

NH Foods Group

# Medium-Term Management Plan 2023

Progress Briefing

May 16, 2023

Nobuhisa Igawa, President and Representative Director

NH Foods Ltd.



Unleash new potentials for protein

NH Foods Group Vision 2030

- **Strategic Direction for the NH Foods Group**
- **A Message from the President and CEO**
- **Strategies Going Forward**
- **FY2024/3 Strategy**
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  - **Initiatives in FY2024/3**
  - **Segment Business Strategies**
  - **Sustainability Strategy/Cross-Segment Strategies/  
DX Strategy**
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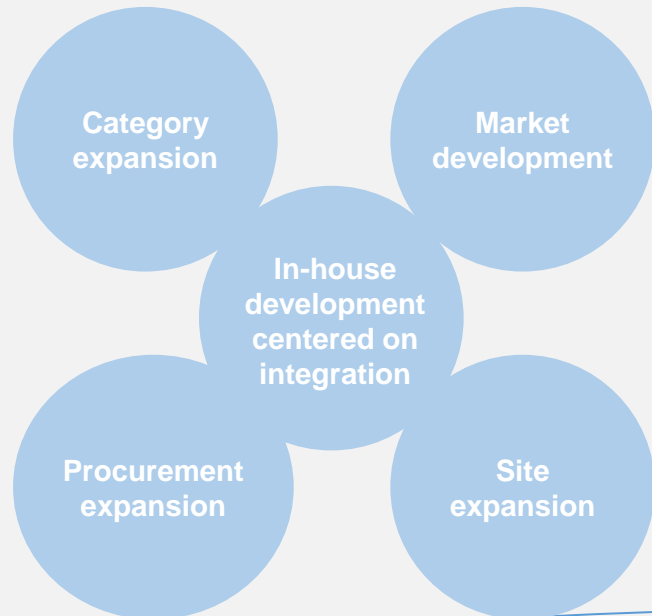
# Vision2030

## Our ideals for 2030

## Unleash new potentials for protein

NH Foods Group 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.

