

NH Foods Group

Medium-Term Management Plan 2023



Unleash new potentials for protein
Nipponham Group Vision 2030



May 14, 2021
NH Foods Ltd.
President and Representative Director, Yoshihide Hata



Vision 2030 and Materialities P.2

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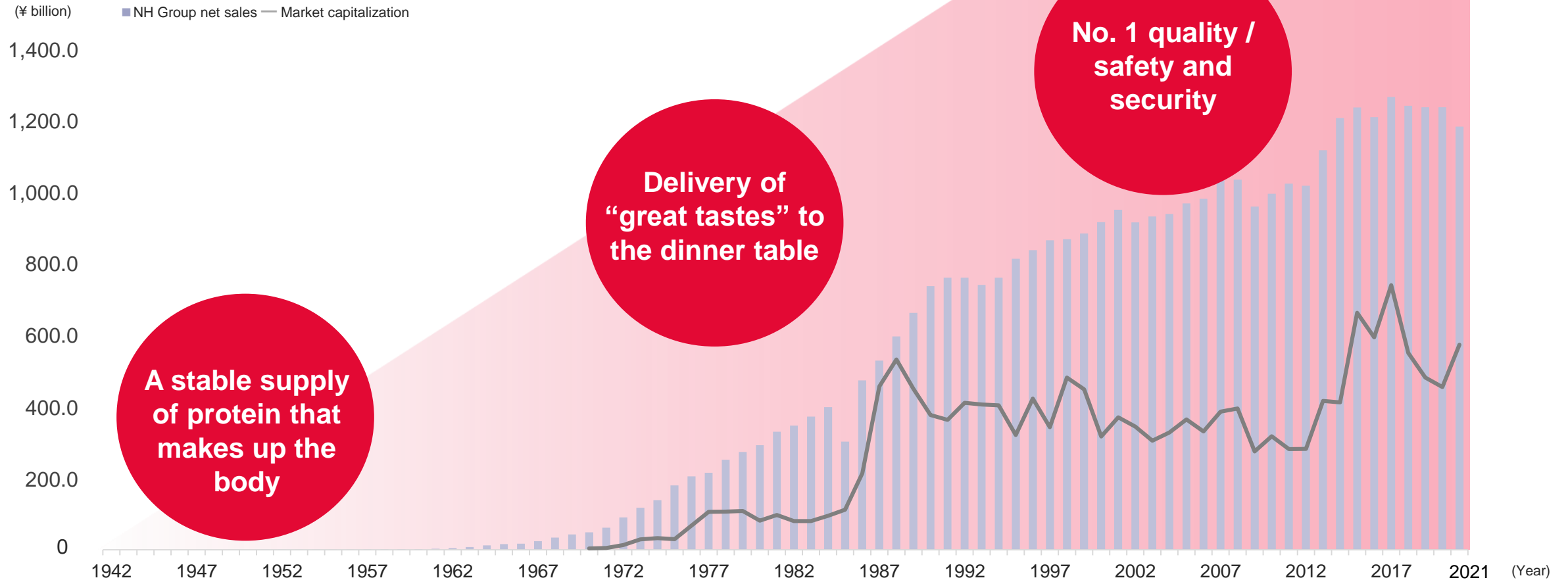
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Summary - Toward the Medium-Term Management Plan 2026 P.40

Vision 2030 and Materialities

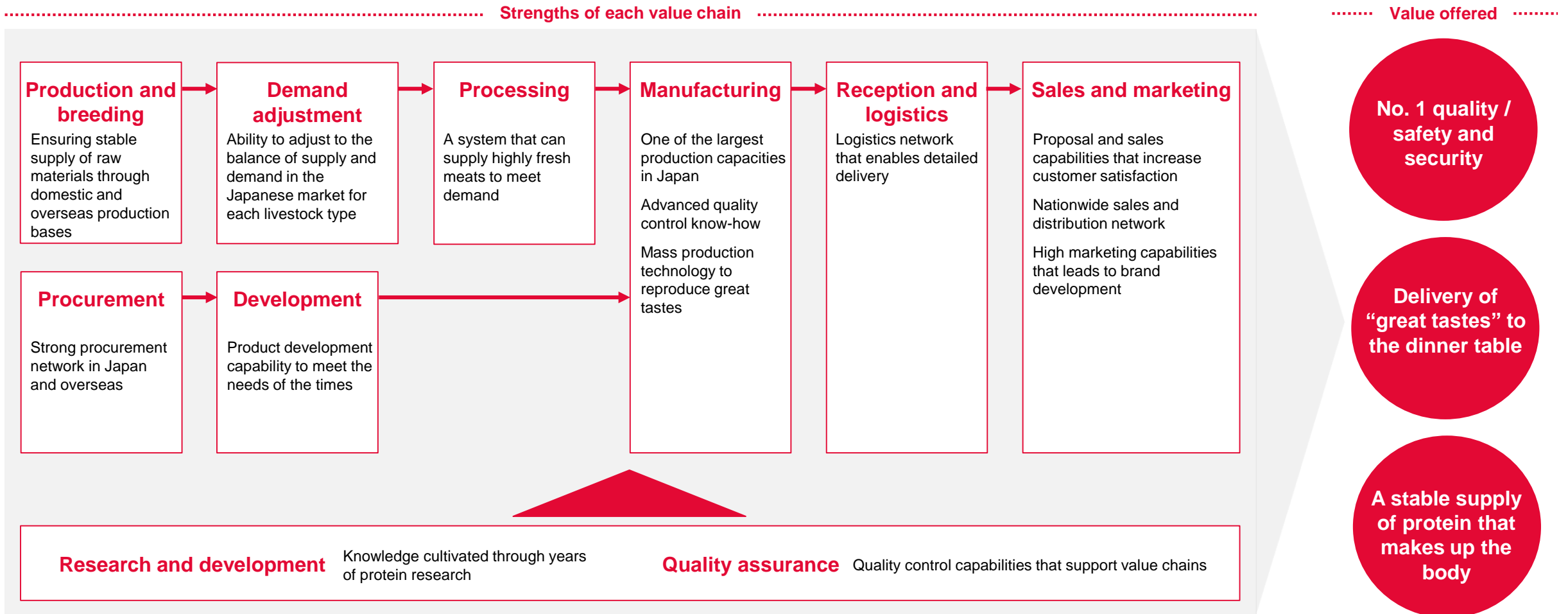
(1) Value Offered by the NH Foods Group

Expand our business areas by providing “three values” in response to the needs of the times in order to create the “Joy of Eating”



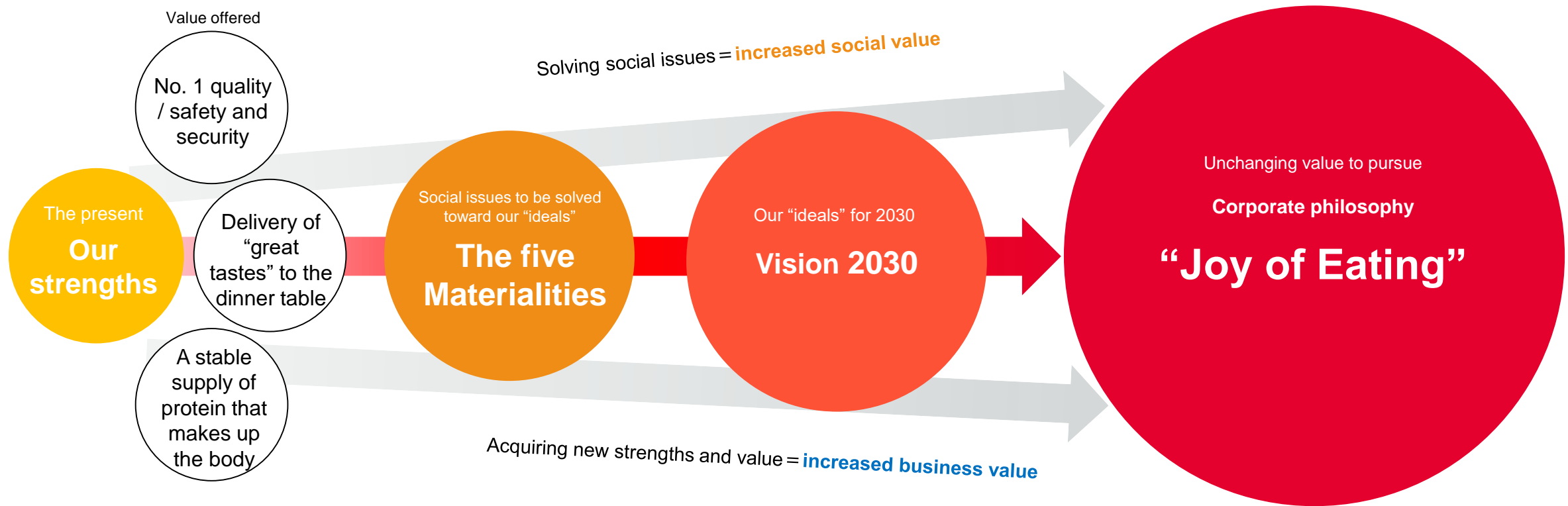
(2) Strengths That Support Value Creation (sources of value creation)

