

# NH Foods Group Medium-Term Management Plan 2020

— Progress During the First Half of FY2020/3

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NH Foods Ltd.

President and Representative Director

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# 1. Performance Progress

## 2. Future Direction

- \* The year displayed in these documents corresponds to the fiscal year from April to March.  
Example: 2019 = April 2018 to March 2019
- \* Due to rounding, tallies may not match totals.

# 1. Performance Progress

- External environment and future impact on each businesses

## External environment

US-Japan trade agreement, US-China trade friction,  
African swine fever (ASF), domestic swine fever  
abnormal weather

## Impact on NH Foods Group

Impact on raw materials procurement, and purchasing and sales

### Processed Foods Business Division

Rise in raw materials prices

### Fresh Meats Business Division

Japan: Rise in production cost  
Import: Surge of purchasing price

### Affiliated Business Division

Decrease in domestic and overseas catch

### Overseas Business Division

Rise in livestock procurement price  
Continuing high sales price of beef  
Decrease in global pork production

# 1. Performance Progress

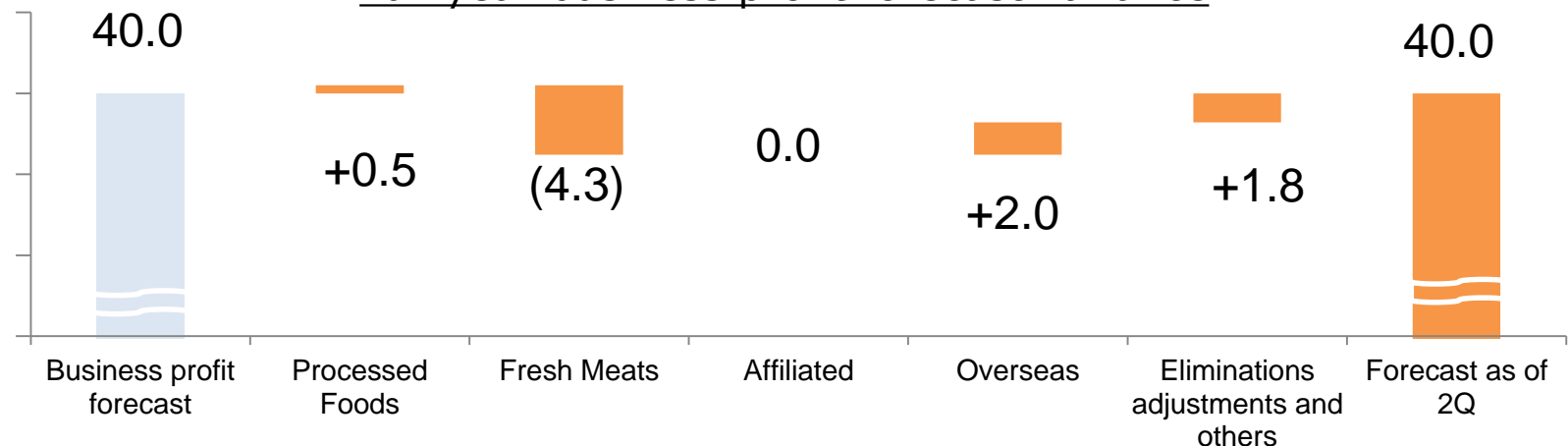
Due to weak fresh meat market, the business forecast for the Fresh Meats Business Division was revised downwards, but this decrease was offset by the Processed Foods Business Division and the Overseas Business Division, and the profit forecast remains unchanged.

