

# Business at NH Foods Australia Pty Ltd.



**January 12, 2021**

**Overseas Business Division, NH Foods Ltd.**



## Global demand for beef and the direction of the beef business in Australia

- Nobuo Oda    Managing Executive Officer, General Manager of Overseas Business Division, NH Foods Ltd.

## Business at NH Foods Australia

- Seiji Inatomi    Managing Director of NH Foods Australia Pty Ltd.

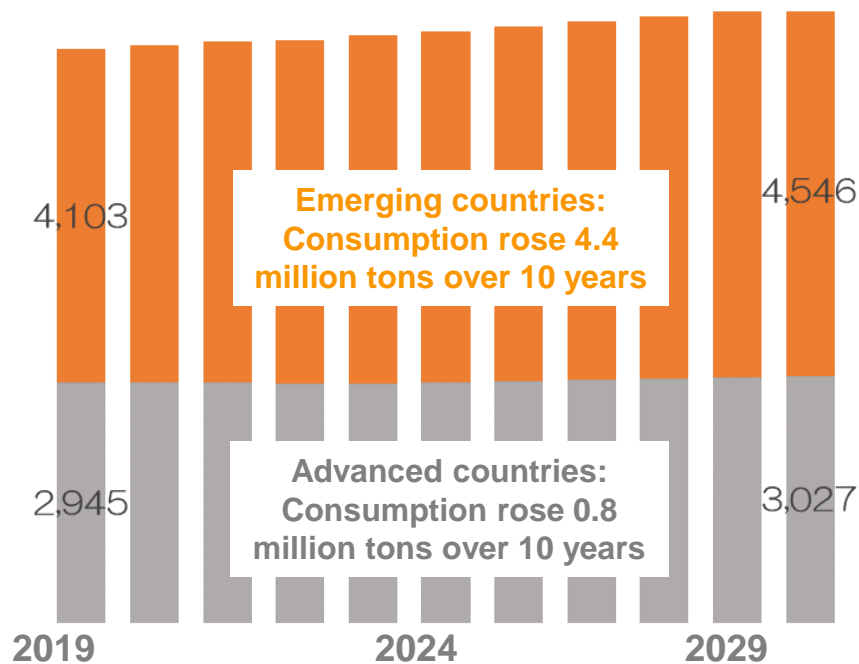
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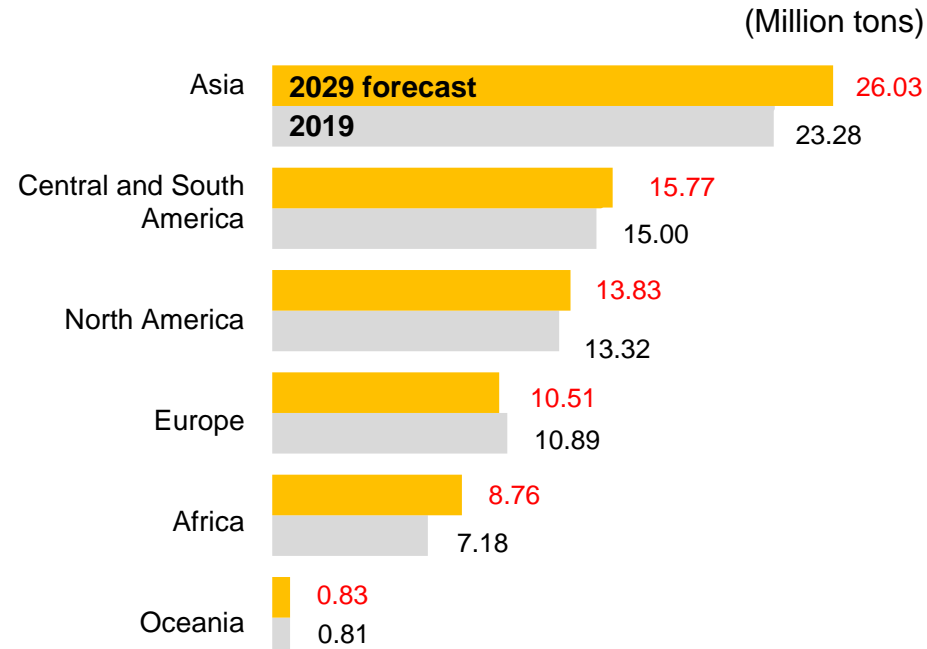
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## Global consumption trends