Possess the capability to create value across the entire value chain

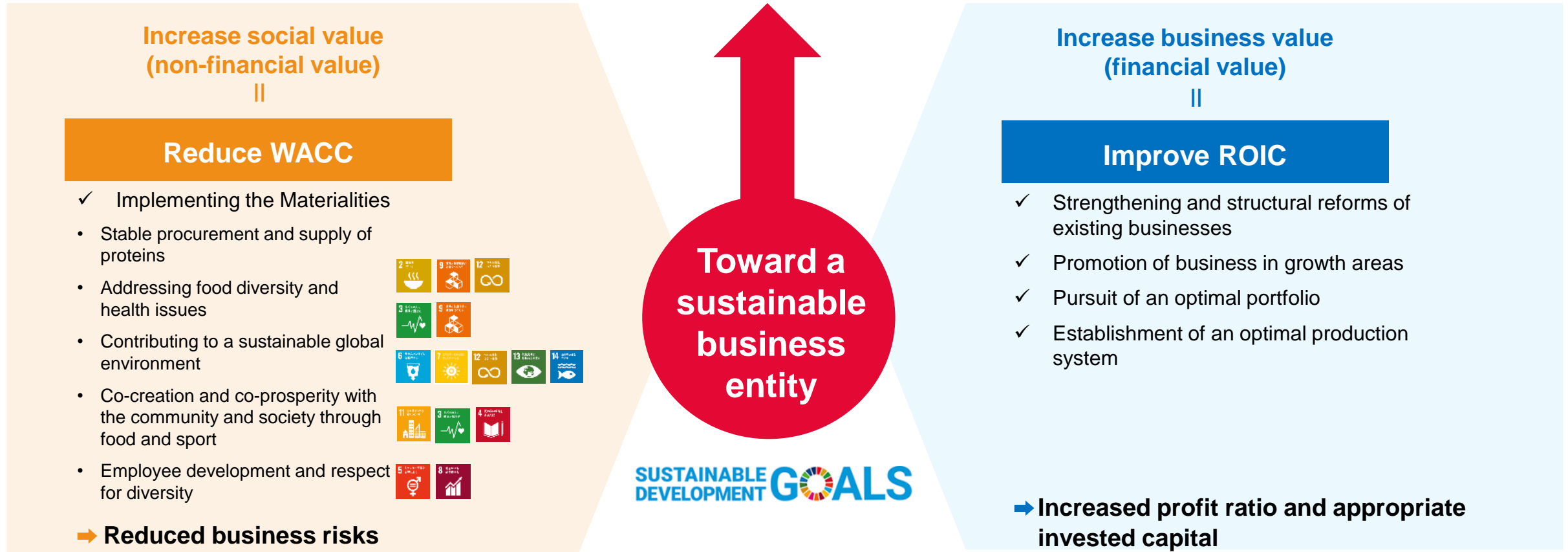


(3) Positioning

In order to realize a sustainable company and society, we have identified “Vision 2030” as the direction we should aim for going forward, and the “Materialities” as the issues that need to be solved toward the realization of Vision 2030.



Maximize corporate value








Unleash new potentials for protein

NH Foods will unleash new ideas beyond existing domains
to expand new potentials for protein as the power of life.

We will endeavor to create diverse dietary lifestyles so people can experience the “Joy of Eating” more freely,
while ensuring a stable supply of food with respect to the environment and society.

Set medium-term environmental targets

Reduce fossil fuel-derived CO2 emissions by 46% or more by FY2030/3

SDGs areas of contribution	Materialities	Social issues	Medium- to long-term environmental targets (by 2030)	Measures
 	<p>Contributing to a sustainable global environment</p>	Responding to climate change	<ul style="list-style-type: none"> Reduction of fossil fuel-derived CO2 emissions Reduction of 46% or more (vs. FY2013/3) *1 	<ul style="list-style-type: none"> Use of solar power Fuel conversion and waste oil boilers
 		Resource saving and recycling	<ul style="list-style-type: none"> Reduction of water consumption Reduction of 5% (vs. FY2019/3) *2 Reduction of waste discharge Reduction of 5% (vs. FY2019/3) *2 Increase in waste recycling rate 92% or more (vs. FY2019/3) *3 	<ul style="list-style-type: none"> Use of reclaimed water and reduction of water consumption Thermal recycling of waste plastics Biomass power generation and fertilizer conversion
		Addressing biodiversity	<ul style="list-style-type: none"> Switching to certified palm oil 100% usage rate *4 	





*1 For domestic offices

*2 For domestic processing and manufacturing plants, basic unit per production volume

*3 For domestic offices, as a percentage of waste emissions

*4 For domestic and overseas business sites, book and claim and mass balance models used together

(7) Relationship between SDGs and the Materialities

SDGs areas of contribution	Materialities	Social issues	Measures
	Stable procurement and supply of protein	Stable procurement and supply of protein Greater choice of protein	<ul style="list-style-type: none"> Promotion of CSR procurement (inform the NH Foods Group's key primary suppliers of policy and SAQ implementation rate of 100%) Research and development of products using plant-based ingredients and cultured meat
	Addressing food diversity and health issues	Food allergy support Health promotion	<ul style="list-style-type: none"> Development of food allergy friendly products as well as dissemination of information and awareness raising activities regarding food allergies
	Co-creation and co-prosperity with the community and society through food and sport	Local community development	<ul style="list-style-type: none"> Promotion of activities for community co-creation through sport Promotion of activities that contribute to the community through cultural activities
	Employee development and respect for diversity	Enhancing job satisfaction for employees Respect for diversity	<ul style="list-style-type: none"> Fostering an organizational culture in which employees can take on challenges Promotion of work style reform

Medium-Term Management Plan 2023

- Review and Management Policies

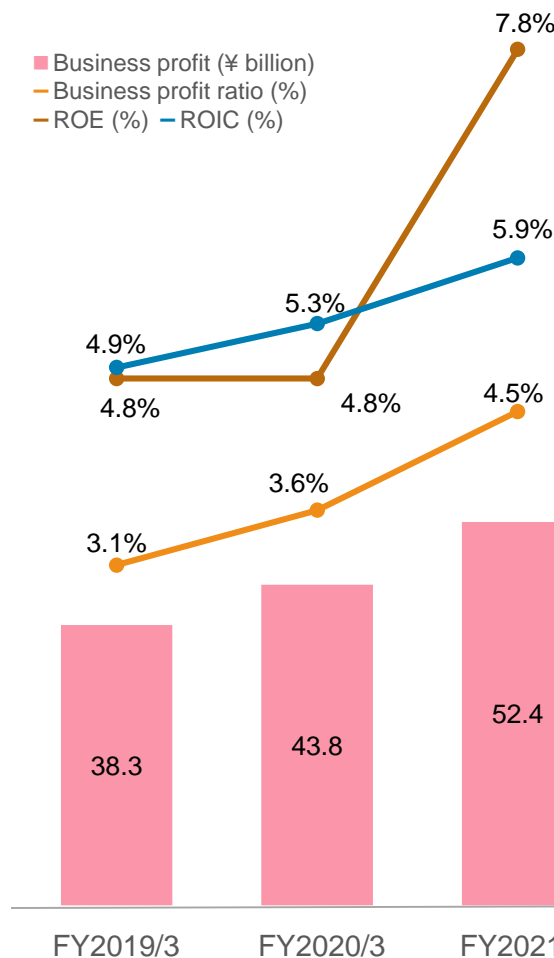
Despite a difficult start in the first year, profitability has steadily improved.

	FY2019/3		FY2020/3		FY2021/3	
	Plan	Results	Plan	Results	Plan	Results
Net sales (¥ billion)	1,310.0	1,234.2	1,360.0	1,229.8	1,410.0	1,176.1
Business profit (¥ billion)	50.0	38.3	52.0	43.8	56.0	52.4
Business profit ratio	3.8%	3.1%	3.8%	3.6%	4.0%	4.5%
ROE	7.5%	4.8%	7.3%	4.8%	7.0% or more	7.8%
ROIC	—	4.9%	—	5.3%	5.5% or more	5.9%

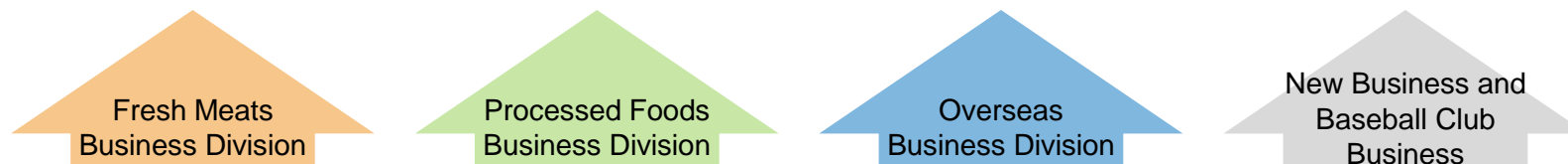
(¥ billion)	3-year plans of the Medium-Term Management Plan 2020	3-year results of the Medium-Term Management Plan 2020
Operating cash flows	179.5	178.8
Investing cash flows	(198.6)	(139.6)
Free cash flows	(19.1)	39.2
Capital expenditures	210.0	178.5
Depreciation and amortization	82.6	89.4

* The figures of each cash flows and capital expenditures are based on three years of accumulation.

Trends in major management targets and indicators



<p>Strengthen profitability by improving the efficiency of existing businesses</p>	<p>Processed Foods Business Division</p>	<ul style="list-style-type: none"> ✓ Achieved the initial plan of ¥33.5 billion in business profit for the three years of the Medium-Term Management Plan, as pre-integration Processed Foods Business Division ✓ Expanded sales of highly profitable consumer products through extensions of core brands
	<p>Fresh Meats Business Division</p>	<ul style="list-style-type: none"> ✓ Expanded the production system, despite some impact on the chicken market since the Medium-term Management Plan 2020 ✓ Increased profitability by expanding sales of highly profitable brand meat ✓ Recovered to the ¥40.0 billion level of business profit by responding to increased demand in the volume retailer channels, despite the coronavirus pandemic
	<p>Company-wide</p>	<ul style="list-style-type: none"> ✓ Net sales and invested capital turnover fell short of plan.
<p>Expand overseas sales early</p>	<p>Overseas Business Division</p>	<ul style="list-style-type: none"> ✓ Realized improvement effects such as from internal improvements in the Australia business and Processed Foods Business in the Americas ✓ Growth in Processed Foods Business in the Americas
<p>Create value through dialog with consumers</p>		<ul style="list-style-type: none"> ✓ Enhanced product development and sales promotion capabilities through the creation of “future dining market forecast” and analysis of big data
<p>Enhance and develop technological capabilities for conceptualizing and realizing the future of food</p>		<ul style="list-style-type: none"> ✓ Conducted research to fulfill our responsibility to supply animal protein for the future <ul style="list-style-type: none"> • Started the smart pig farming project • Entered the domestic meatless (meat alternatives) market • Started research and development of cultured meat • Patented imidazole dipeptide
<p>Pursue sustainability</p>		<ul style="list-style-type: none"> ✓ Implemented initiatives to solve social issues through business activities <ul style="list-style-type: none"> • Agreed with the recommendations of TCFD • Joined RSPO • Engaged in CSR procurement



1 Business strategies

Management policy 1 **Shift to a sustainable business model with profitability**

- Strengthen procurement / sales capabilities
- Establish a muscular manufacturing profit structure from a company-wide optimization perspective
- Expand business from a marketing perspective
- Clarify the functions of each company and improve competitiveness

