



NH Foods Group Medium-Term Management Plan 2020

— Progress During the First Half of FY2021/3

November 5, 2020

NH Foods Ltd.

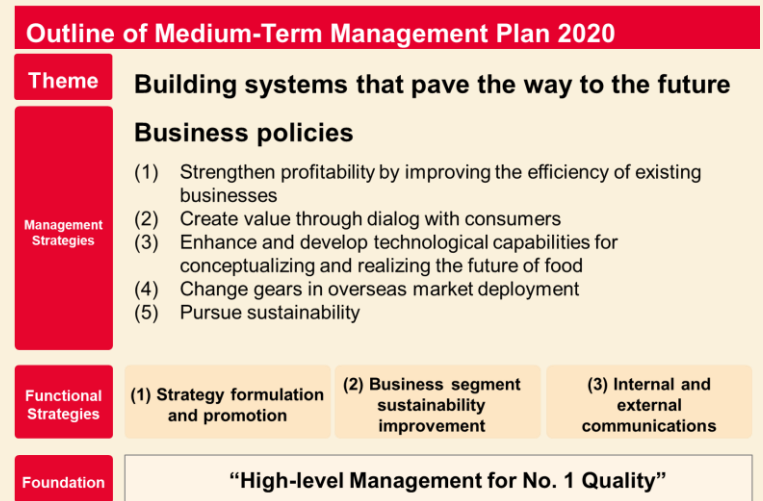
President and Representative Director

Yoshihide Hata

- We will put the final touches on “building systems that pave the way to the future,” with the aim of improving ROIC and maximizing our free cash flow.

What we need to do now

- Increase productivity and creativity
- Do not miss immediate opportunities
- Take on challenges for the future



- We will embody our “ideals” for 2030.

1: Performance Progress

P4 Revised forecast for FY2021/3

P5 Medium-Term Management Plan 2020 summary by division

P6 Medium-Term Management Plan 2020 summary: Results

P7 Medium-Term Management Plan 2020 summary: Current challenges

2: Future Direction

P9 Environmental changes and recognition of current status

P10 Medium- to long-term thinking

P11 Growth strategies

P12 DX (IT project that paves the way to the future) initiatives

P13 Initiatives to improve social value

P14 Maximizing ROIC spread

* NH Foods Ltd. and its subsidiaries (the “Group”) has adopted International Financial Reporting Standards (“IFRS”).

* 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 novel coronavirus will be referred to as COVID-19.

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By expanding sales to volume retailers, the Processed Foods Business, Fresh Meats Business, and domestic business in the Americas will be steady.
Improve baseball club profits from the initial forecast, and revise business profit upward to ¥42.0 billion.

● FY2021/3 results forecasts

(¥ billion)

| | FY2019/3 | FY2020/3 | FY2021/3 | | | Initial Forecast of the Plan |
|---------------------------|----------|----------|-------------|-------------|-------------------|------------------------------|
| | Results | Results | 1Q Forecast | 2Q Forecast | Forecast Variance | |
| Net sales | 1,234.2 | 1,229.8 | 1,200.0 | 1,180.0 | (20.0) | 1,410.0 |
| Business profit | 38.3 | 43.8 | 37.0 | 42.0 | 5.0 | 56.0 |
| Business profit ratio | 3.1% | 3.6% | 3.1% | 3.6% | 0.5 | 4.0% |
| ROE | 4.8% | 4.8% | 5.4% | 6.3% | 0.9 | 7.0% or more |
| ROIC | 4.9% | 5.3% | 4.2% | 4.8% | 0.6 | 5.5% or more |
| Invested capital turnover | 2.27 | 2.15 | - | 1.94 | - | 2.08 |
| D/E ratio | 0.37 | 0.44 | 0.47 | 0.47 | 0 | 0.4-0.5 |

* Operating income and operating income ratio were used instead of business profits and business profit ratio in the initial forecast of the Medium-Term Management Plan.

* Revised the initial forecast to 1Q forecast when business results for the first quarter of FY2021/3 were disclosed.

