



# Medium-Term Management Plan 2023 Progress Briefing

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NH Foods Ltd.  
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## **Concentration of resources toward priority businesses, acceleration of business model transformation through restructuring and growth strategies**

In the current and next fiscal years, we will focus our group resources toward company-wide initiatives on priority policies

### **Priority policies**

(Entire Group)

- Accelerate our transition to a sustainable business model.
- Pursue profit maximization through cross-organizational logistics and marketing reforms.
- Use DX to enhance efficiency and achieve business expansion in new areas.

(Processed Foods Business)

- Concentrate resources toward flagship brands (manufacturing lines, promotion, etc.)
- Maximize benefits of price revisions through quantitative expansion.

(Fresh Meats Business)

- Expand market share through enhancement of food marketing and specialized capabilities for each channel.
- Maximize profit through expansion of sales of branded fresh meats.

(Overseas Business)

- Expand profits through enhanced marketing of processed chicken products.
- Enhance beef branding strategy (Natural Beef, etc.)

Future: We aim to achieve rapid optimization of our business portfolio through the concentration of resources.

# Progress in the first half of the year

### 3 Progress on business performance - Entire Group

The profit target has been lowered to reflect the impact of a volume decline in sales of consumer products in the first half of the fiscal year, sharply higher prices for raw materials, feed, and fuel throughout the year, the rapid weakening of the yen, and other factors.

(¥ billion yen, %)

|   | FY2022/3         |                   | FY2023/3         |                    |                     |                                 |                             |
|---|------------------|-------------------|------------------|--------------------|---------------------|---------------------------------|-----------------------------|
|   | 1st half results | Full year results | 1st half results | 2nd half forecasts | Full year forecasts | Year on year change (full year) | Initial targets (full year) |
| Net sales                                   | 569.1            | 1,174.4           | 634.0            | 636.0              | 1,270.0             | 95.6                            | 12,40.0                     |
| Business profit                             | 23.1             | 45.8              | 15.2             | 20.8               | 36.0                | (9.8)                           | 46.0                        |
| Business profit ratio                       | 4.1              | 3.9               | 2.4              | 3.3                | 2.8                 | (1.1)                           | 3.7                         |
| Profit before tax                           | 28.1             | 51.4              | 22.3             | 12.7               | 35.0                | (16.4)                          | 44.5                        |
| Profit attributable to owners of the parent | 19.6             | 48.0              | 15.5             | 10.5               | 26.0                | (22.0)                          | 33.0                        |
| ROE   | 4.5              | 10.5              | 3.2              | -                  | 5.3                 | (5.2)                           | 6.7                         |
| ROIC  | 2.6              | 5.0               | 1.5              | -                  | 3.4                 | (1.6)                           | 4.4                         |

#### Business profit breakdown

|                          |       |       |       |       |       |       |       |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|
| Processed Foods Business | 5.9   | 12.4  | 1.3   | 6.2   | 7.5   | (4.9) | 10.0  |
| Fresh Meats Business     | 17.8  | 35.6  | 14.2  | 18.8  | 33.0  | (2.6) | 36.0  |
| Overseas Business        | 0.6   | 2.4   | (0.9) | 1.0   | 0.1   | (2.3) | 3.0   |
| Baseball Club and Other  | 0.4   | (1.6) | 1.9   | (3.3) | (1.4) | 0.2   | 0     |
| Eliminations             | (1.6) | (3.0) | (1.3) | (1.9) | (3.2) | (0.2) | (3.0) |

## 4 Cash flows and capital expenditure

We aim to optimize our capital structure in order to maximize free cash flows and reduce the cost of invested capital.

### Cash flow position

- Cash flows from investing activities in FY2022/3 include ¥16.6 billion in proceeds from the sale of a business.