Management policy 2 **Build a growth model for the Overseas Business**

Formulate and implement growth strategies focused on promising areas

((1) Strengthen sales of processed food products in Japan and overseas (2) Develop processed food products and fresh meats for Japan / strengthen their supply system)

Management policy 3 **Provide new value through new products and services**

- New businesses ((1) Entertainment, (2) Wellness, (3) Ethical)
- Baseball club business

2 Functional strategies

Management policy 4 **Strengthen corporate functions to achieve the Vision**

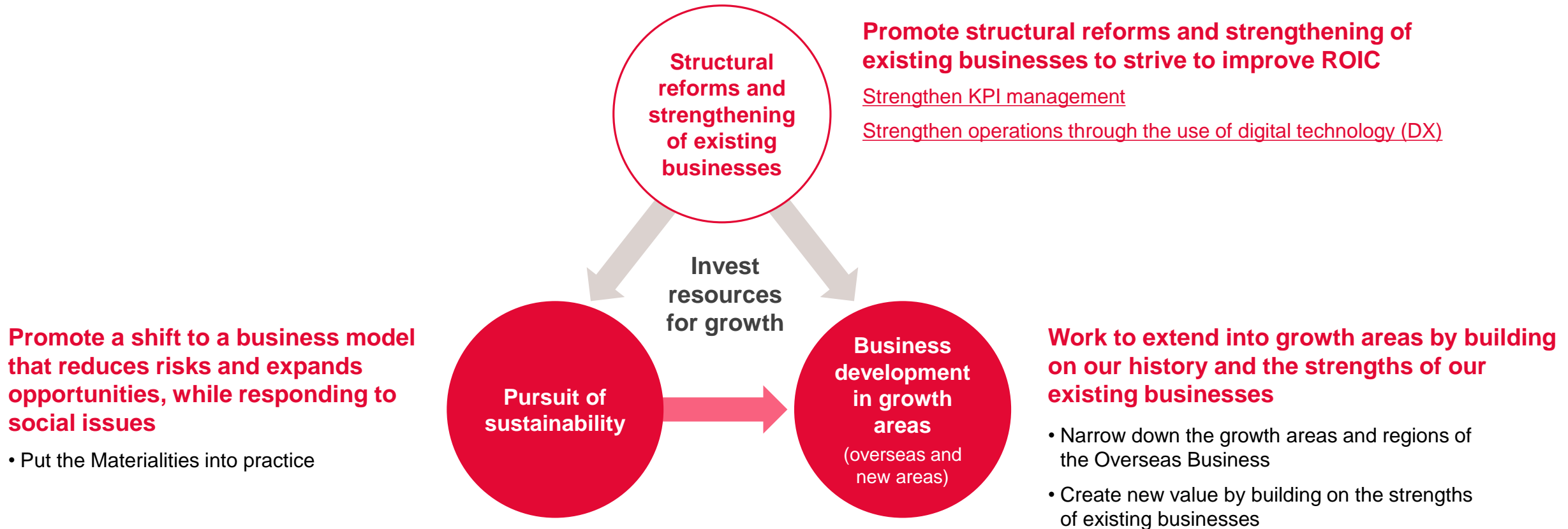
- DX Promotion
- Formulate company-wide strategies and strengthen promotion functions
- Strengthen R&D functions
- Strengthen human resource management

3 Cross-departmental promotion strategies

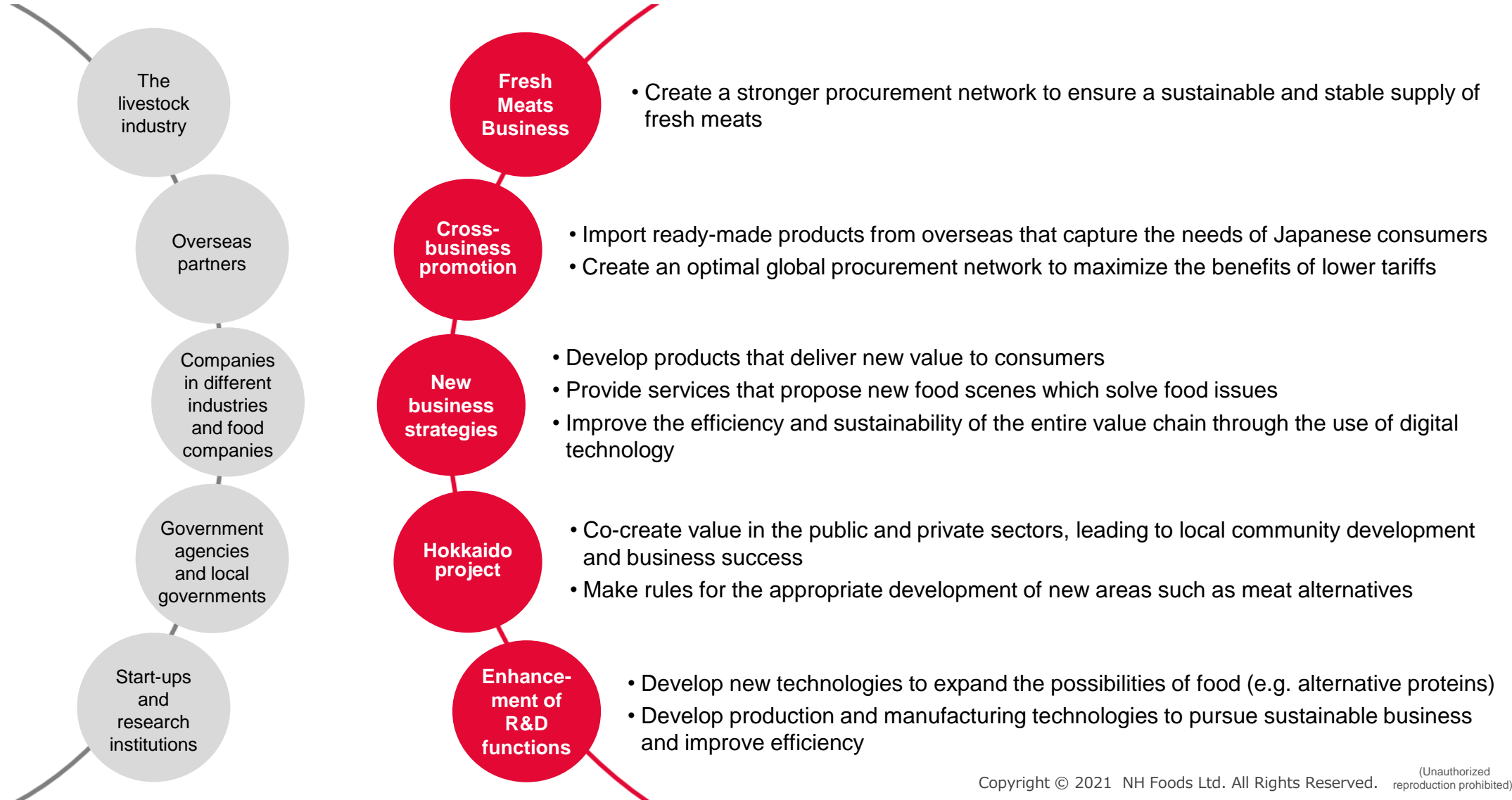
- Cross-business strategies
- New business
- Hokkaido project
- Corporate communications strategies

No. 1 management with a high level of quality and corporate governance

In order to realize Vision 2030, we will formulate a policy for the next six years to promote structural reforms and strengthening of existing businesses as well as business development in growth areas from a company-wide perspective, taking into account the issues of the Medium-Term Management Plan 2020 and the external environment.



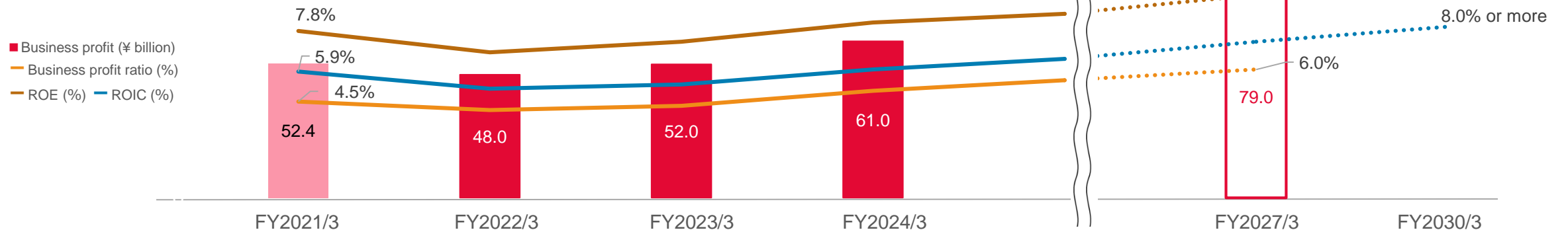
Make efforts from the perspective of co-creation with others in order to increase our corporate value in a sustainable manner.





	FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2027/3	FY2030/3
Net sales (¥ billion)	1,176.1	1,180.0	1,200.0	1,220.0	1,320.0	
Business profit (¥ billion)	52.4	48.0	52.0	61.0	79.0	
Business profit ratio	4.5%	4.1%	4.3%	5.0%	6.0%	
ROE	7.8%	6.8%	7.3%	8.0%	9.0% or more	10.0% or more
ROIC	5.9%	5.1%	5.3%	6.0%	7.0% or more	8.0% or more

Trends in major management targets and indicators

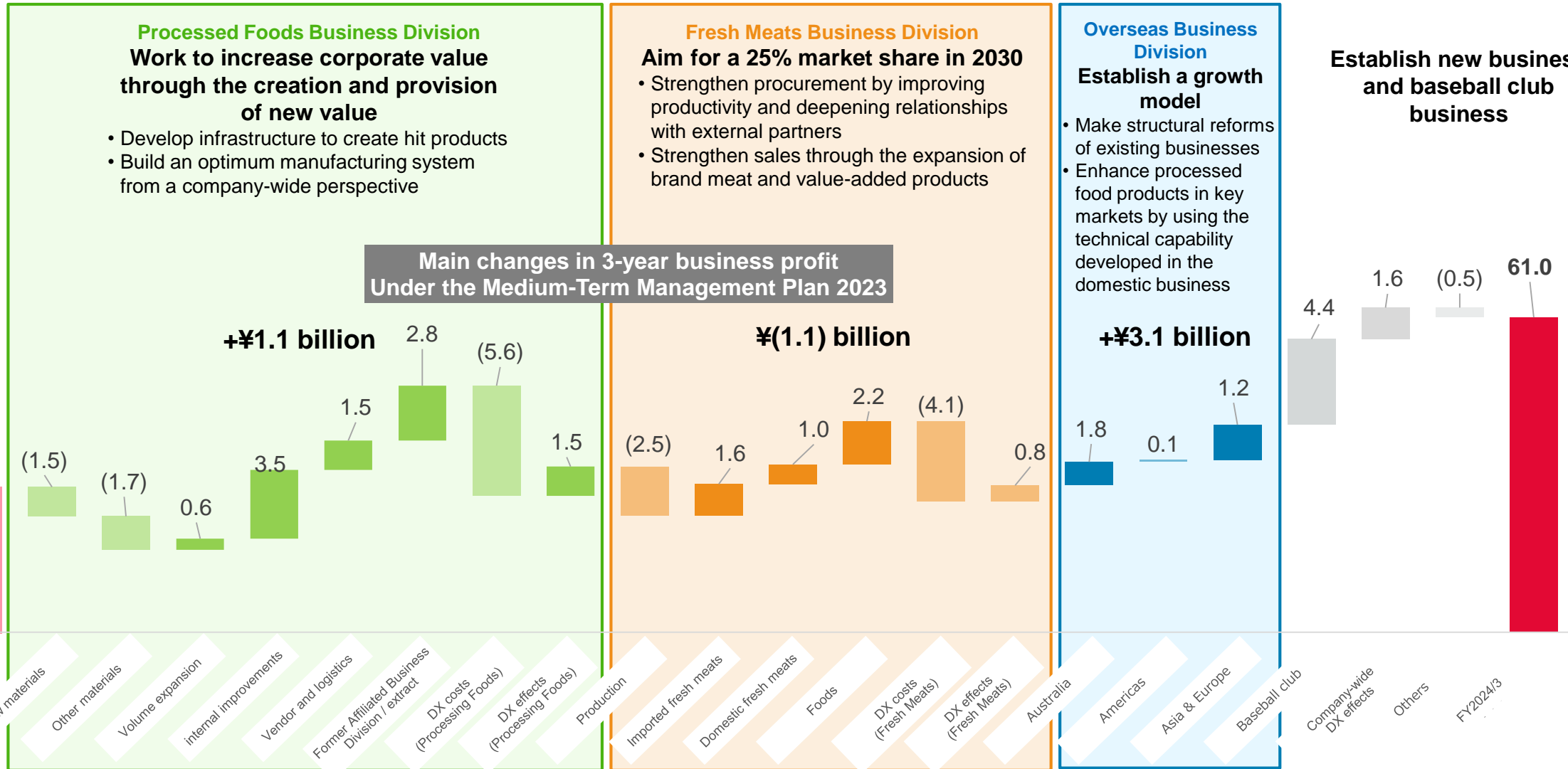


		Medium-Term Management Plan 2020	Medium-Term Management Plan 2023				Medium-Term Management Plan 2026
		FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2027/3	
Processed Foods Business Division	Net sales (¥ billion)	523.9	498.0	507.0	523.0	537.0	
	Business profit (¥ billion)	17.9	15.0	16.0	19.0	27.0	
	Business profit ratio	3.4%	3.0%	3.2%	3.6%	5.0%	
Fresh Meats Business Division	Net sales (¥ billion)	728.7	700.0	715.0	734.0	806.0	
	Business profit (¥ billion)	41.1	37.0	38.0	40.0	48.0	
	Business profit ratio	5.6%	5.3%	5.3%	5.4%	6.0%	
Overseas Business Division	Net sales (¥ billion)	223.9	250.0	277.0	303.0	323.0	
	Business profit (¥ billion)	(0.1)	0.5	2.0	3.0	4.0	
	Business profit ratio	-	0.2%	0.7%	1.0%	1.2%	
Baseball Club and Others	Net sales (¥ billion)	10.4	13.0	15.0	24.0	25.0	
	Business profit (¥ billion)	(1.7)	(0.5)	0.0	2.0	3.0	
	Business profit ratio	-	-	0%	8.3%	12.0%	
Eliminations	Net sales (¥ billion)	(310.8)	(281.0)	(314.0)	(364.0)	(371.0)	
	Business profit (¥ billion)	(4.8)	(4.0)	(4.0)	(3.0)	(3.0)	
Company-wide	Net sales (¥ billion)	1,176.1	1,180.0	1,200.0	1,220.0	1,320.0	
	Business profit (¥ billion)	52.4	48.0	52.0	61.0	79.0	
	Business profit ratio	4.5%	4.1%	4.3%	5.0%	6.0%	

* Segment net sales for FY2021/3 have not been retroactively adjusted to reflect the new revenue recognition standards.

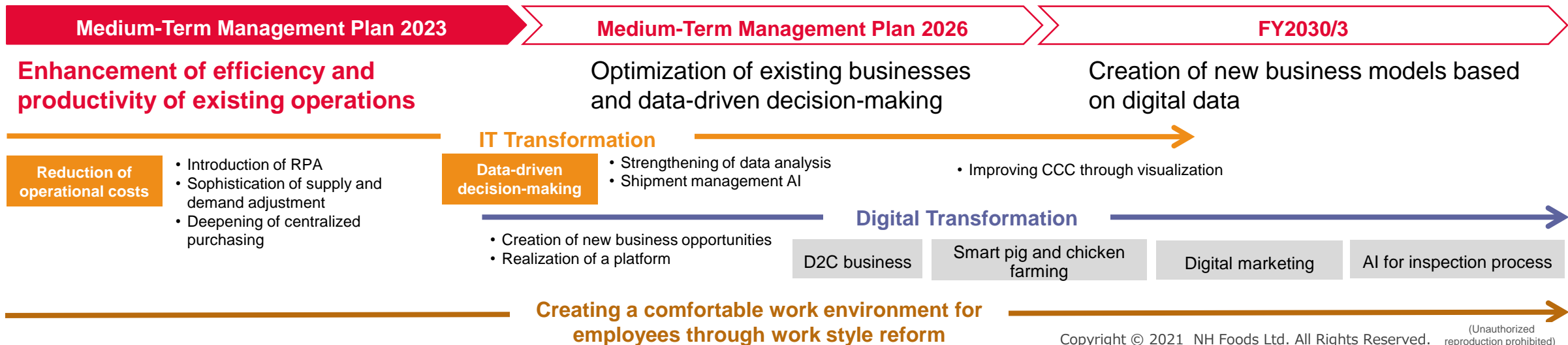
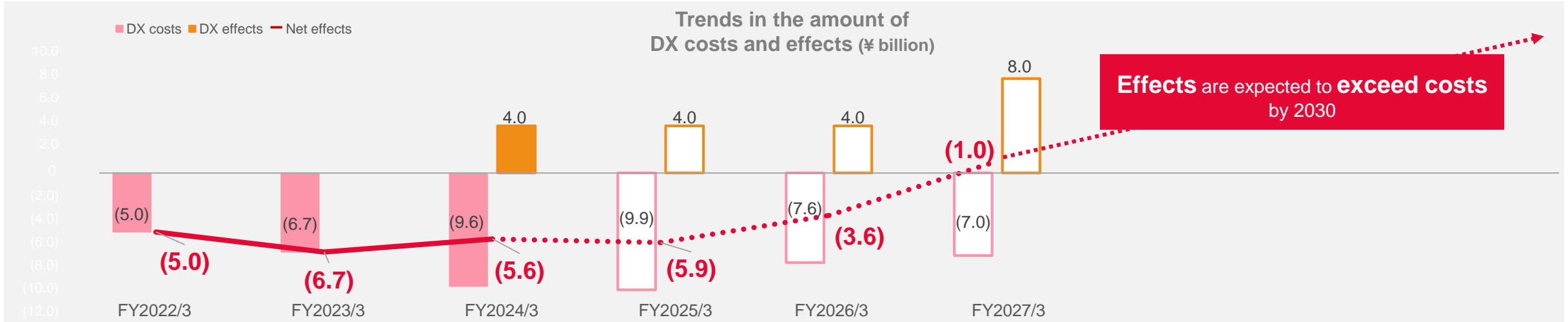
* For FY2021/3, profit and loss related to Hokkaido Nippon-Ham Fighters has been reclassified from "Eliminations, adjustments and others" to "Baseball Club and Others." The figures, however, are provisional.