### Founding ideals

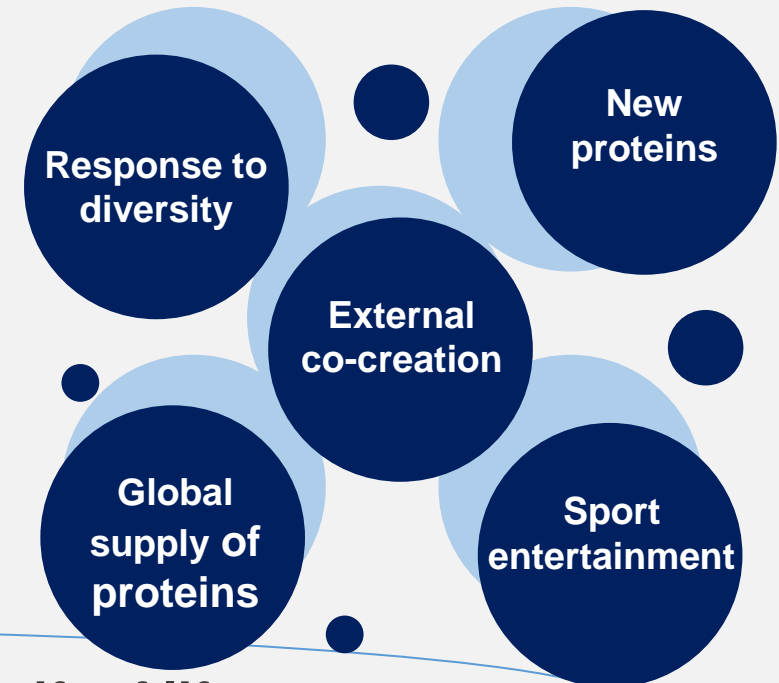


### Vision2030



Unleash new potentials for protein  
NH Foods Group Vision 2030

### New ideals

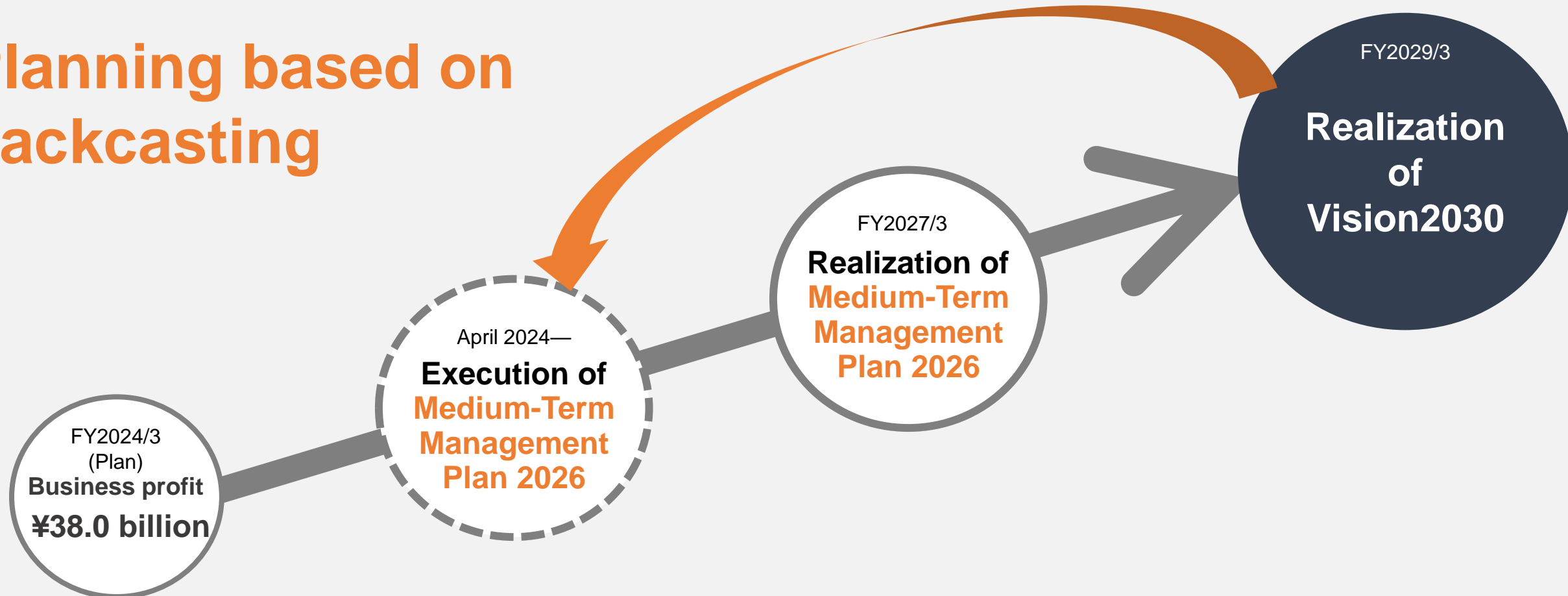


We will expand the potential of protein as the gift of life.