## Regional consumption trends

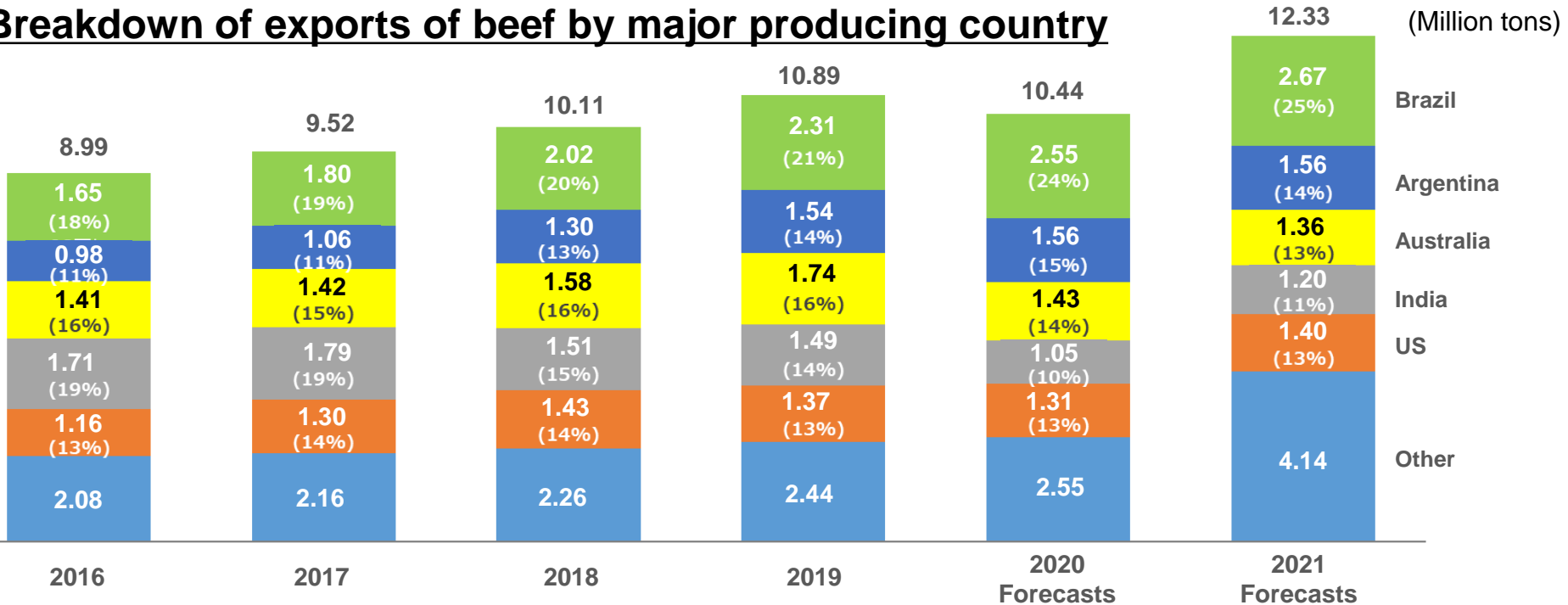


Source: OECD-FAO Agricultural Outlook 2020-2029

The global consumption of beef has been on an upward trend primarily in emerging countries.

- Consumption has been growing remarkably in Asia, including China.
- Demand in North America has not grown significantly but has been stable.