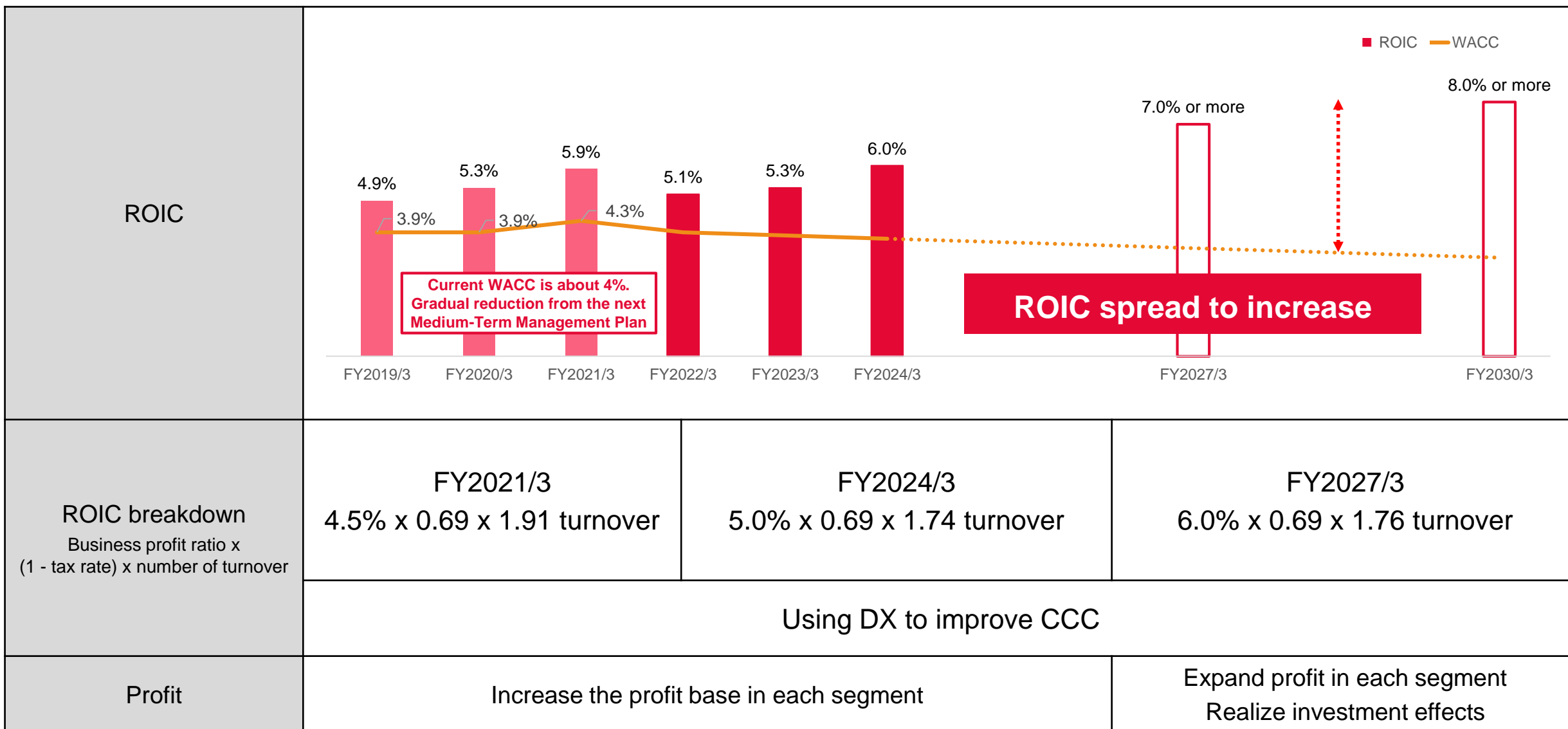
Main measures for the Medium-Term Management Plan 2023 - Aim to increase profit in business despite DX costs -

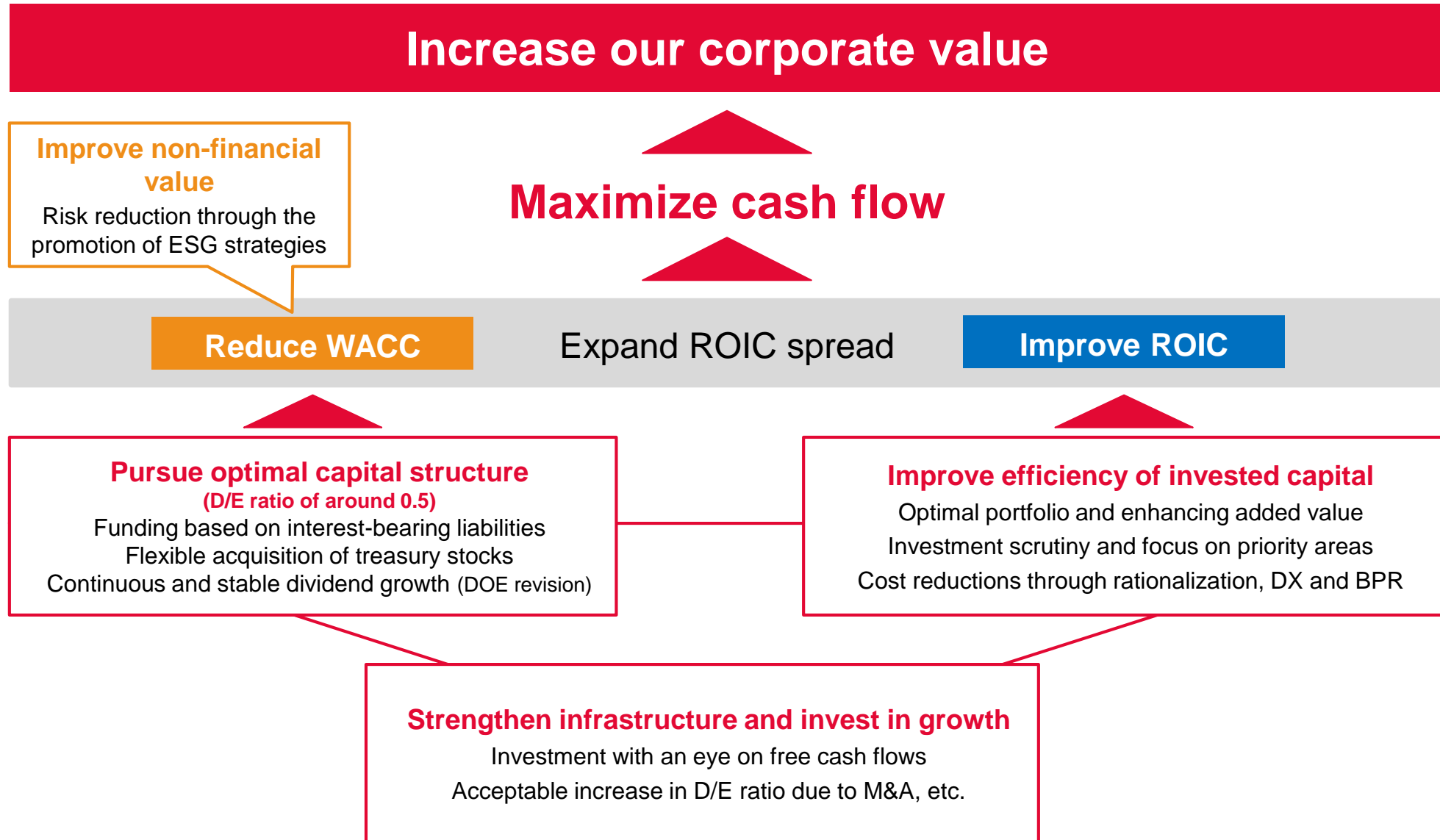


Improve efficiency and productivity of existing businesses and accelerate the launch of new business by utilizing DX

Aim to create a business model for food services and customer value through digitalization in 10 years







Free cash flows will be ¥25.0 billion in the Medium-Term Management Plan 2023 as capital expenditures will remain at a high level.

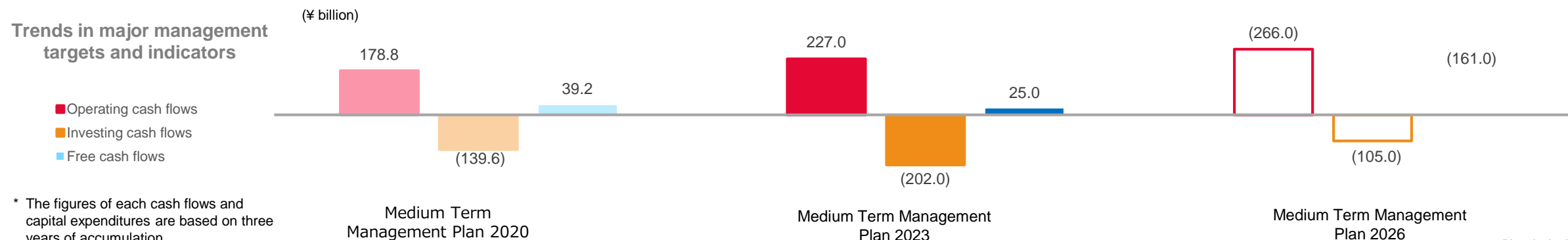
In the Medium-Term Management Plan 2026, free cash flows will reach its peak and increase to ¥161.0 billion.

Medium-Term Management Plan 2020

Medium-Term Management Plan 2023

Medium-Term Management Plan 2026

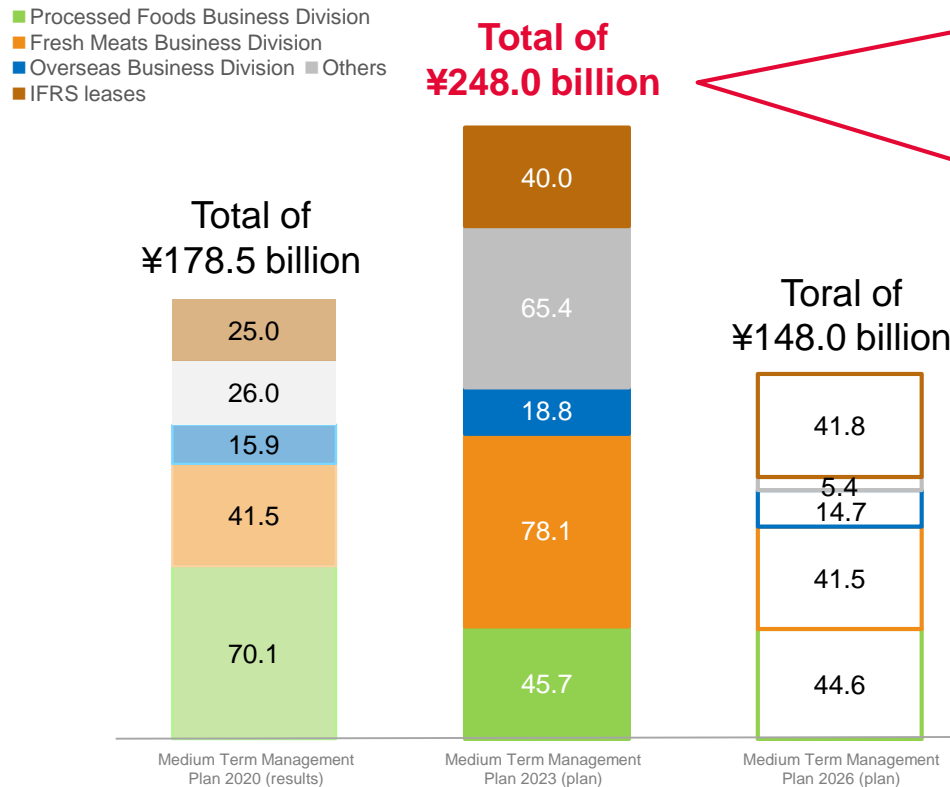
Operating cash flows	¥178.8 billion	¥227.0 billion	¥266.0 billion
Investing cash flows	¥(139.6) billion	¥(202.0) billion	¥(105.0) billion
Free cash flows	¥39.2 billion	¥25.0 billion	¥161.0 billion
D/E ratio	0.4 to 0.5		
Interest-bearing liabilities	Peak in the Medium-Term Management Plan 2023, and decline thereafter		
Shareholder returns	Although the basic policy is to pay a cash dividend with DOE of 2.3%, we will increase returns through a combination of acquisition of treasury stock to maintain optimal capital structure, partly due to rising profit levels.		