	FY2020/3		
	Initial forecast as of 1Q	Revised forecast	Variance
Net sales	1,280.0	1,240.0	(40.0)
Business profit	40.0	40.0	0.0
Profit*	18.5	18.5	0.0
ROE	4.6%	4.6%	0.0

	Full year business profit		
	Forecast as of 1Q	Revised forecast	Variance
Processed Foods Business Division	8.5	9.0	+0.5
Fresh Meats Business Division	35.9	31.6	(4.3)
Affiliated Business Division	1.2	1.2	0.0
Overseas Business Division	(0.4)	1.6	+2.0
Eliminations, adjustments and others	(5.2)	(3.4)	+1.8

(¥ billion) \*Attributable to owners of parent

Full year business profit forecast variance



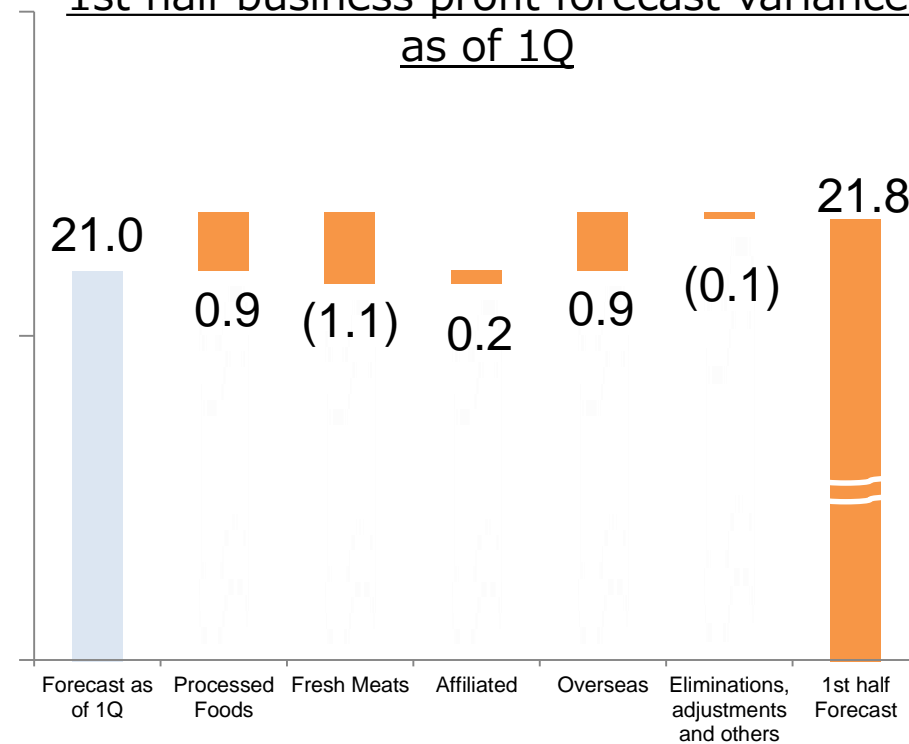
# 1. Performance Progress

## ➤ 1st half progress

(¥ billion)

	FY2020/3 1st half		
	Forecast as of 1Q	Results	Variance
Processed Foods Business Division	3.7	4.6	0.9
Fresh Meats Business Division	15.8	14.7	(1.1)
Affiliated Business Division	0.0	0.2	0.2
Overseas Business Division	1.0	1.9	0.9
Eliminations, adjustments and others	0.5	0.5	(0.1)
<b>Total</b>	<b>21.0</b>	<b>21.8</b>	<b>+0.8</b>