Corporate philosophies: *Joy of Eating*

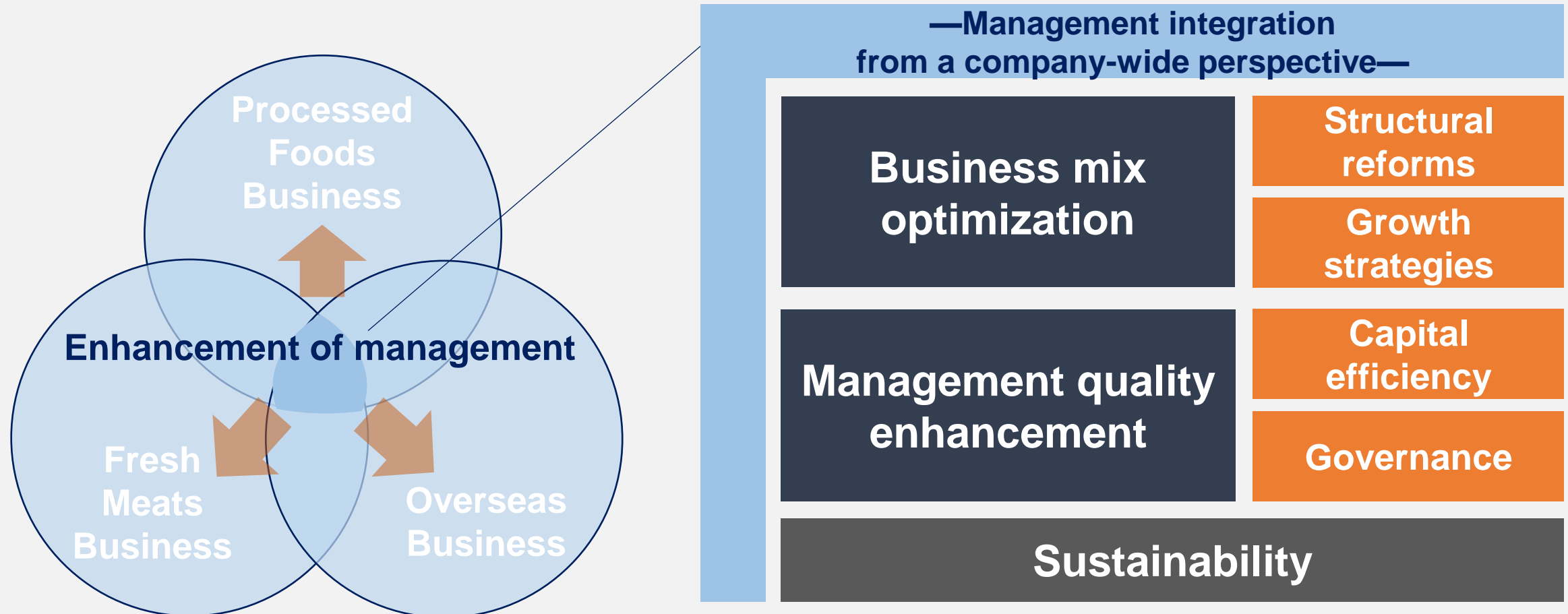
# Moving forward to a new stage through a commitment to structural reforms and growth strategies

Planning based on backcasting



# We will enhance profitability through management integration from a company-wide perspective.

- Business mix (portfolio) optimization
- Allocation of management resources to key areas based on clearly defined priorities



Realization of growth strategies through stronger strategy execution and accelerated structural reforms under management leadership

## Our challenge—Evolution to a new stage

### Portfolio optimization

Shift away from self-sufficiency philosophy

#### Structural reforms

- Optimization of production structures for core businesses
- Review of low-profit businesses
- Profit generation and cost minimization through marketing-logistics integration

#### Growth strategies

- Concentration of investment in growth areas
- Enhancement of marketing
- Creation of new value through external co-creation (human resources, R&D, etc.)
- Creation of new businesses using existing resources

### Management quality enhancement

- Restructuring of ROIC management
- Training/recruitment of transformational managers

- **Review of roadmap** for production structure optimization, **consideration of additional actions** and cross-segment utilization of production facilities
- **Profitability improvement** combined with the **improvement of capital efficiency** through asset lightening