(¥ billion)

|                                     | Medium-Term Management Plan 2023 (3 years) | FY2022/3 results | FY2023/3 forecasts |
|-------------------------------------|--|------------------|--------------------|
| Cash flow from operating activities | 227.0                                      | 33.4             | 55.8               |
| Cash flow from investing activities | (202.0)                                    | (22.8)           | (85.1)             |
| Free cash flow                      | 25.0                                       | 10.6             | (29.3)             |

### Capital expenditures

**(3-year Medium-Term Management Plan period)**

- 67% progress in the first two years of the 3-year plan

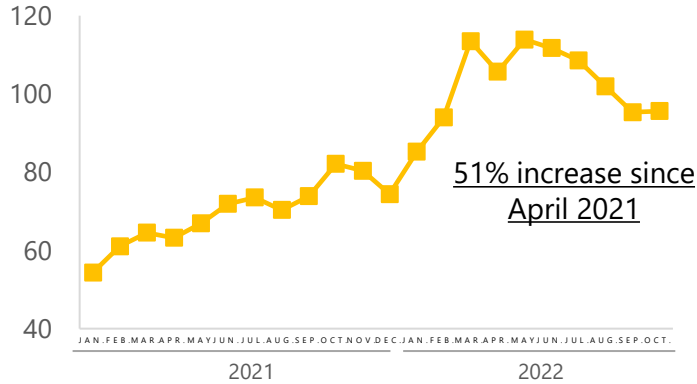
(¥ billion)

|   | Medium-Term Management Plan 2023 (3 years) | FY2022/3 results | FY2023/3 forecasts |
|---|--|------------------|--------------------|
| Processed Foods Business Division                         | 45.7                                       | 11.0             | 14.3               |
| Fresh Meats Business Division                             | 78.1                                       | 17.1             | 27.0               |
| Overseas Business Division                                | 18.8                                       | 3.3              | 8.6                |
| Baseball Club and Other Business (Including IFRS leasing) | 105.4                                      | 49.0             | 36.8               |
| Total   | 248.0                                      | 80.4             | 86.7               |

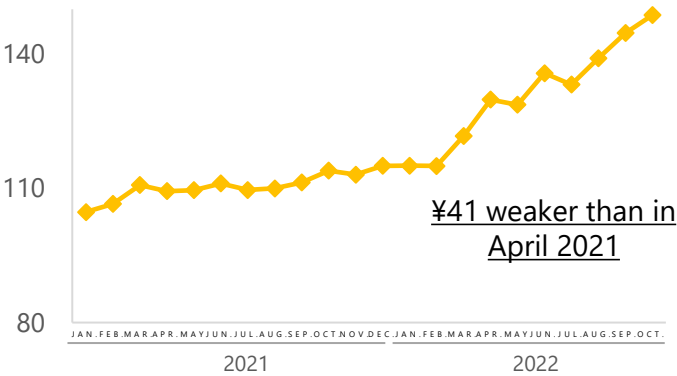
# 5 Changes in the External Environment

Despite the harsh external environment, we achieved real benefits through internal improvements, including price revisions for processed foods, the restructuring of the fresh meats business, and the enhancement of food marketing capabilities.

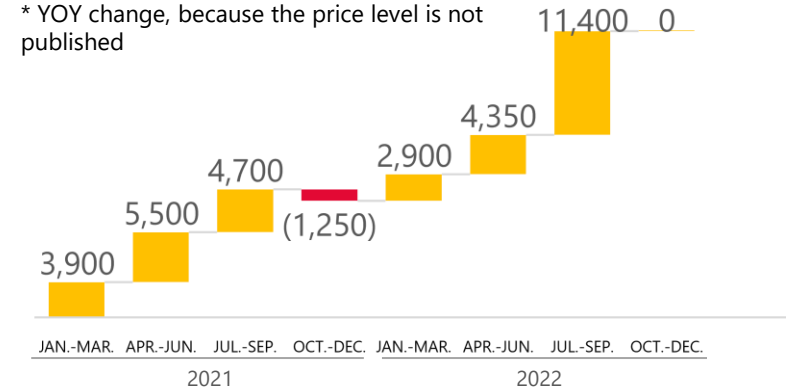
■ Oil price (\$/BBL, OPEC)