1st half business profit forecast variance as of 1Q



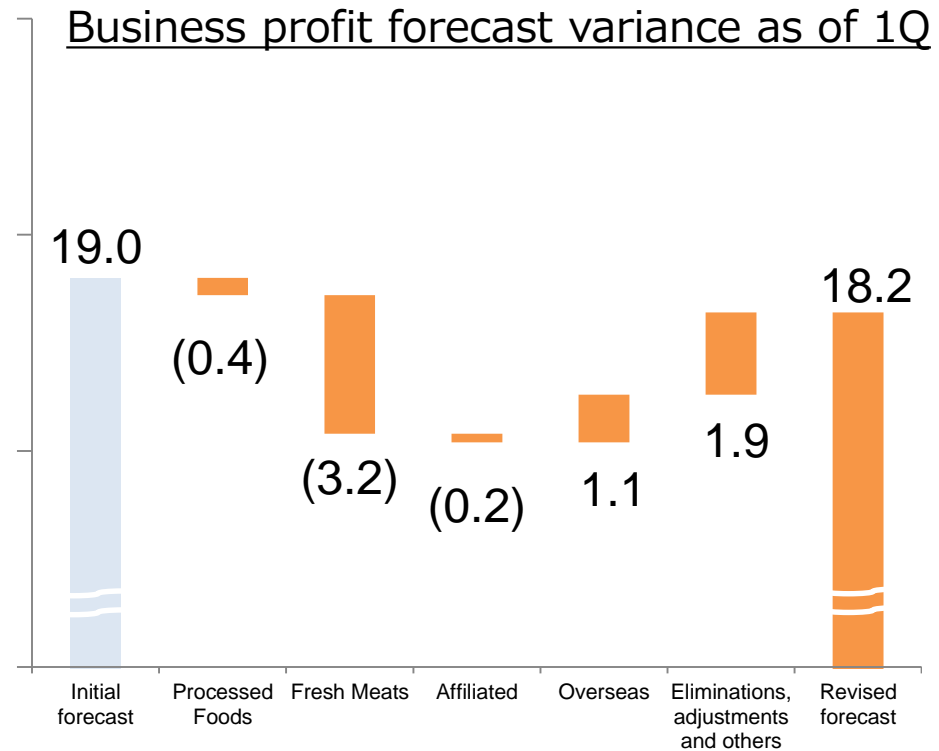
### Review of 1st half results

- Processed Foods Business Division: Improved gross profit ratio of core brand products and cost reduction proved to be effective.
- Fresh Meats Business Division: Sales prices were sluggish due to deterioration in the balance of market supply and demand.
- Affiliated Business Division: While expenses for yogurt increased, gross profit was secured with cheese.
- Overseas Business Division: Effects of improvements were confirmed in Australia and Uruguay as well as processed foods production in North America.

# 1. Performance Progress

## ➤ 2nd half forecast (¥ billion)

	FY2020/3 2nd half		
	Initial forecast	Forecast as of 2Q	Variance
Processed Foods Business Division	4.8	4.4	(0.4)
Fresh Meats Business Division	20.1	16.9	(3.2)
Affiliated Business Division	1.2	1.0	(0.2)
Overseas Business Division	(1.4)	(0.3)	1.1
Eliminations, adjustments and others	(5.7)	(3.8)	1.9
<b>Total</b>	<b>19.0</b>	<b>18.2</b>	<b>(0.8)</b>