● Trends in 3-year free cash flow plans

| | As of March 31, 2019 | As of March 31, 2020 | FY2021/3 2Q Forecast | Initial Forecast of the Plan |
|-------------------------------|----------------------|----------------------|----------------------|------------------------------|
| Operating cash flows | 143.5 | 166.4 | 168.2 | 179.5 |
| Investing cash flows | (176.5) | (166.3) | (167.0) | (198.6) |
| Free cash flows | (33.0) | 0.1 | 1.2 | (19.1) |
| Capital expenditures | 200.0 | 200.0 | 200.0 | 210.0 |
| Depreciation and amortization | 80.0 | 89.8 | 89.8 | 82.6 |

Although we achieved results in the Processed Foods Business and Overseas Business aimed at improving profitability, it is difficult to achieve the target due to the more than expected decline in the chicken market in the Fresh Meats Business up to the previous fiscal year and intensifying competition in the sales environment for marine and dairy products.

● Breakdown of business profit

(¥ billion)

| | FY2019/3 | | | FY2020/3 | | | FY2021/3 | | |
|---|----------|---------|----------|----------|---------|----------|----------|-------------------|----------|
| | The Plan | Results | Variance | The Plan | Results | Variance | The Plan | Forecast as of 2Q | Variance |
| Processed Foods Business Division | 13.1 | 9.5 | (3.6) | 17.2 | 13.3 | (3.9) | 21.8 | 13.4 | (8.4) |
| of which Former Processed Foods Business Division | 8.5 | 7.6 | (0.9) | 11.0 | 11.1 | 0.1 | 14.0 | 12.4 | (1.6) |
| of which dairy and marine products, extract, etc. | 4.6 | 2.0 | (2.6) | 6.2 | 2.2 | (4.0) | 7.8 | 1.0 | (6.8) |
| Fresh Meats Business Division | 42.4 | 34.5 | (7.9) | 44.8 | 31.9 | (12.9) | 45.2 | 36.7 | (8.5) |
| Overseas Business Division | 0.5 | (3.8) | (4.3) | 1.5 | 1.8 | 0.3 | 2.0 | (0.5) | (2.5) |
| Eliminations, adjustments and others | (6.0) | (1.9) | 4.1 | (11.5) | (3.3) | 8.2 | (13.0) | (7.7) | 5.3 |
| of which value creation expenses | (2.0) | 0.0 | 2.0 | (5.0) | (0.6) | 4.4 | (4.0) | (2.5) | 1.5 |
| of which profit or loss of baseball club (consolidated) | (2.2) | (1.7) | 0.5 | (2.2) | (2.1) | 0.1 | (2.2) | (4.6) | (2.4) |
| of which structural reform expenses | (2.0) | 0.0 | 2.0 | (4.0) | - | - | (7.0) | - | - |
| of which others | 0.2 | (0.2) | (0.4) | (0.3) | (0.5) | (0.2) | 0.2 | (0.6) | (0.8) |
| Consolidated business profit | 50.0 | 38.3 | (11.7) | 52.0 | 43.8 | (8.2) | 56.0 | 42.0 | (14.0) |

Factors for variance from the Plan

- **Processed Foods Business Division**
(Former Processed Foods Business Division)
Improved profit structure with profit-oriented sales measures and product mix, as well as improved productivity.
(Marine and dairy products)
Promoted structural reforms by withdrawing unprofitable items, but decreased sales volume is expected to bring figures below the Plan.
(Extract/primary processing)
Expected to fall short of the Plan due to deterioration of the environment especially in the restaurant industry affected by COVID-19, despite putting our new plant into operation and setting up our business base.
- **Fresh Meats Business Division**
Expected to fall short of the Plan due to the unexpected decline in the domestic chicken market until the previous fiscal year, and damage to poultry houses caused by disasters.
- **Overseas Business Division**
While the business base had become stable thanks to the internal improvement activities of our Australia business, it is still expected to fall short of the Plan due to deterioration of the external environment caused by the impact of COVID-19.