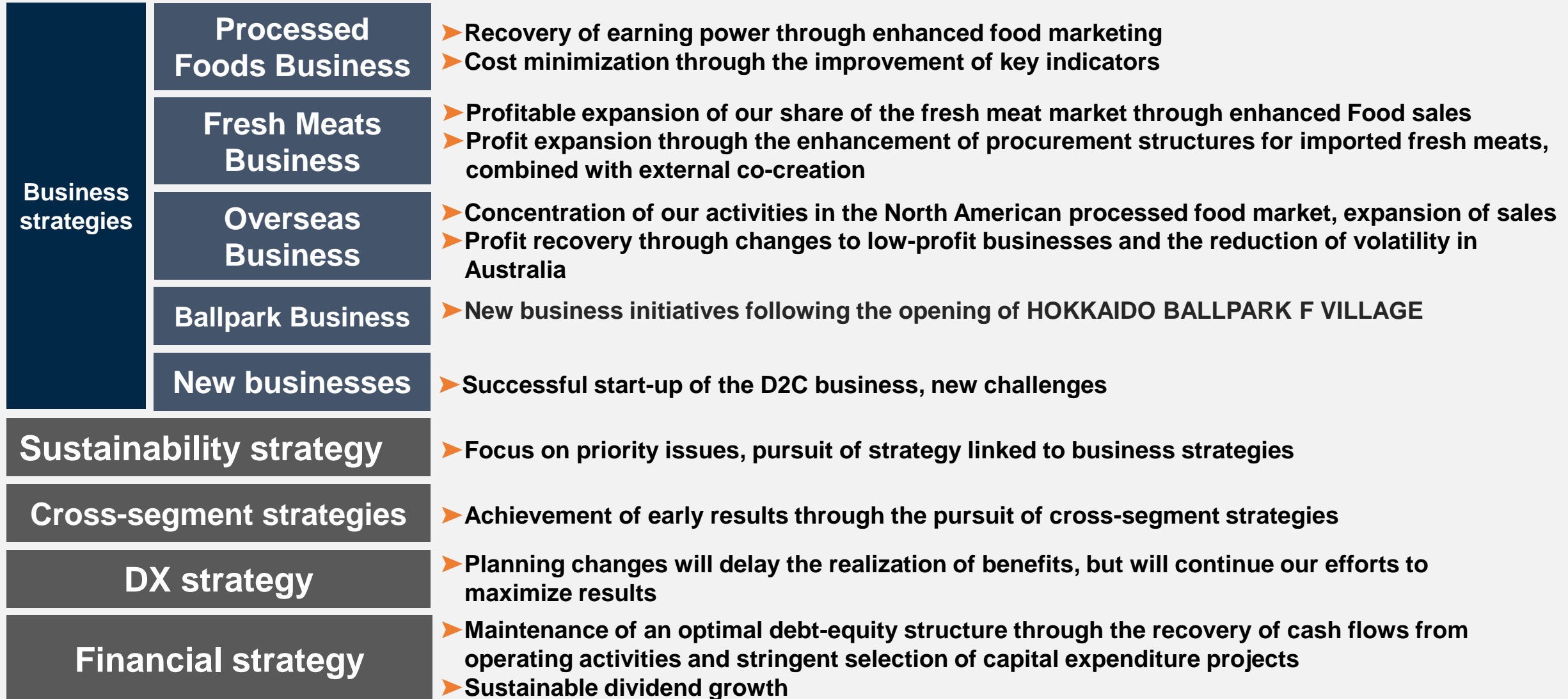
# FY2024/3 Strategy

The target in the Medium-Term Management Plan 2023 was not achieved due to dramatic changes in the external environment, but there was a shift to a recovery trend. In the current fiscal year, we will lay foundations for a return to growth and build structures in preparation for Medium-Term Management Plan 2026.

	2023/3 results	FY2024/3 plan	FY2024/3 Medium-Term Management Plan
Net sales	¥1,259.8 billion	¥1,260.0 billion	¥1,220.0 billion
Business profit	¥25.6 billion	¥38.0 billion	¥61.0 billion
Business profit ratio	2.0%	3.0%	5.0%
Profit attributable to Owners of the parent	¥16.7 billion	¥23.0 billion	-
ROE	3.4%	4.6%	8.0%
ROIC	2.4%	3.5%	6.0%



**Our transition to a new stage will begin with the enhancement of our strengths and the implementation of structural reforms, leading to an early profitability recovery.**