■ Exchange rates (USD/JPY)



■ ZEN-NOH compound feed supply price (¥/tons)



Changes affecting other business areas

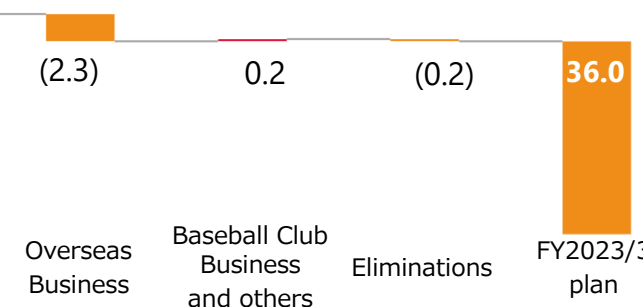
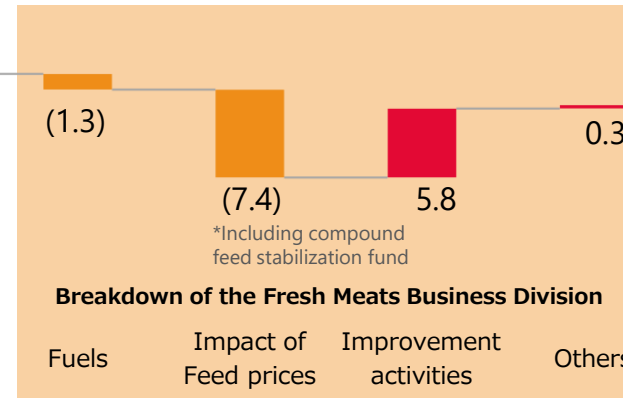
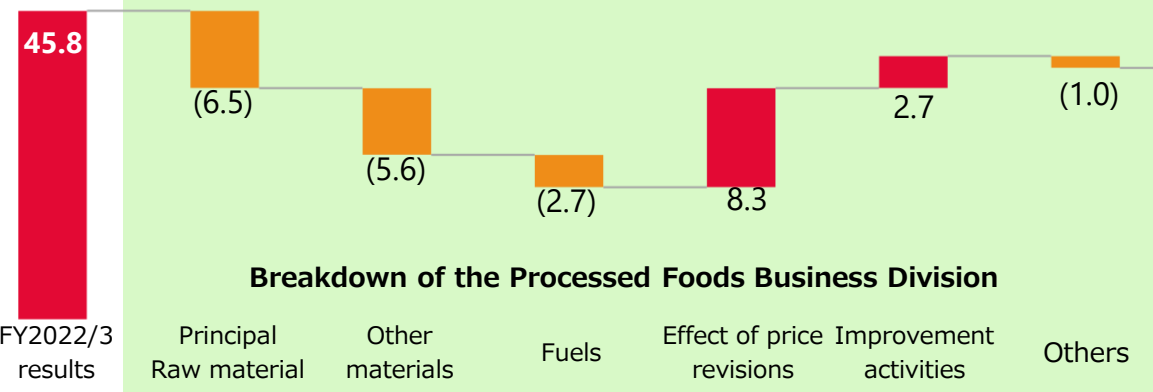
Sharply higher prices for grain and energy following the invasion of Ukraine

Soaring procurement prices due to weather events and shifts in the global supply-demand balance

Value chain disruptions caused by labor shortages and port problems, etc.