### Breakdown of exports of beef by major producing country



Source : USDA Livestock and Poultry

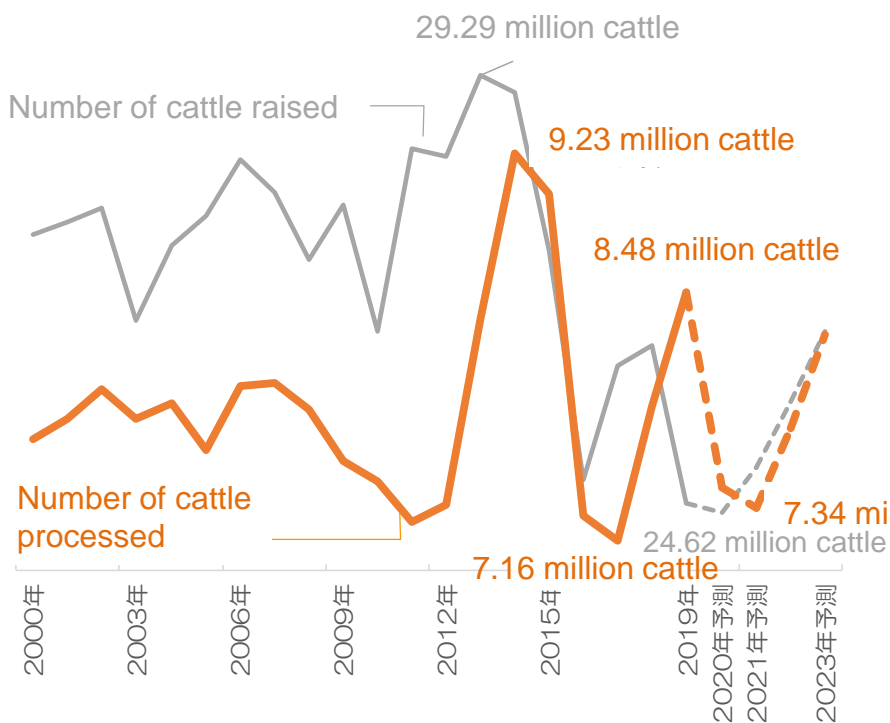
### Overview of Global Exports of Beef

- Exports of beef produced in South America, primarily in Brazil and Argentina, account for about 40%.
- The presence of beef produced in South America is increasing in recent years on the back of the depreciation of currencies.