* The figures of each cash flows and capital expenditures are based on three years of accumulation.

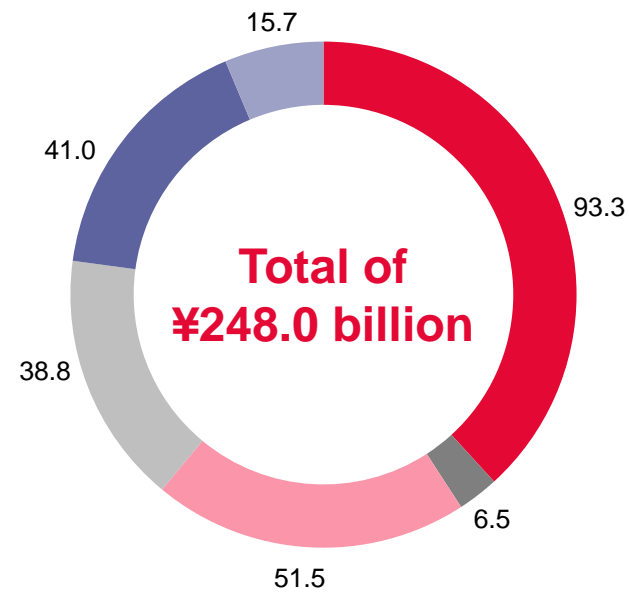
In the Medium-Term Management Plan 2023, a prior investment will be made to strengthen infrastructure and shift to a sustainable business model.
 In the Medium-Term Management Plan 2026, effects will be realized, improving profitability on invested capital.

Trends in investment breakdown (¥ billion)



Medium-Term Management Plan 2023 investment breakdown (¥ billion)

- Maintenance and renewal/environmental response
- Legal compliance
- Growth investment
- IFRS leases
- New baseball stadium
- DX investment



Medium-Term Management Plan 2023

- Business Strategies / Policies by Business Division

Summary of the Medium-Term Management Plan 2020

[Former Processed Foods Business Division]

3-year business profit plan of the Medium-Term Management Plan achieved, but sales plan did not achieved.

→ Improved profitability through brand extension measures and organizational reform, etc.

[Former Affiliated Business Division]

Both 3-year business profit and sales plans of the Medium-Term Management Plan were not achieved.

→ Made structural reforms to improve profitability

Issues of the Medium-Term Management Plan 2020

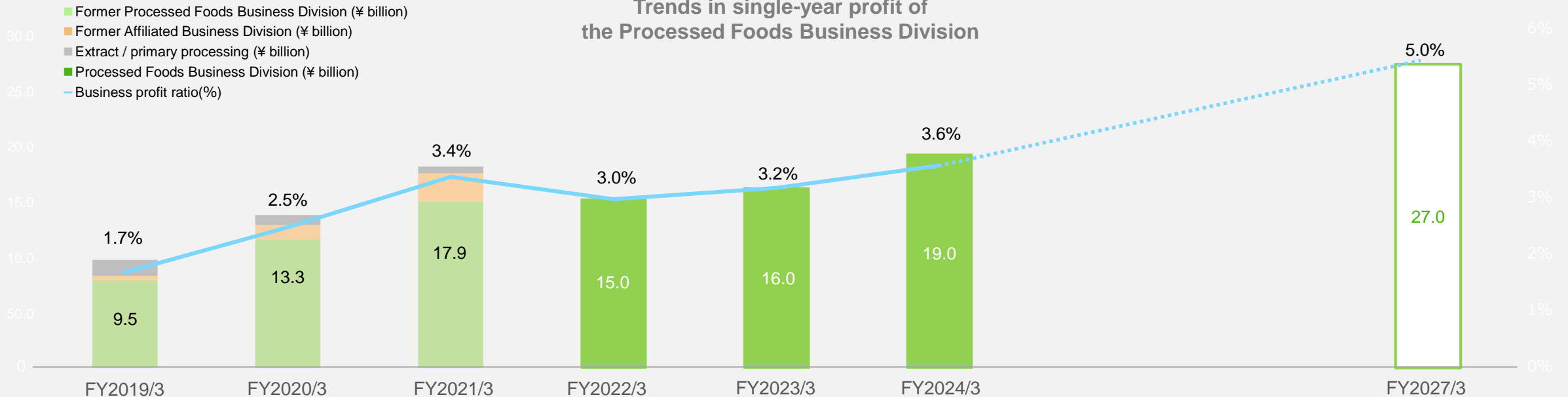
- Create hit products
- Make efforts to further improve productivity from a perspective of total optimization
- Maximize synergies as a new Processed Foods Business Division
- Balance business with social needs

Policies of Medium-Term Management Plan 2023

Work to increase corporate value by contributing to society through the creation and provision of new value

- Reorganize manufacturing structure from a company-wide perspective to build the infrastructure for creating hit products and to improve profitability
- Increase corporate value by also working to reduce our environmental impact

Trends in single-year profit of the Processed Foods Business Division



Aim for a business profit ratio of 5% through structural reforms by creating and providing new value

Strengthen existing areas and take on challenges in new areas

Strengthening of existing areas

[Consumer]

- Expansion of existing brands and developing brands
- Strengthening of development of new sales spaces and channels

[Commercial-use]

- Improving profitability through integrated manufacturing and sales
- Development of value-added products

[Vendor and logistics]

- Product development and reinforcement of the frozen foods business
- Acquisition of external logistics

Taking on challenges in new areas

[Extract seasonings]

- Development of room temperature products, development of kit products, and expansion of overseas sales channels

[Soy meat]

- Strengthening of branding, development of new ingredients

[Room temperature products]

- Development of new products, development of new sales spaces

Strengthening of marketing infrastructure

- Creation of hit products through a shift in thinking from product oriented approach
- Use of qualitative (VOC) and quantitative (ID-POS) information

Enhance productivity in manufacturing plants

Reconstruction and standardization of manufacturing systems

[Centralized production]

- High productivity line manufacturing of core brands

[Standardization]

- Realization of effects of investment in labor saving and streamlining
- Improving productivity by enhancing technology
- Standardization of distribution processing and warehouse operations in logistics

Realization of synergistic effects

- Consolidation and elimination of sales bases
- Mutual utilization of existing sales channels
- Joint product development and joint research through the use of brands
- Utilization of processing and logistics bases
- Centralized purchasing and standardization of materials

Countermeasures for rising raw material prices

- Review of packaging materials
- Product renewals
- Use of advantageous raw materials

Solve social issues and improve profitability

Environmental responses

- Development of room temperature products to reduce food loss
- Reduction of plastic by improving packaging
- Reduction of CO2 emissions through fuel conversion and reduction of distribution operations

Co-creation and co-prosperity with local communities

- Promoting community activities through sport (baseball lessons)
- Contribution through participation in community events
- Food education activities in local communities

Addressing food diversity and health issues

- Addressing food allergies
- Addressing frailty in the elderly

Summary of the Medium-Term Management Plan 2020

- Made a focused investment in upstream businesses until the previous Medium-Term Management Plan
- Enjoyed profit in production across the VC by expanding the supply capacity
- Increased profit on a regular basis

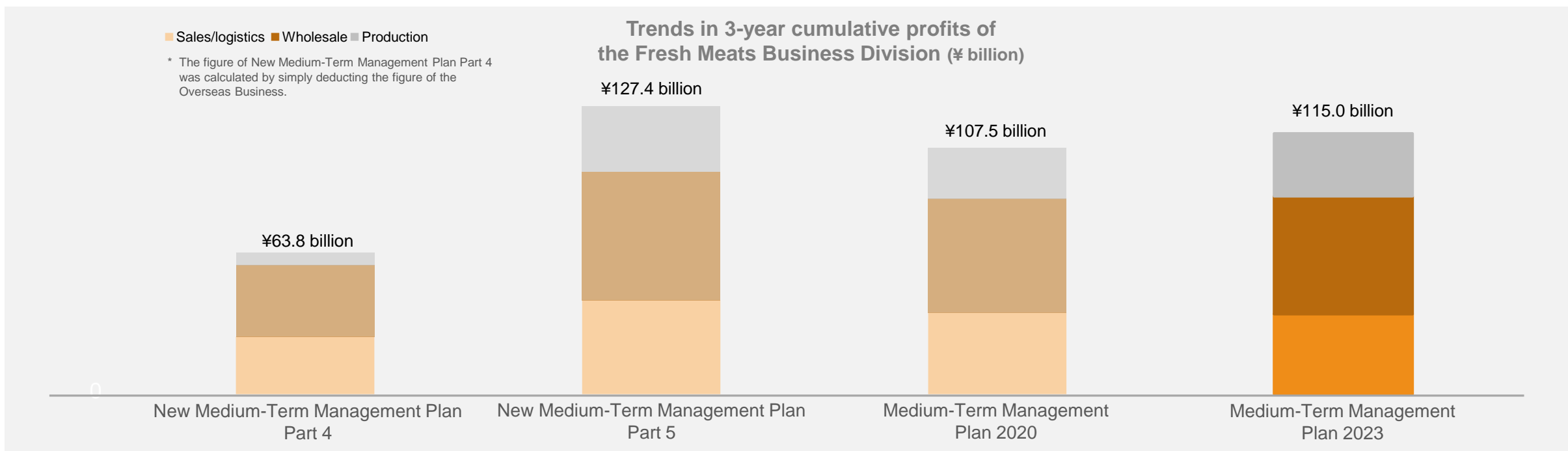
Issues of the Medium-Term Management Plan 2020

- Expand sales of highly profitable branded meat to minimize market impact
- Continue to invest in aging facilities for production and processing, etc. as well as further improve production indicators