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

*2 The Plan and results for FY2019/3, FY2020/3, and FY2021/3 were revised retroactively (reclassified) due to the change of jurisdiction (integration of former Affiliated Business Division and extract/primary meat processing business into the Processed Foods Business Division) in FY2021/3. (Figures are unaudited, owing to in-house calculation)

Made steady progress in measures towards “building systems that pave the way to the future”

| Strengthen profitability by improving the efficiency of existing businesses | |
|---|--|
| Processed Foods Business Division | <ul style="list-style-type: none"> Improved profitability by expanding sales of core brands Realized synergistic effects through integration with the Affiliated Business Division |
| Fresh Meats Business Division | <ul style="list-style-type: none"> Expanded production systems by upgrading aging facilities in upstream business Developed logistics relay bases, and expanded and stabilized logistics functions |
| Overseas Business Division | <ul style="list-style-type: none"> Realized improvement effects such as from internal improvements in the Australia business and Processed Foods Business in the US Growth in Processed Foods Business in the US |

| Create value through dialog with consumers |
|---|
| <ul style="list-style-type: none"> Created the “future dining market forecast” to improve product development Analyzed customer feedback and big data and utilized it for sales promotion |

| Enhance and develop technological capabilities for conceptualizing and realizing the future of food | |
|---|---|
| <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 Searched for new technologies through open innovation | <p>Effective for reducing cognitive decline and suppressing brain atrophy caused by aging in people over 40 years old</p> |

| Pursue sustainability | |
|--|--|
| <ul style="list-style-type: none"> Agreed with the recommendations of TCFD*1 Joined RSPO*2 Engaged in CSR procurement*3 | <p>*1 TCFD: Task Force on Climate-related Financial Disclosure *2 RSPO: Roundtable on Sustainable Palm Oil *3 FY2020/3: Covers 71 companies, targeting domestic main raw material suppliers (equivalent to 80% of amount procured)</p> |

| Company-wide |
|---|
| <ul style="list-style-type: none"> Optimization of staff composition |

Creation of systems not affected by the external environment, and room for strengthening efforts to expand overseas markets

| Strengthen profitability by improving the efficiency of existing businesses | |
|--|--|
| Processed Foods Business Division | <ul style="list-style-type: none"> • Reap the benefits of six projects launched through the integration • As a measure for commercial-use products, review sales systems according to changes in the environment and focus on areas where we are strong |
| Fresh Meats Business Division | <ul style="list-style-type: none"> • Expand brand meats, which are a highly profitable, so as to minimize market impact • Improve production indicators in our production business • A channel mix strategy capable of flexibly responding to changes in the external environment |
| Overseas Business Division | <ul style="list-style-type: none"> • Improve the profitability of our Uruguay beef business • Expand overseas sales (local sales, third country sales) |

| Change gears in overseas market deployment |
|--|
| <ul style="list-style-type: none"> • Review promising growth areas (regions and businesses) |

| Pursue sustainability |
|--|
| <ul style="list-style-type: none"> • Formulate medium- to long-term environmental goals • Respond to water risks • Expand CSR procurement scope*1 |

*1 FY2021/3: Expand the scope to domestic auxiliary raw materials, other materials, and packaging suppliers and plan to cover 22 companies (equivalent to 60% of amount procured). Overseas, request suppliers who account for about 60% of amount procured to understand CSR procurement and complete self-check sheets.

| Company-wide |
|---|
| <ul style="list-style-type: none"> • Promote ROIC management • Build optimized business portfolio and optimized production system |

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Grow and expand our business, and solve social issues through our business activities, even as we face changes in the environment

Our business environment

- Declining population in Japan (shrinking market, fewer livestock farmers)
- Changes in our procurement environment due to free trade agreements
- Procurement risk due to climate change
- Food crises due to global population growth
- Acceleration of shift to digital technology

Environmental changes caused by COVID-19

- Rising awareness of securing daily necessities
- Rising trend toward frugal spending
- Rising health consciousness such as nutritional balance
- Pursuit of comfort, simplicity and convenience
- Rising brand awareness
- Rising interest in social issues and eco-friendliness, such as ethical products
- Expansion of e-commerce