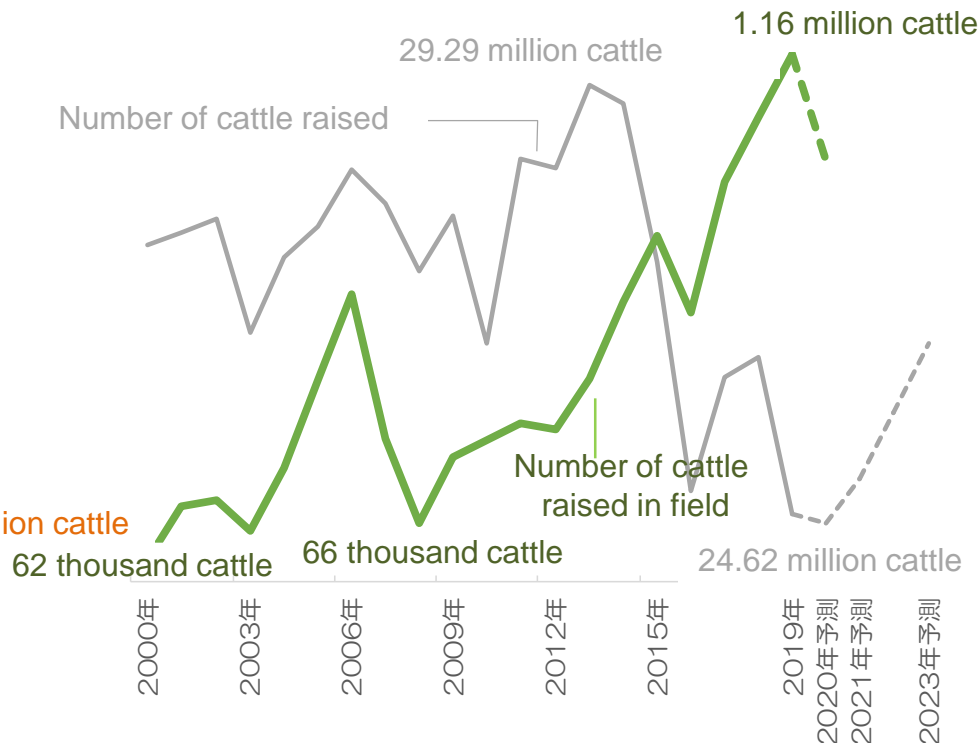
### Direction of NH Foods Australia

- We need a differentiation strategy by providing added value to avoid price competition with beef produced in South America.
- We will gain a market advantage on the back of its geographical features and through a branding strategy to achieve product differentiation.

## Trends in the number of cattle raised and the number of cattle processed



## Trends in the number