### Major priority measures for the 2nd half

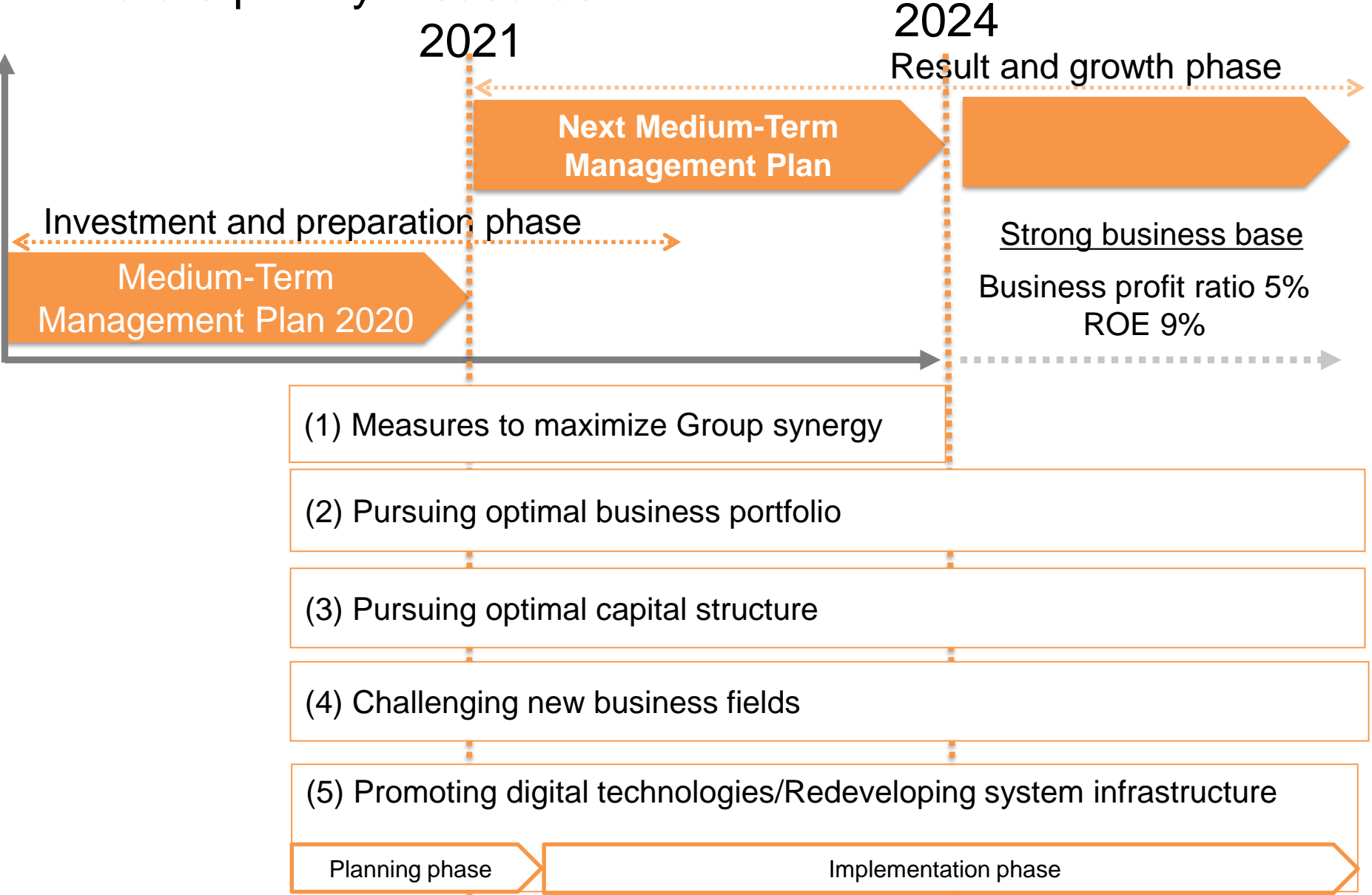
- Processed Foods Business Division: Improve profit with new consumer products and improving operation ratio of commercial-use products line
- Fresh Meats Business Division: Improve productivity of upstream business and increase sales volume and profit
- Affiliated Business Division: Improve profitability through introduction of new yogurt products and productivity improvements.
- Overseas Business Division: Improve profit thorough internal improvements in Uruguay.

1. Performance Progress

2. Future Direction

## 2. Future Direction - I

### ➤ Future priority measures





## 2. Future Direction - II

### (1) Measures to maximize Group synergy

- Review and reorganize overlapping businesses
  - Transition to optimal business division structure
  - Rebuild optimal production and sales structure for the Group
- ⇒ Creating a structure capable of efficient investment and business operation