Expanding price-consciousness stemming from heightened concerns about livelihoods

■ Reasons for changes in business profit (¥ billion)



# Strategies going forward

## Urgent need for action in response to changes in the external environment

|                                   | First-half achievements |  | Issues  |
|-----------------------------------|-------------------------|--|---|
| Processed Foods Business Division | Efficiency improvement  | <ul style="list-style-type: none"> <li>● Price revisions leading to higher unit prices</li> <li>● Item consolidation</li> </ul>  | <ul style="list-style-type: none"> <li>● Decline in profits due to external environmental factors</li> <li>● Slow sales of flagship brands</li> </ul>   |
|                                   | Growth                  | <ul style="list-style-type: none"> <li>● Realization of synergies</li> <li>● Expansion of new channels, and channels to new areas</li> </ul>   |   |
| Fresh Meats Business Division     | Efficiency improvement  | <ul style="list-style-type: none"> <li>● Benefits of organizational consolidation (price revisions, etc.)</li> <li>● Stabilization of feed prices through collaboration with feed companies</li> </ul>                                     | <ul style="list-style-type: none"> <li>● Mitigation of impact of feed prices</li> <li>● Increased inventories of imported beef due to slow freight movements</li> <li>● Volume recovery of sales of imported fresh meats</li> <li>● Expansion of <i>wagyu</i> exports and sales of new fresh meat brands</li> </ul> |
|                                   | Growth                  | <ul style="list-style-type: none"> <li>● Expansion of food sales volumes through enhanced food marketing</li> <li>● Expansion of restaurant channel</li> </ul>   |   |
| Overseas Business Division        | Efficiency improvement  | <ul style="list-style-type: none"> <li>● Enhancement of manufacturing structure through procurement-marketing collaboration</li> </ul>   | <ul style="list-style-type: none"> <li>● Comprehensive measures in Uruguay (BPU) and Turkey (Ege-Tav)</li> <li>● Expansion of sales of processed products in ASEAN</li> </ul>   |
|                                   | Growth                  | <ul style="list-style-type: none"> <li>● Price revisions/sales expansion for processed food products in North America</li> <li>● Enhancement of beef branding</li> </ul>   |   |
| DX                                |                         | <ul style="list-style-type: none"> <li>● Renovate accounting systems of all companies of the NH Foods Group in Japan.</li> <li>● AI-based load allocation for fresh meats, introduction of processed food inventory allocations</li> </ul> | <ul style="list-style-type: none"> <li>● Expansion of development resources</li> </ul>  |



## 8 Priority Measures for the 2nd Half and Beyond

Our top priorities will be profits enhancement through structural reforms, and sales expansion through brand strategies and channel strategies.