Policies of the Medium-Term Management Plan 2023

Establish a sustainable value chain based on strong integrations

- Strengthen procurement by improving productivity and deepening relationships with external partners
- Strengthen sales through the expansion brand meat and capture focused channels
- Promote environmental responsiveness and develop brands that enhance social value



Aiming for a 25% market share in 2030, strengthen procurement and sales capabilities

Strengthen procurement capabilities

Domestic beef



Externalize assets and collaborate with external partners

Domestic pork



Improve in-house production indicators and strengthen external partnerships

Domestic chicken



Strengthen procurement by both strengthening in-house / using external partners

Import



Strengthen ties with existing overseas major suppliers and improve quality and standards

Expand procurement routes by investigating and developing import possibilities from new countries to diversify risks

* Respond to facility deterioration and labor-saving at processing plants for both Domestic pork and chicken as well as animal welfare

Strengthen sales capabilities

1. Expand market share and improve profitability through focused channel strategies
2. Gain competitiveness and improve gross profit through branded meat and value-added products
3. Strengthen marketing to formulate and implement sales policies

[focused channels]
Volume retailers / co-operatives / restaurants / drugstores / convenience stores / EC



	Branded meat	In-house integration		
Existing brands	Sakurahime and Mugikomachi	Production / farm	Reception	Sales / food / logistics
New brands	Genmai-Gyu and Kurohana-Gyu	Collaboration with external partners	Added value from consumer perspective Promotion plan	In-house sales network
	Brands that create economic value			
	Brands with high social value	ESG brand development investment In-house laboratory collaboration		Specialization and focus on EC, D2C and other markets

Summary of the Medium-Term Management Plan 2020

- Three years of infrastructure development
 - [Australia] Reformed to avoid deficit
 - [Uruguay] Developed business environment
 - [Americas] Improved profitability in processed food products
 - [Asia & Europe] developed business, particularly in Asia

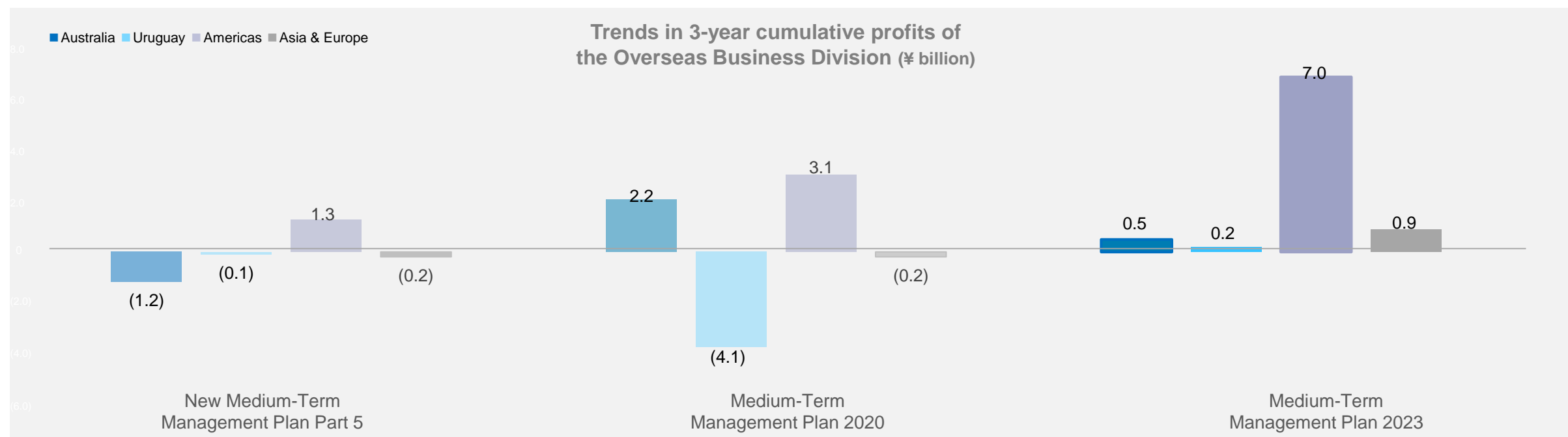
Issues of the Medium-Term Management Plan 2020

- Increase in overseas sales
 - ➔ Increase sales of processed food products to reduce volatility
- Evolution of sales to Japan
 - ➔ Strengthen sales to Japan, both in terms of raw materials and processed food products, in response to technological innovation and changes in tariffs

Medium-Term Management Plan 2023

Establish growth models

- Expand sales of processed food products to develop the next business pillar after Australia
- Make structural reforms of existing businesses
- Strengthen processed food products in key markets
- Promote branding with high social value



Aim to transform business models by creating new sources of profit through the expansion of the processed food products business

Expand sales of processed food products in North America and the ASEAN region

Develop alternative proteins and new processed food products, in addition to chicken-based processed products

Expand existing processed food products business in North America

Strengthen marketing in North America with a view to developing and selling processed food products in the region

Transform the business model in ASEAN

Expand sales of processed food products in the ASEAN region in addition to manufacturing bases for Japan.

Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas

Stabilize profit

- Strengthen sales of processed food products

Construct a strong supply chain

- Develop processed food products and fresh meats for Japan / strengthen their supply system

Stabilize profit in existing businesses

Clarify and enhance functions

- Make structural reforms of existing businesses

Establish an optimal beef production system

- Operate plants in line with supply-demand balance
- Deploy value-added products with high profit ratio



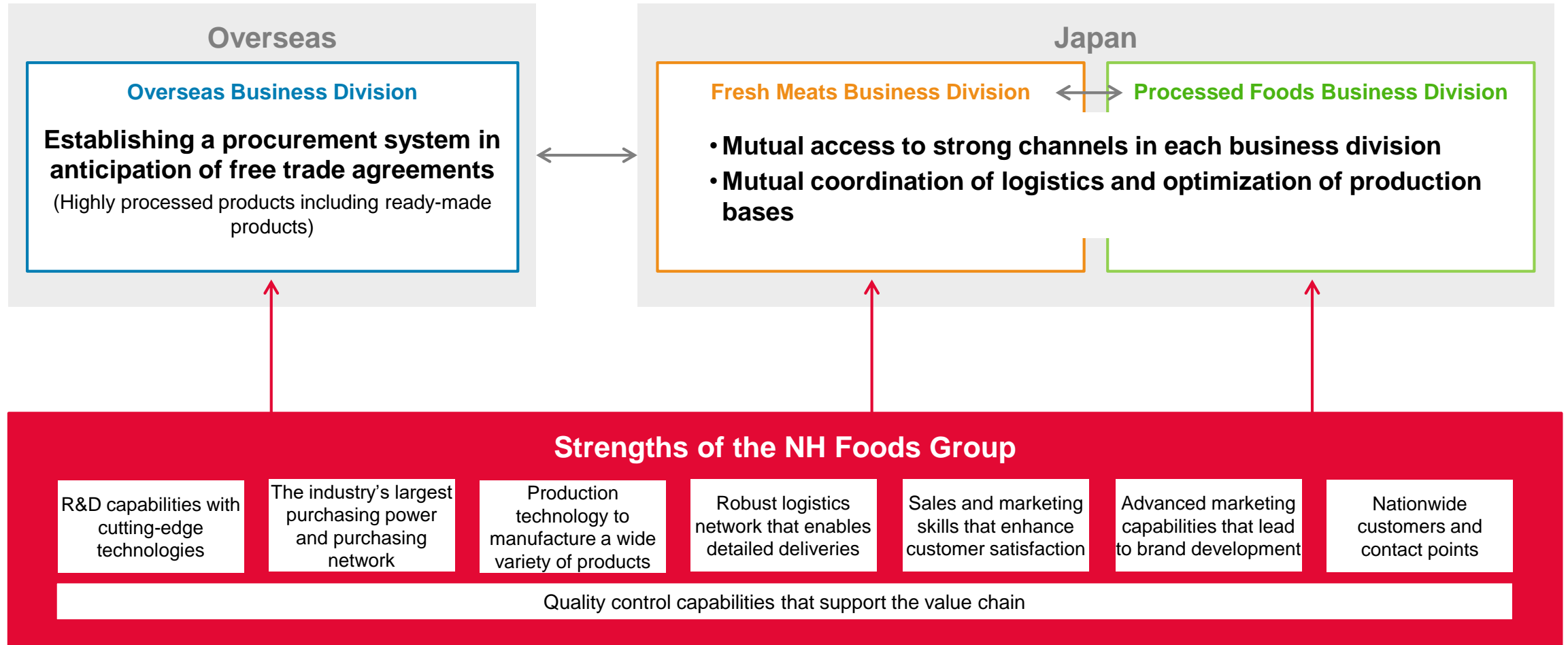
Core consumer brand deployed in North America
Crazy Cuizine®

Medium-Term Management Plan 2023

- Cross-Departmental Promotion Strategies

Four cross-cutting strategies	Objectives and promotion items		Expected effects
Cross-business strategies	Plan and implement a company-wide common strategy to demonstrate the integrated strength of the NH Foods Group as a whole, beyond the business divisions, toward the enduring development of the Group	<ul style="list-style-type: none"> • Project dealing with cross-cutting free trade agreements • Mutual cooperation in sales and logistics • Optimization of production bases 	<p>Cost reduction</p> <p>Sales expansion</p> <p>Reduction of environmental impact</p>
New business	Accelerate efforts in new growth areas in anticipation of future changes in the environment, aiming for concrete commercialization and fostering a culture of challenge	D2C challenge by the New Business Development Department	<p>Single year profitability in FY2025/3</p> <p>Sales of ¥10.0 billion in FY2030/3</p>
Hokkaido project	In Hokkaido, where many of the Group's sites are located, create synergies with its core business in preparation for the opening of the new baseball stadium in 2023, and contribute to the development of the region	Promotion of 11 measures related to sports business synergies	<p>Opening of Hokkaido Ballpark F Village in 2023</p> <p>Operating profit of ¥2.6 billion</p>
Corporate communications	Strengthen corporate communications functions to enhance the reputation by developing strategic communications with stakeholders	Delivering a consistent message through Vision 2030	Brand value enhancement

Leveraging the strengths of the NH Foods Group, we will engage in cross-business strategies from a perspective of total optimization. We will pursue an optimal portfolio by maximizing the use of the management capital that each business department has built up.