of cattle raised and the number of cattle raised in feedlots



### Number of cattle raised

- The number of cattle raised will remain small in 2021 and will return to the level of 2019 after 2022.

### Trends in the number of cattle in feedlots

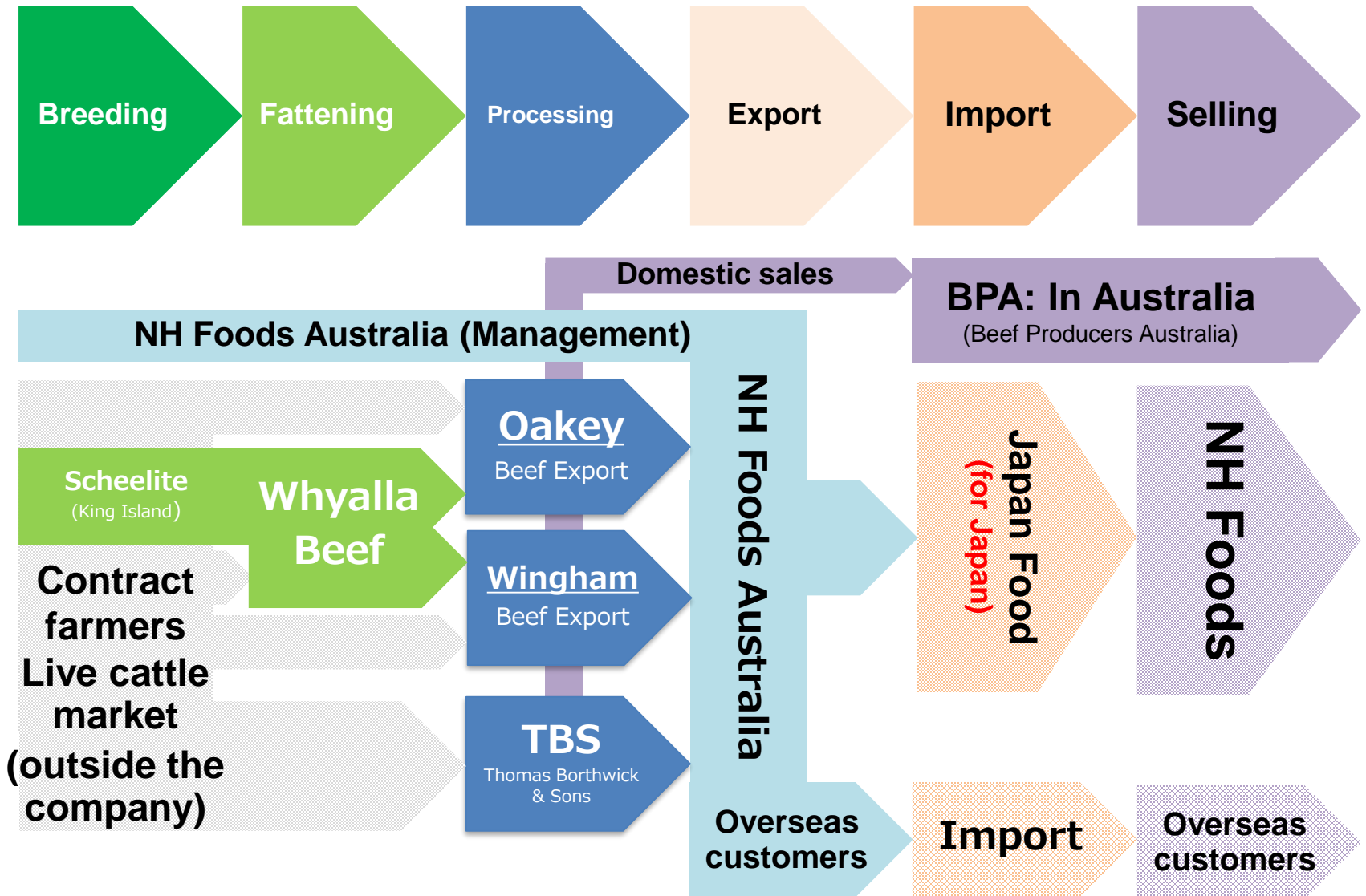
- The number of cattle raised in feedlots has been on an upward trend.
- The use of feedlots is an important strategy for stable supply and differentiation.