## FY2024/3 Plan Net sales ¥420.0 billion, Business profit ¥6.5 billion

Recovery of earning power through enhanced marketing, cost minimization through the improvement of key indicators

Growth with  
profitability

Creation of  
Marketing  
Management  
Division

### Full recovery of three major brands

- ▶ Development of integrated value chain strategies as the basis for stronger branding

### Implementation of profit management

- ▶ Structuring of product portfolios to maximize profit (elimination of unprofitable products)

### Development of hit brands, initiatives in new areas

- ▶ Development from the consumer's perspective, initiatives of plant-based, allergy care products

Sales  
Management  
Division

### Prioritized marketing of high-margin products from an overall optimization perspective

- ▶ Expansion of market shares of flagship brands (*Schau Essen, Chuka Meisai, Chilled pizza*)
- ▶ Attraction of new customers through the launch of new products (*Morning Serve*)

Focus on  
productivity

Product  
Management  
Division

### Enhancement of cost competitiveness through production structure optimization

- ▶ Fixed cost reduction, leading to lower production costs
- ▶ Centralization of production of flagship brands on production lines with high productivity
- ▶ Consideration of OEM for our products
- ▶ Development of optimal logistics structures, including efficiency improvements on key routes

# FY2024/3 Plan Net sales ¥720.0 billion, Business profit ¥32.0 billion

Expansion of fresh meat market share through enhanced Food sales, expansion of procurement structures for imported fresh meats, external co-creation

Market share expansion with profitability, profit recovery

Utilization of our strengths

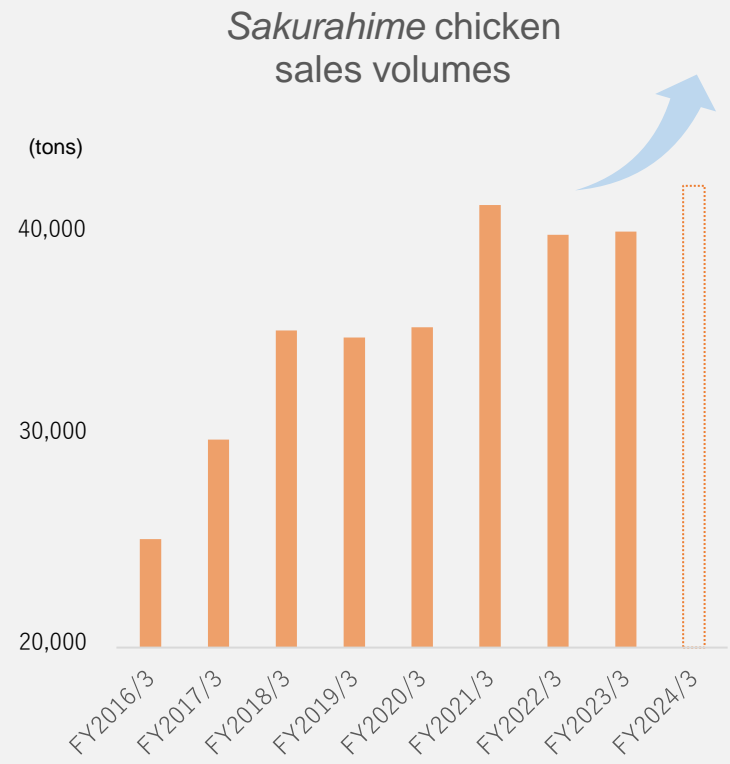
- Strengthening of upstream business infrastructure**
  - Increased weighting of production mix toward branded fresh meats
  - Profitability enhancement through the comprehensive improvement of key production indicators
- Quantitative expansion of Food sales**
  - Establishment of dedicated organizations for each channel and enhancement of marketing capabilities in preparation for the pursuit of area strategies
  - Expansion of sales of high-margin branded fresh meats
  - Marketing initiatives for new high-added-value products

External co-creation

- Creation of procurement structures capable of flexible adjustment to environmental changes**
  - Quantitative expansion of external purchasing
- Development of production structures suited for an environment of rising production costs**
  - Continuation of efforts to cut feed costs through co-creation with feed manufacturers