Continuing issues from Medium-Term Management Plan 2020

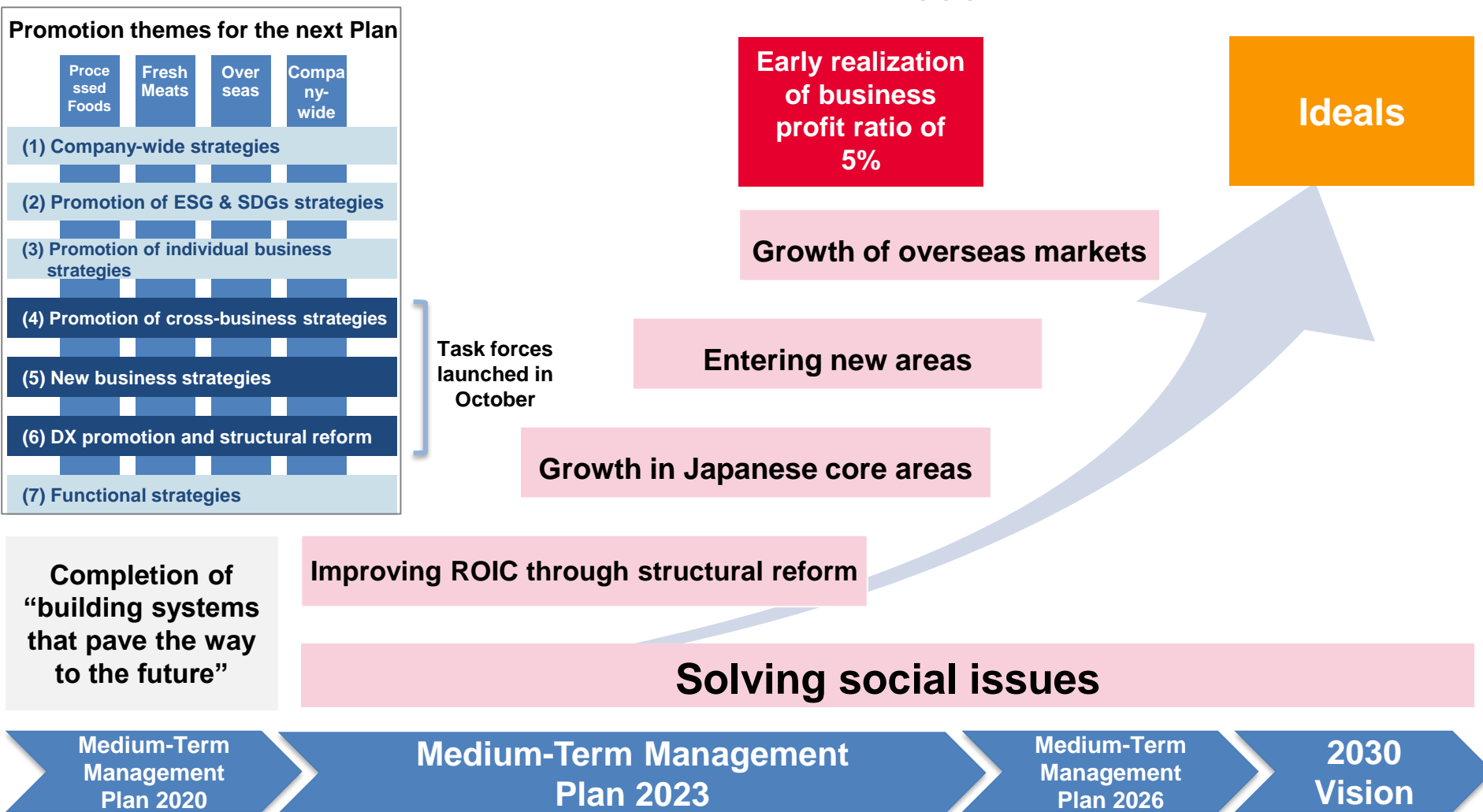
- Structural reform of existing businesses to strengthen profitability
- Strengthening global procurement capabilities
- Selection of growth areas for the future (Japan/abroad)
- Pursuit of sustainability

Adapting to the new normal era

- Building a production/logistics system for a stable supply of food
- Product development that supports new lifestyles
- Supporting new demand such as developing new sales channels

Launched three task forces: “Cross-business Strategy Promotion,” “New Business Strategies,” and “DX Promotion,” to formulate the next Medium-Term Management Plan 2023/2026 and 2030 Vision

