sheets		FY2019/3 Year-end results	FY2020/3 1st half	Variance (%)	Variance
Total assets		741,388	770,867	4.0	29,479
	Cash and cash equivalents	48,108	60,610	26.0	12,502
	Trade and other receivables	153,260	130,803	(14.7)	(22,457)
★(1)	Inventories	113,415	128,505	13.3	15,090
★(2)	Property, plant and equipment	289,898	313,509	8.1	23,611
	Other financial assets - non-current	34,125	33,309	(2.4)	(816)
	Deferred tax assets	28,004	26,219	(6.4)	(1,785)
Total liabilities		336,030	366,397	9.0	30,367
	Trade and other payables	111,573	109,726	(1.7)	(1,847)
★(3)	Interest-bearing liabilities	147,009	181,098	23.2	34,089
Total equity attributable to owners of parent		401,014	399,815	(0.3)	(1,199)
Non-controlling interests		4,344	4,655	7.2	311
Total equity		405,358	404,470	(0.2)	(888)

### Major reasons for increase/decrease

- ★(1) **Inventories: Increased by approximately ¥15.1 billion due to an increase in major livestock in the fresh meats business.**
- ★(2) **Property, plant and equipment: Increased by approximately ¥23.6 billion due to the impact of changes in accounting standards for leases.**
- ★(3) **Interest-bearing liabilities: Increased by approximately ¥34.1 billion due to the impact of changes in accounting standards for leases and the issuance of bonds.**

(¥ million, %)

Capital expenditures, depreciation and amortization	FY2019/3	FY2020/3				
	1st half	1st half		Full year		
	Results	Results	Variance (%)	Variance	Initial forecasts	Revised forecasts
Capital expenditures	23,027	16,612	(27.9)	(6,415)	76,700	70,800
Processed Foods Business Division	3,974	5,735	44.3	1,761	23,000	18,100
Fresh Meats Business Division	8,815	5,023	(43.0)	(3,792)	30,200	27,000
Affiliated Business Division	6,555	724	(89.0)	(5,831)	4,200	5,900
Overseas Business Division	2,288	2,454	7.3	166	8,200	8,300
Other facilities	1,395	2,676	91.8	1,281	11,100	11,500
Depreciation and amortization	10,769	16,279	51.2	5,510	28,300	33,300

### 3. Cash Flows

(¥ million)

Consolidated statements of cash flows	FY2019/3	FY2020/3		FY2020/3
	1st half results	1st half results	Variance	Full year forecasts
★(1) Cash flow from operating activities	8,911	33,298	24,387	67,200
★(2) Cash flow from investing activities	(23,888)	(19,434)	4,454	(58,900)
★(3) Cash flow from financing activities	1,195	(571)	(1,766)	(55)

#### Status for cash flows

- ★(1) **Cash flow from operating activities:** Net cash inflow from operating activities was approximately ¥33.3 billion due to depreciation and amortization of ¥16.4 billion and cash inflow associated with a decrease in trade and other receivables.
- ★(2) **Cash flow from investing activities:** Cash used in investing activities was approximately ¥19.4 billion due to capital expenditures of ¥19.4 billion.
- ★(3) **Cash flow from financing activities:** Cash used in financing activities was approximately ¥0.6 billion due to repayments of debt and an increase in cash dividends, despite an increase of approximately ¥15.0 billion from issuance of bonds

## Contact

Public & Investor Relations Department

NH Foods Ltd.

ThinkParkTower

2-1-1 Osaki, Shinagawa-ku, Tokyo 141-6013

Tel: +81-3-4555-8024 Fax: +81-3-4555-8189

### 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.