Rebuilding

- Redevelopment of procurement structures for imported fresh meats**
  - Adoption of advanced supply-demand forecasting methods for imported fresh meats



# FY2024/3 Plan Net sales ¥295.0 billion, Business profit ¥1.7 billion

## Sales expansion through an increased focus on the North American processed food market, profit recovery through changes to low-profit businesses and the reduction of volatility in Australia

**Profit recovery**

Concentration on growth areas

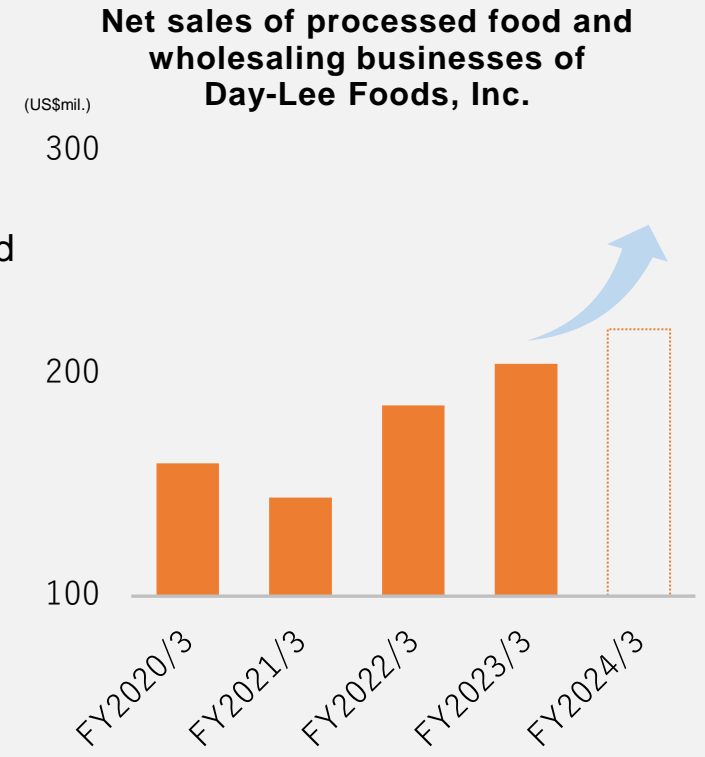
- Expansion of processed foods business**
- Expansion of sales of North American processed foods business
  - Expansion of initiatives toward the marketing of processed foods in the ASEAN region

Reduction of volatility

- Restoration of profitability of beef business**
- Linkage of manufacturing operations to the supply-demand balance and improvement in the external environment
  - Enhancement of Australia beef branding
  - Expansion of supply chains through the expansion of sales channels to the North American market

Expansion of procurement

- Review of low-profit businesses**
- Business enhancement through selection and concentration at all sites
- Trading**
- Continuation of measures to ensure stable procurement for the Japanese market



FY2024/3 Plan Net sales ¥25.0 billion, Business profit ¥1.5 billion

Ballpark Business

Economic value

Social value

New businesses

Sustainable businesses

New business creation

Business expansion following the opening of HOKKAIDO BALLPARK F VILLAGE

- Revenue structure transition following relocation to the new ballpark**
- Expansion of earnings thanks to growth in revenues from advertising, goods, and season tickets
  - Initiatives to raise ticket revenue level (e.g., premium tickets, gifts to ballpark visitors)
  - Enhancement of visitor attractiveness through content other than baseball, as well as exciting food & beverage facilities

- F VILLAGE as a hub for contribution to communities and society**
- Co-creation of a sustainable community through collaboration among government-business-academia partners
  - Development of facilities and environments to provide various experiences to children as citizens of the future