#### Conceptual image of overlapping between current business divisions

\* Overseas Business Division is included in its capacity as a supplier to Japan

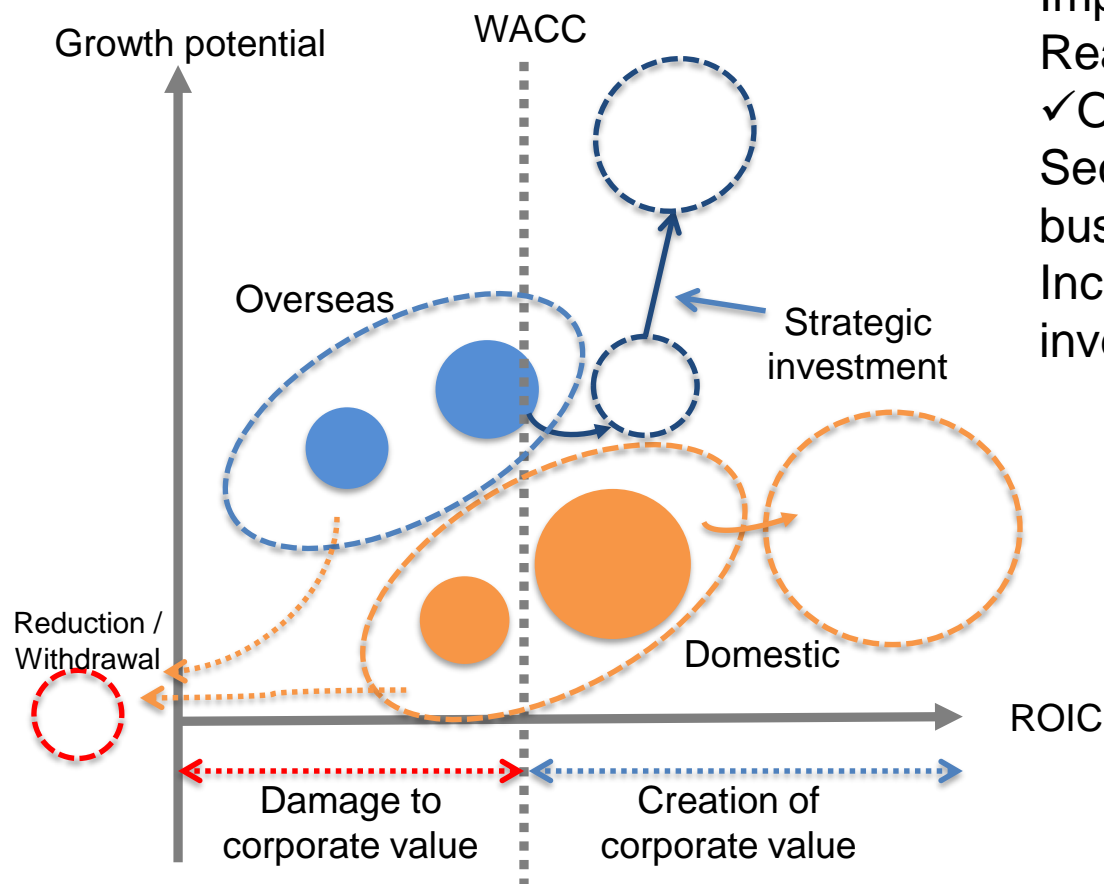
	Fresh Meats	Processed Foods	Marine Products	Dairy Products
Processed Foods Business Division				
Fresh Meats Business Division				
Affiliated Business Division				
Overseas Business Division*				

## 2. Future Direction - III

(2) Pursuing optimal business portfolio ⇒ Optimization of management resource allocation

- Enhancing profitability through streamlining existing businesses
- Changing gears of overseas market activities

### Medium- to long-term growth



- ✓ Domestic business:
  - Improve profitability
  - Realize stable growth
- ✓ Overseas business:
  - Secure stable profit in existing businesses
  - Increase profit through strategic investments