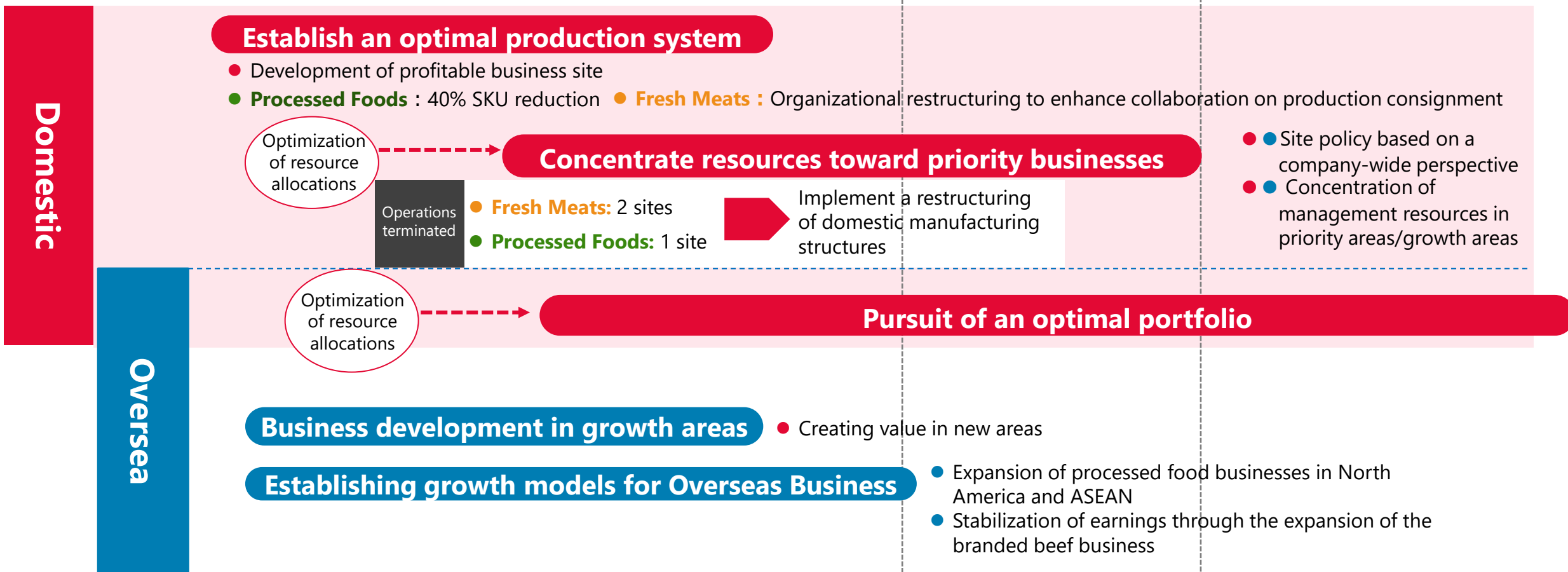
|  |   |  |
|--|---|--|
| <b>Entire Group</b>                      | <b>Concentrate resources toward the pursuit of an optimal portfolio.</b>  | <ul style="list-style-type: none"> <li>● Enhancement of cross-divisional strategies (realization of benefits through logistics and marketing reforms)</li> <li>● Formulation of Medium-Term Management Plan 2026 with a focus on the pursuit of an optimal portfolio</li> </ul>  |
| <b>Processed Foods Business Division</b> | <b>Resume market share expansion by deepening the brand strategy for the processed food business and concentrating management resources toward flagship brands.</b> | <ul style="list-style-type: none"> <li>● <b>Enhancement of promotions and branding toward the recovery and expansion of sales of flagship brands</b></li> <li>● Expansion of synergies, new channels, and new areas</li> <li>● Expansion of exports, including plant-based meats</li> <li>● Production development toward increased brand extension</li> <li>● Measures, including product price revisions, to address sharply higher prices for raw materials, subsidiary materials, electric power, and fuel</li> <li>● Centralization of manufacturing operations on highly productive lines</li> <li>● Line restructuring and productivity improvement through further SKU reductions</li> </ul> |
| <b>Fresh Meats Business Division</b>     | <b>Expand market share through channel/area strategies based on food marketing.</b>   | <ul style="list-style-type: none"> <li>● <b>Expansion of foothold in restaurant market through food marketing</b></li> <li>● Expansion of imported fresh meat sales volumes and market share (e.g., restaurant demand)</li> <li>● Expansion of <i>wagyu</i> exports and domestic branded fresh meat sales volumes</li> <li>● Enhancement of feed countermeasures, procurement capabilities, and productivity through co-creation networks</li> <li>● Maximizing the benefits of organizational restructuring</li> <li>● Roll-out of <i>New Food Project</i> initiatives</li> </ul>   |
| <b>Overseas Business Division</b>        | <b>Expand sales of Australian beef.<br/>Expand processed food sales in North America.</b>   | <ul style="list-style-type: none"> <li>● <b>Expansion of sales areas for processed chicken products in North America</b></li> <li>● Further optimization of manufacturing structures through procurement-sales collaboration</li> <li>● Enhancement of beef branding (<i>Natural Beef</i>, etc.)</li> <li>● Expansion of the number of cattle processed through the improvement of the breeding environment for beef cattle</li> <li>● Review of low-profit businesses</li> </ul>  |
| <b>Baseball Club and new business</b>    | <b>Enhance profits through the development of new core businesses and the launch of new products.</b>   | <ul style="list-style-type: none"> <li>● Baseball Club: Creation of new business model following the opening of the ballpark</li> <li>● New business: Expansion of sales of Meatful products and food allergy-safe products, development of new brands</li> </ul>  |
| <b>DX</b>                                | <b>Facilitate system introduction through IT redevelopment.</b>   | <ul style="list-style-type: none"> <li>● Completion of restructuring of operational systems for the Processed Food Business Division and Fresh Meats Business Division</li> <li>● Increased utilization of AI and other new technologies</li> <li>● Deepening of digital marketing</li> </ul>  |