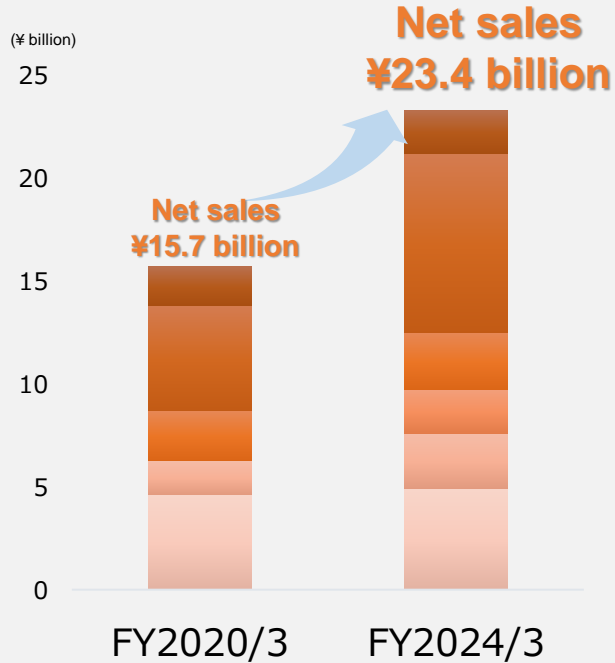
Successful start-up of the D2C business, new challenges

- Development of products that contribute to a better future by sharing various values**
- Development and sale of eco-friendly products

- Enhancement of breadth and innovativeness of ideas through co-creation management**
- Open innovation

Breakdown of ballpark sales

- Game revenues
- Food & beverages
- Advertising
- Goods
- Broadcast rights
- Other revenues



\* Before start of COVID-19 pandemic

## Sustainability strategy

Focus on priority issues, pursuit of strategy linked to business strategies

### Realization of sustainable livestock industry

**Solving future social issues with a focus on future risks and social needs**

- Acceleration of GHG reduction research, introduction of carbon-neutral farms
- Further evolution of PIG LABO
- Further dissemination of Animal Welfare Core Values, closer collaboration with business divisions

## Cross-segment strategies

**We will achieve early benefits through cross-segment strategies.**

### Sales and logistics reforms

**Building structures to ensure optimal use of business resources**

- Use of the nationwide marketing networks of Food Group to sell processed consumer products
- Curbing of cost increases through cross-segment utilization of logistics networks

**We will create sustainable, robust value chains through linkage with DX strategies.**

## DX strategy

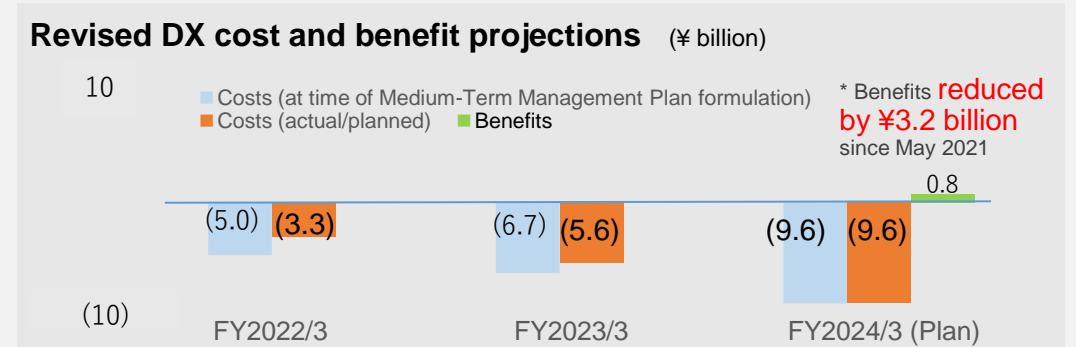
**Planning changes will delay the realization of benefits, but we will continue our efforts to maximize results.**

### Efficiency improvement through accounting system update

**Full-scale introduction in April 2022, followed by transition to sharing of accounting services**

### Realization of benefits from business process restructuring

**Creation of new business opportunities through DX-based cross-segment collaboration**



## Maintenance of an optimal debt-equity structure and dividend growth through a recovery in operating cash flows and the stringent selection of capital expenditure projects

### Cash allocations

In FY2024/3, we will generate cash through an operating cash flow recovery and the improvement of capital efficiency.