Direction towards Ideals of 2030 Vision



Work towards sustainable growth by integrating “strengths cultivated through expansion of business areas” with “strengths in new areas”

Our strengths since the foundation

No. 1 share of Japanese domestic meat sales

A nationwide sales distribution network

Development and technological capabilities capable of creating No. 1 in category products

Protein supply on a global scale



- Expansion of profits in existing core areas
- Transition to a sustainable business model



- Expansion of growth areas
- Reinforcement of our global network

Accelerate growth in overseas markets

Strengthen overseas sales of processed food products

Strengthen our strategic business base for production and export

Strengthen high-value-added product development and our supply system for Japan

Select new areas

Foster products and services from the customer’s perspective

Foster products and services based on technology

Grow in our Japanese domestic core areas

Fresh meats

Strengthen sales to undeveloped channels

Expand our market share of brand meat

Strengthen domestic and import procurement capabilities

Processed foods

Achieve synergy as the new Processed Foods Business Division

Expand sales of existing brands
Develop new brand products

Improve production efficiency through selection and concentration

The “Connect” system, intended to be the optimal information system for the NH Foods Group and aimed at standardization of business processes, will enter the development/introduction phase in earnest

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



Three measures in the IT area



Creating new business models
Business reform



Adaptation to diverse
work styles

**Launch the “NH Foods DX Promotion Task Team” to
improve and share our promotion system**



**Improve efficiency
Create new value**

Determine materialities appropriate for the times Work to expand business profits by solving social issues

| | | |
|---|--|--|
| Environment | Production > Breeding > Processing > Manufacturing > Reception > Logistics | |
| | <ul style="list-style-type: none"> • <u>Formulate KPIs based on “medium- to long-term environmental goals”</u> • <u>TCFD scenario analysis</u> Agreed with the recommendations of TCFD in June 2020 • <u>Respond to water risks</u> | <div style="text-align: center;"> </div> <ul style="list-style-type: none"> • <u>Reduce weight of materials</u> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>No-tray Pizza Bread</p> </div> <div style="text-align: center;"> <p>SCHAU ESSEN made with lighter film weight compared to two-piece bundles</p> </div> </div> <ul style="list-style-type: none"> • <u>Reduce food loss</u> • <u>Delivery aimed at reducing environmental impact</u> Transition to eco-cars and hybrid cars, select more efficient delivery routes |
| Procurement | | |
| | <ul style="list-style-type: none"> • <u>Promote CSR procurement</u> • <u>Set targets for switching to RSPO certified sustainable palm oil</u> | |
| Society | <ul style="list-style-type: none"> • <u>Patented imidazole dipeptide</u> Develop and commercialize brain function enhancing products | <ul style="list-style-type: none"> • <u>Make practical use of smart pig farming</u> Put the smart pig farming system in package format, aiming to contribute to the revitalization of the entire livestock industry in the future |
| | <ul style="list-style-type: none"> • <u>Research and develop cultured meat</u> Implement third-party allocation of new shares • <u>Create a market for meat-alternatives</u> to IntegriCulture Inc. • <u>Support for food allergies</u> | |
| <ul style="list-style-type: none"> (Employees) • <u>Work Style Reform promotion</u> • <u>Human resource development</u> • <u>Human resource system reform</u> | | |
| Governance | <ul style="list-style-type: none"> • <u>Enhancement of our next-generation manager training plan</u> • <u>Strengthen corporate communication</u> | |

Maximize the ROIC spread, in order to pursue the optimal capital structure

Be more aware of free cash flow

Investment to strengthen our foundation, and to achieve future growth

- Maintenance and renewal investment
- Growth investment
- DX investment
- New baseball stadium

Maximize cash flow
Increase our corporate value

Improve ROIC

ROIC spread ↑

Reduce WACC

Improve efficiency of invested capital

- Pursue and transition to an optimal portfolio
- Build an optimal production and manufacturing system
- Maximize synergy
- Improve efficiency with DX

Pursue optimal capital structure

- Funding based on interest-bearing liabilities
- Flexible acquisition of treasury stocks
- Stable dividend (on a DOE basis)

Improve non-financial value

- Pursue ESG KPIs — improve external evaluation

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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.