Create new markets by offering new values, products / services / contents / communications, and propose new food experiences / time to a new customer base



Measures

Expand sales through the D2C channel and reach a new customer base

- Reaching a new customer base
- Expanding business
- Delivering value through new brands

Entertainment business

New encounters with "proteins"

Wellness business

Connecting diverse people with "proteins"

Ethical business

Creating the next generation with "proteins"

Return consumer information to existing businesses

Contribution to core business profit

- Growth of the Group as a whole
- Collaboration across the Group

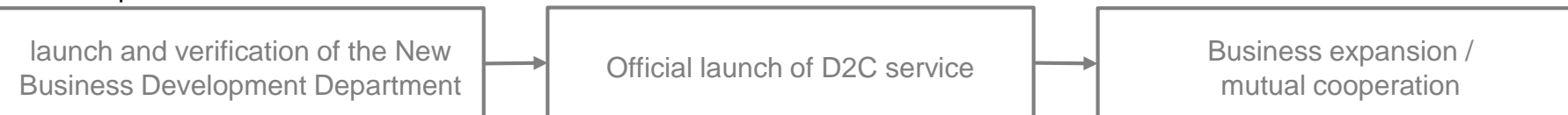
Existing businesses

Fresh Meats/
Processed Foods/
Overseas

Single year profitability in FY2025/3

Net sales of ¥10.0 billion

Roadmap

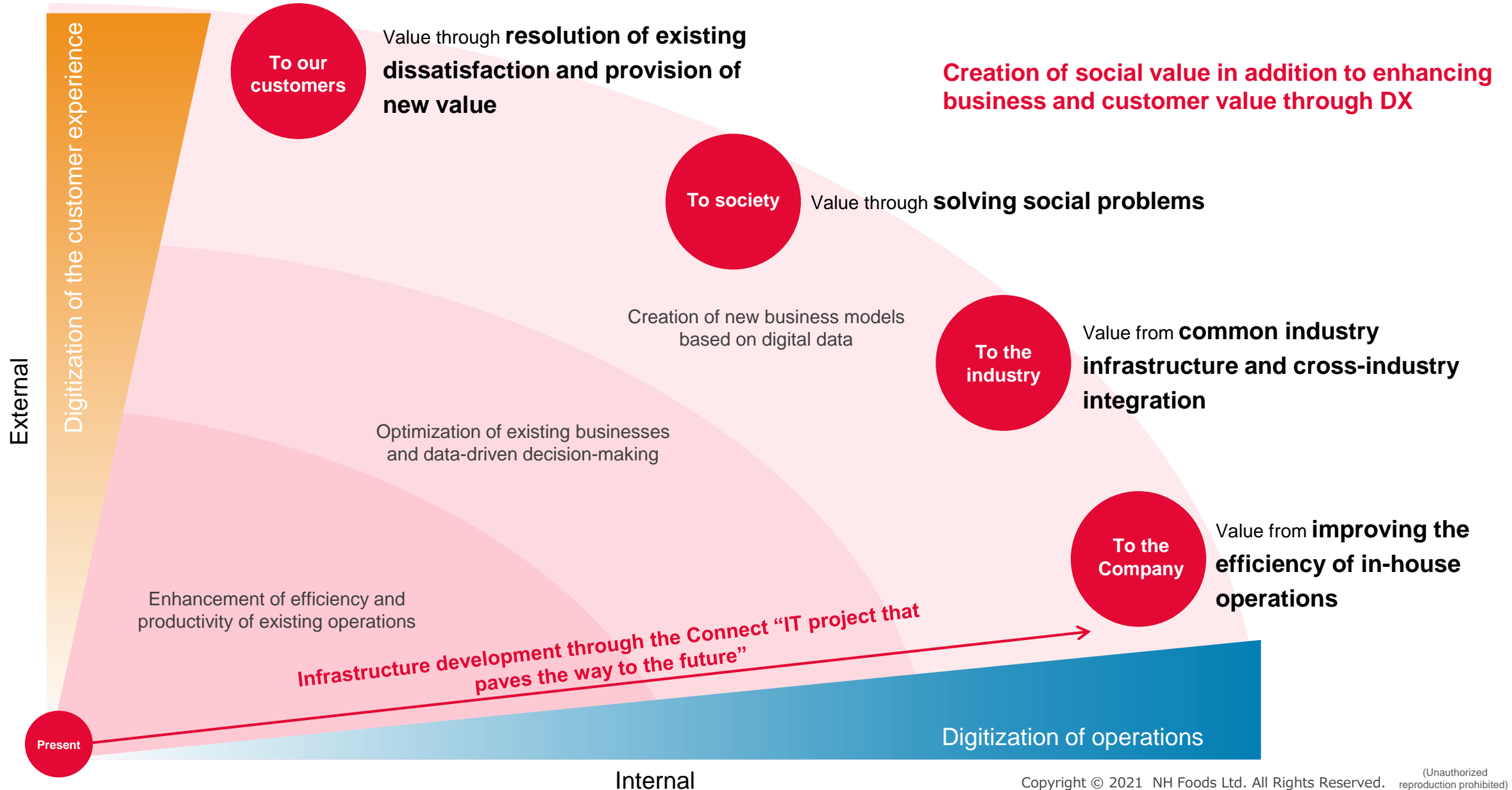


Work to increase corporate value based on Hokkaido Nippon-Ham Fighters, Hokkaido Ballpark F Village and improve the value of Hokkaido to expand to the whole country



Medium-Term Management Plan 2023

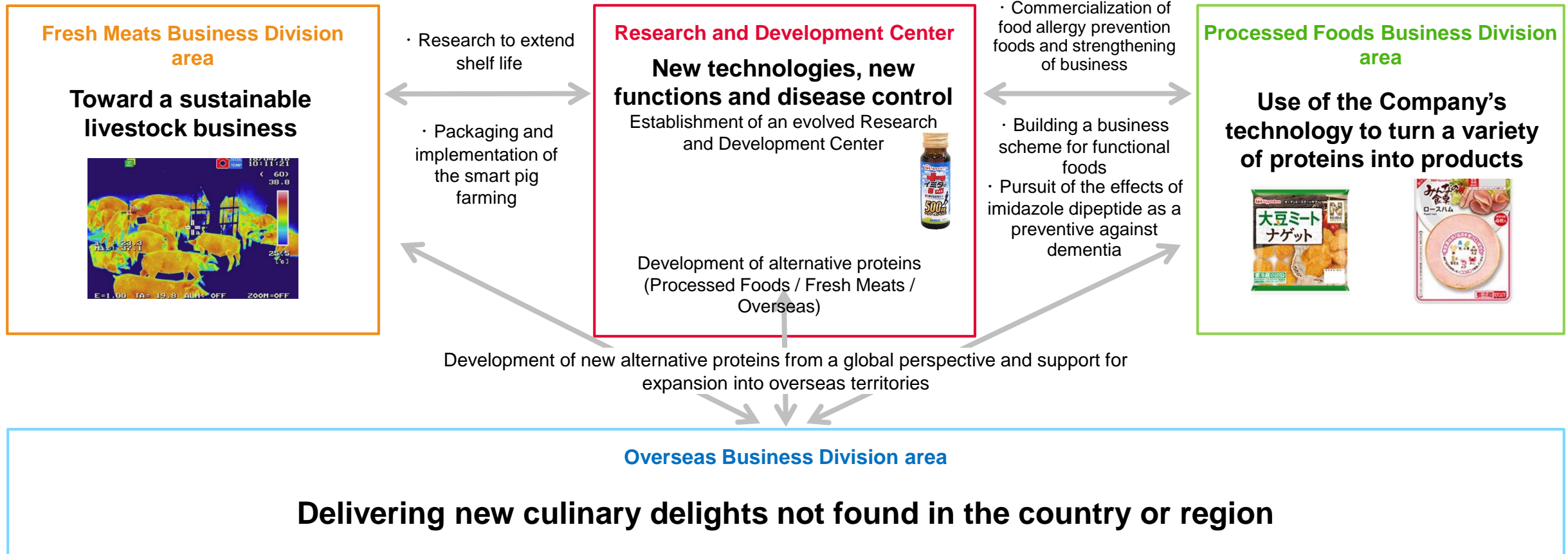
- Functional Strategies



Initiatives to create new business from a technological starting point	<ul style="list-style-type: none">• Establishment of the business scheme of the health food and materials business, including imidazole dipeptide• Packaging and implementation of the smart pig farming system
Realization of research outcomes to solve social issues	<ul style="list-style-type: none">• Development of new test kits, compliance with international standardization, and establishment of a mass production system• Efforts to develop food allergy prevention foods• Proposals in anticipation of an aging society from the perspective of nutrition
Initiatives to address business challenges linked to the SDGs	<ul style="list-style-type: none">• Addressing livestock diseases and improving productivity• Initiatives to ensure the Group’s food safety and extend shelf life• Nutritional support for the sports entertainment business
Promotion of innovative long-term vision themes	<ul style="list-style-type: none">• Research and development of new protein resources• Investigation of utilization of useful unused resources, and exploration and challenge in the pharmaceutical and medical fields

Solve problems in existing businesses, strengthen collaboration, and create new businesses based on the R&D and technologies of the Research and Development Center

Advancement of R&D and commercialization of initiatives



Summery

- Toward the Medium-Term Management Plan 2026

Summery

- Toward the Medium-Term Management Plan 2026

Integrating business and sustainability strategies to maximize corporate value

Aim for a business profit ratio of 6.0%, ROIC of 7.0% or more and ROE of 9.0% or more

Strengthening of existing businesses and structural reforms to increase business efficiency

- Further strengthening of business foundations
 - Processed Foods Business Division:** Working on structural reforms through the creation and provision of new value
 - Fresh Meats Business Division:** Strengthening of procurement and sales capabilities to achieve a 25% share of the market
 - Overseas Business Division:** Construction of a growth model through expansion of the processed food products business, etc.
- Structural reforms through an optimal production system and DX
- Improving profitability by pursuing an optimal business portfolio

New business and cross-business projects as new sources of profit

- Expansion into new business areas by leveraging the Group's strengths
- Cross-business strategies to maximize the Group synergies through effective use of management resources
- Establishing new business models through DX, etc.

Deepening sustainability strategies

- Shift to a sustainable business model (from trade-offs to trade-ons)
- Pursuit of the Five Materialities through KPI management



Unleash new potentials for protein
Nipponham Group Vision 2030