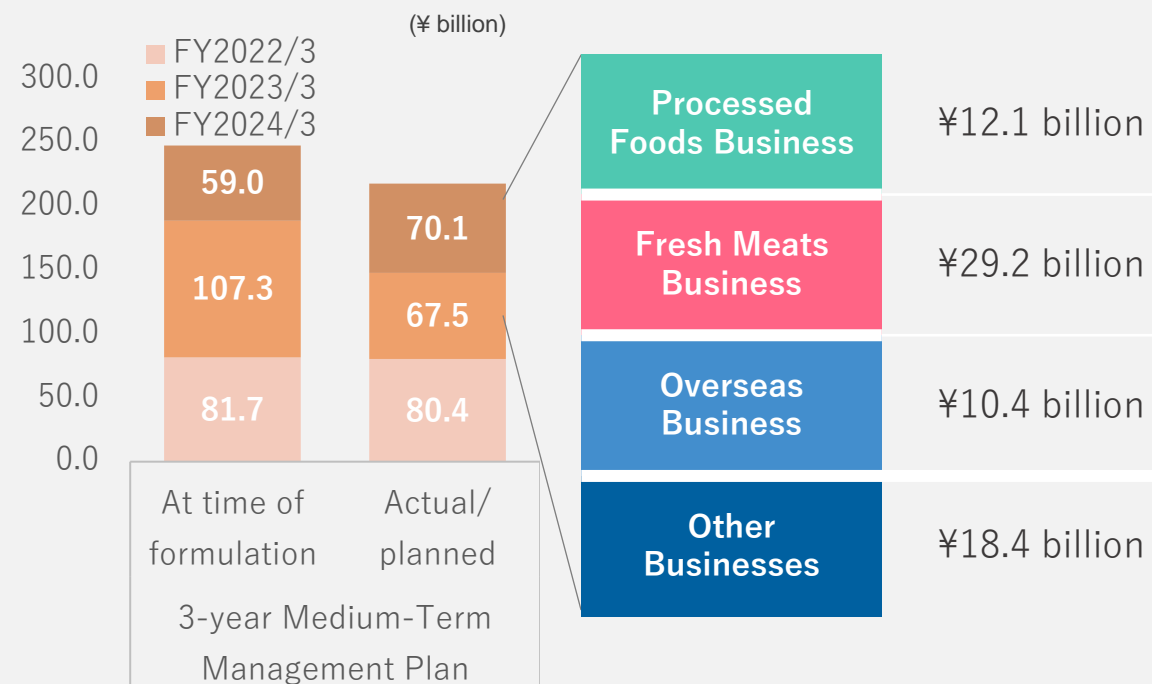
(¥ billion)

	Medium-Term Management Plan 2023 Initial plan	Medium-Term Management Plan 2023 Adjusted plan	2023/3 results	2024/3 forecasts
Cash flow from operating activities	227.2	119.5	11.3	<b>74.8</b>
Interest-bearing liabilities (repayments)	(23.6)	13.5	38.3	<b>(21.8)</b>
Cash generation/ utilization of surplus funds	40.0	71.9	38.7	<b>12.4</b>
Source of funds	243.7	204.9	88.3	<b>65.4</b>
Capital expenditures	(204.2)	(182.1)	(82.3)	<b>(55.4)</b>
Cash dividends	(30.4)	(31.3)	(10.4)	<b>(11.3)</b>

### Capital expenditure

\* Accrual basis, including IFRS leases

¥30 billion reduction to ¥218 billion during the 3-year Medium-Term Management Plan



- Cash generation      Sales of businesses and cross-shareholdings
- Shareholder returns      Continual steady dividend growth based on a DOE ratio of 2.3%, with flexible buyback schemes as an option



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**NH Foods Group Vision 2030**