# 9 Establishment of an optimal production system and pursuit of an optimal portfolio

Under Medium-Term Management Plan 2026, we will concentrate management resources into priority businesses with the aim of building an optimal portfolio.

Medium-Term Management Plan 2023

Medium-Term Management Plan 2026



# 10 Strategic Direction under the Next Medium-Term Management Plan

## Acceleration of restructuring and growth strategies in preparation for Medium-Term Management Plan 2026

|                   |                     |  |
|-------------------|---------------------|--|
| Entire Group      | Logistics reforms   | <ul style="list-style-type: none"> <li>Develop optimized logistics structure for domestic businesses.</li> </ul>   |
|                   | Marketing reforms   | <ul style="list-style-type: none"> <li>Maximize utilization of existing resources of domestic businesses, pursue cross-organizational marketing.</li> </ul>  |
|                   | DX                  | <ul style="list-style-type: none"> <li>Pursue business process/business model innovation through the redevelopment of the IT base and maximum use of digital technology.</li> </ul>  |
|                   | Human resources     | <ul style="list-style-type: none"> <li>Improve employee engagement through employee development and respect for diversity.</li> </ul>  |
| Growth strategies | Existing businesses | <ul style="list-style-type: none"> <li>Processed Foods: Resume expansion of market share through the deepening of brand strategies and expansion of sales channels in new areas.</li> <li>Fresh Meats: Reinforce domestic the first half of fresh meat production business, and develop and nurture the branded fresh meat business.</li> <li>Fresh Meats: Establish a sustainable and robust food marketing structure through <i>the New Food Project</i>.</li> <li>Overseas: Expand the fresh meat business in Australia.</li> <li>Entire Group: Expand the extract-related business</li> <li>Entire Group: Expand exports of domestic products (<i>wagyu</i>, processed foods, alternative meats).</li> </ul> |
|                   | Baseball Club       | <ul style="list-style-type: none"> <li>Create new business models following the opening of the ballpark.</li> </ul>  |
|                   | R&D                 | <ul style="list-style-type: none"> <li>Accelerate new protein research and research leading the commercialization of cultured meats.</li> <li>Expand the range of food allergy-safe products and products with cognitive function enhancement properties.</li> <li>Develop products containing cognitive function enhancement ingredients.</li> </ul>  |

# 11 Summary

**We aim to maximize corporate value by integrating our business strategies and DX strategy with our sustainability strategy.**

## Address social issues by executing materiality measures

- Stable procurement and supply of proteins
- Food diversity and health
- Contributing to a sustainable environment
- Co-creation and shared prosperity with local communities and society as a whole through food and sports
- **Employee development and respect for diversity**

## Sustainability strategies

Human resource strategy that aligns with our management strategies

- Foster a corporate culture that encourages employees to take on challenges
  - Support for employee development
  - Respect for diversity
  - Promoting health management
- (We will implement human resource policies based on 33 KPIs.)

Business model transformation through the convergence of three strategies

**Maximize corporate value**



## Business strategies

### Increase business value (financial value)

- Structural reform and strengthening of existing businesses
- Business development in growth areas
- Pursuit of an optimal portfolio
- Production system optimization

## DX Strategy

### Create new value

- Dramatic efficiency improvements in existing business areas
- Business optimization
- Data-based decision-making
- Creation of new business models based on digital data



 Unleash new potentials for protein  
**NH Foods Group Vision 2030**