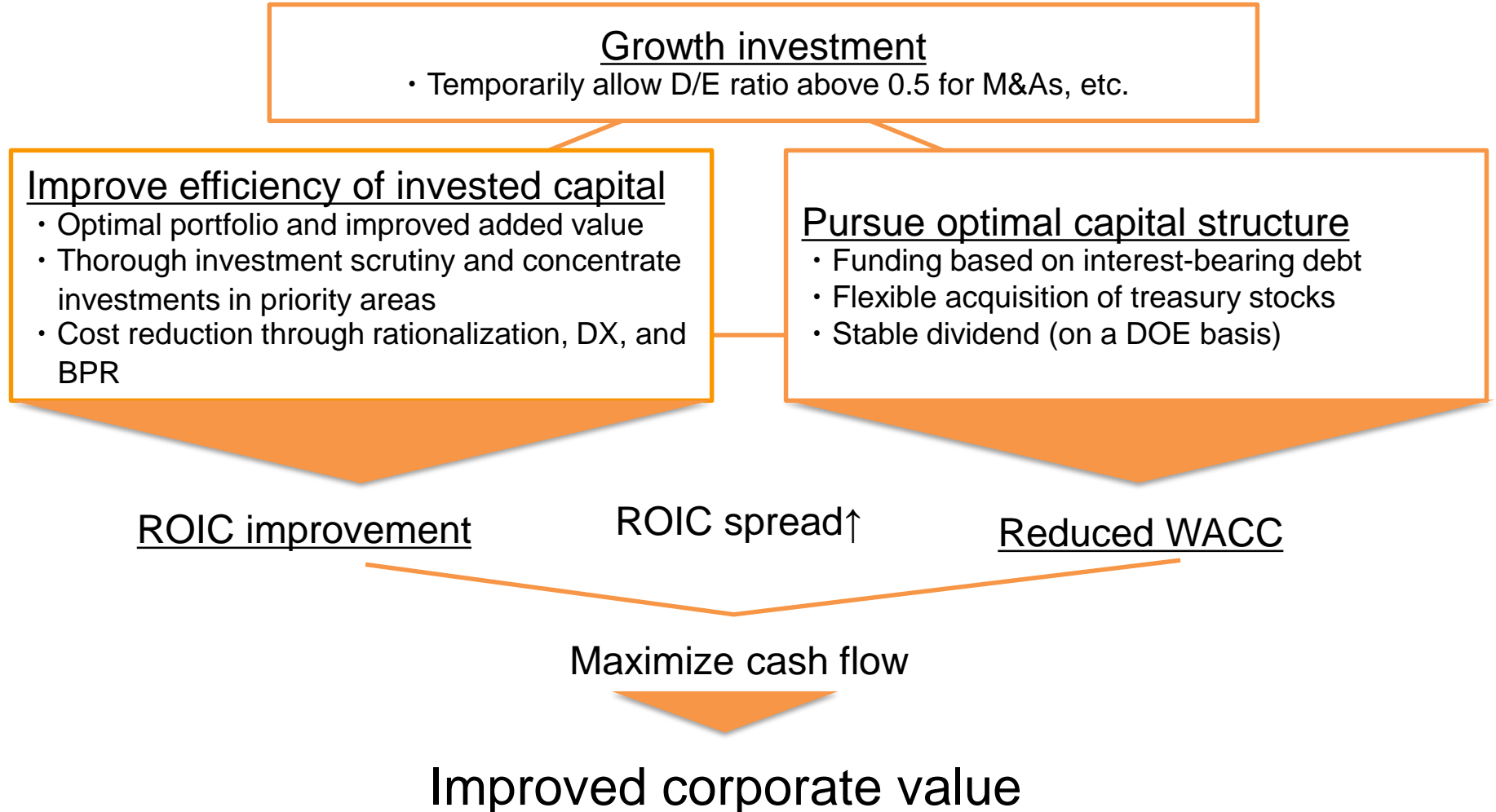
Realize sustainable improvement of corporate value by improving profit stability and profitability

## 2. Future Direction - IV

### (3) Pursuing optimal capital structure

Continue to place pursuit of optimal capital structure as a premise

Achieve growth investment (M&A, improvement of non-financial value) and stable dividend by maximizing ROIC spread

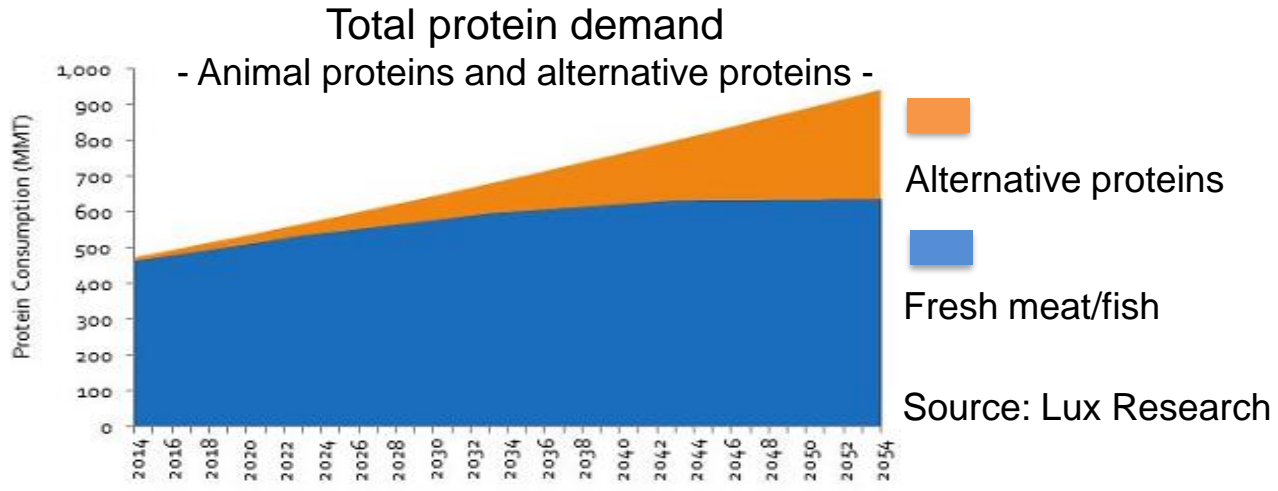
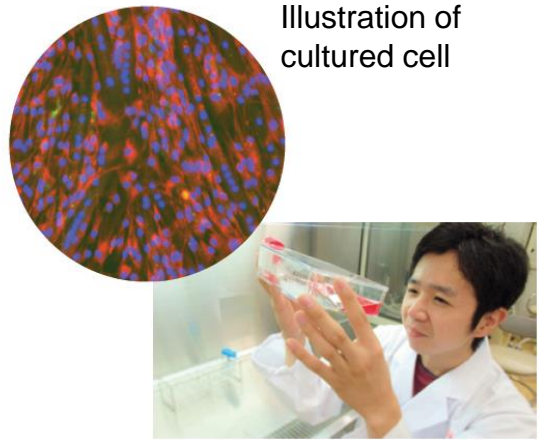


### (4) Challenging new business fields

#### ■ Develop fundamental technologies related to cultured meat\*

Collaborate with start-up company to start basic R&D aimed at manufacturing food through large-scale cultivation of animal cells.

\* Taking small numbers of cells from livestock and culturing them to produce a large number of cells for use as fresh meat.



\* 1/3 of meat is predicted to be replaced by alternative proteins by 2050

#### ■ Entry into meatless\* market

Entry into domestic meatless market, which is growing especially for restaurants.

\* Food alternatives to meat made by processing ingredients made from vegetable sources such as soybeans, etc.

### 3. Future Direction - VI

#### (5) Promoting digital technologies/Redeveloping system infrastructure

**Purpose** To transform into a business model that utilize digital technology and improve profitability

**Integrate/redevelop the Group's core system**  
Develop Group management model information system  
• Group cooperation/maximize business profit  
(Quick decision making/productivity improvement/response to changes and transformations)

**Three transformations in IT**

**Utilize big data and AI**  
Develop platform for management/sales/ product development/ marketing  
• Create new businesses  
• Transform operations

**Mobile/Cloud first**  
Support telework/mobile-work  
Redevelop infrastructure/network  
• Improve labor productivity  
• Enhance innovation capabilities

## Contact

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### Forward-looking statements

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Actual performance may differ significantly from the targets in this presentation, and investment decisions should not be based exclusively on them.