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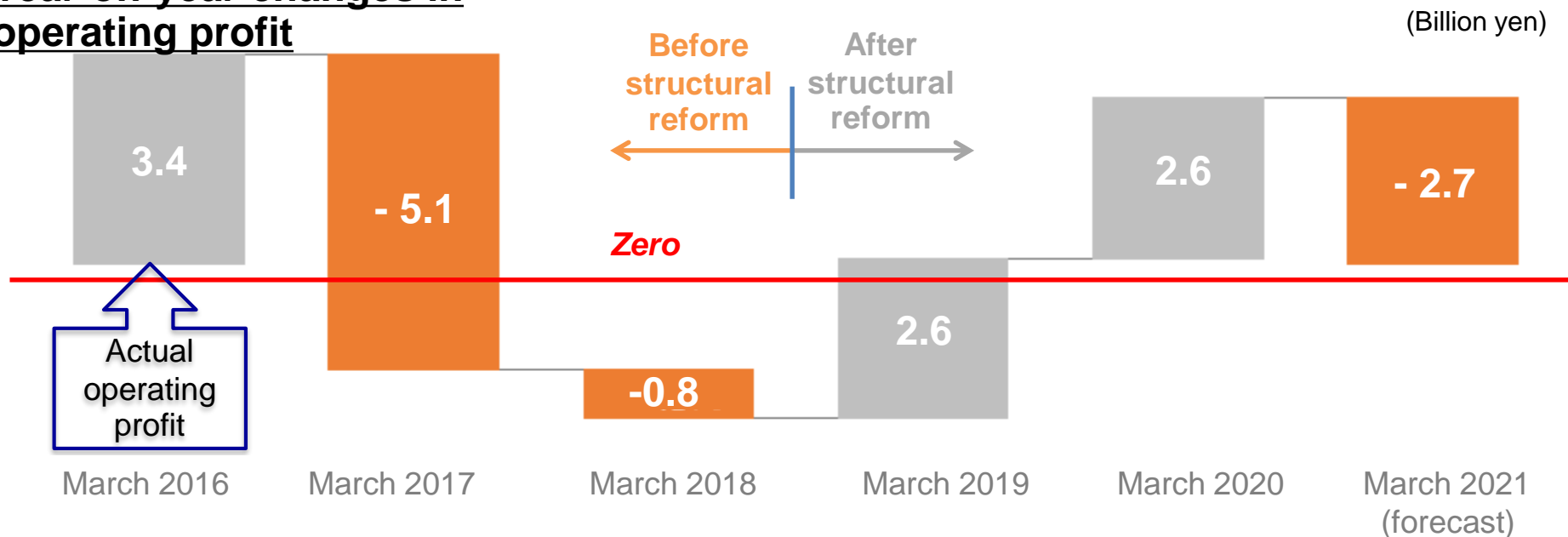
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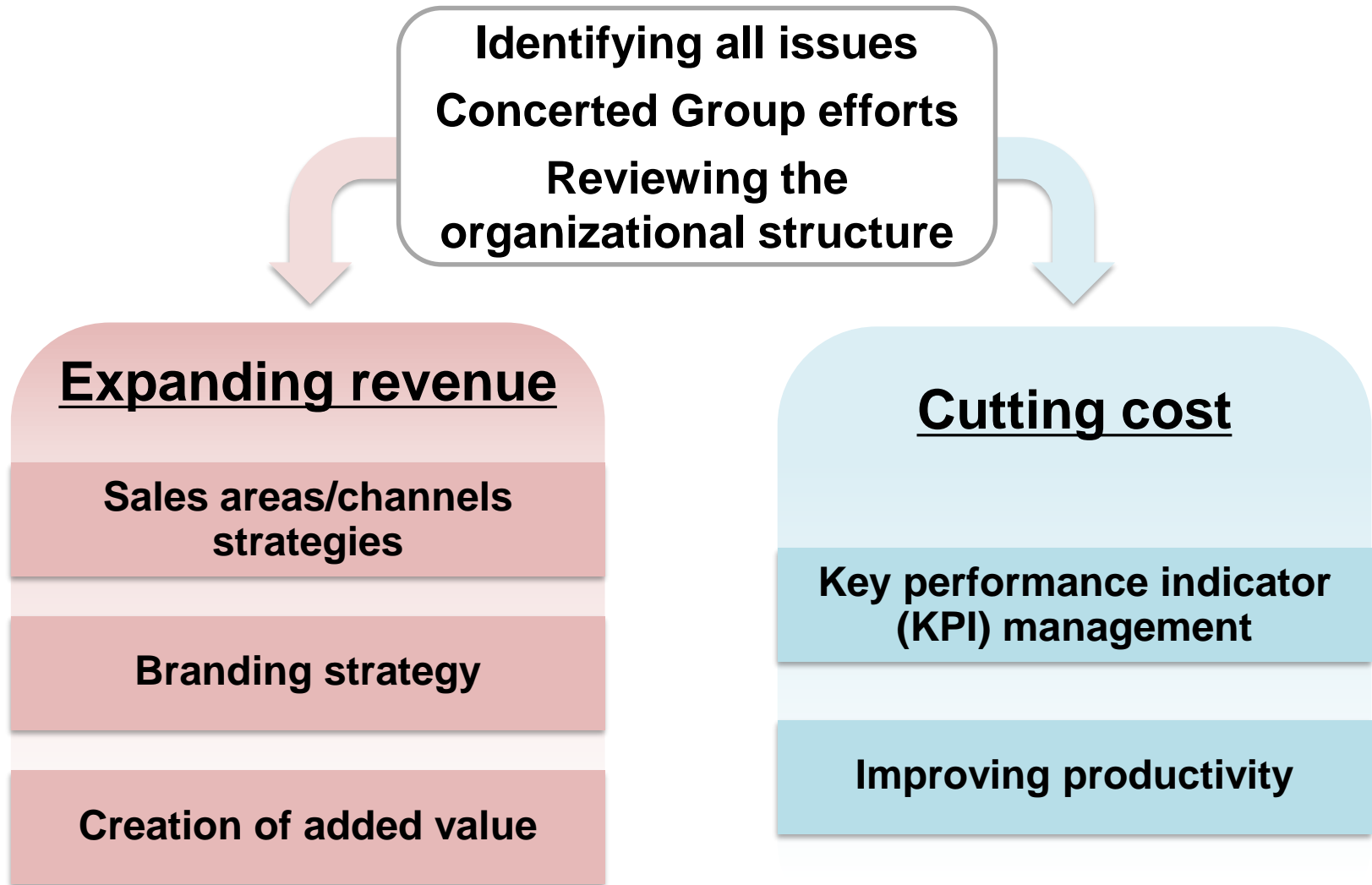
## Year-on-year changes in operating profit



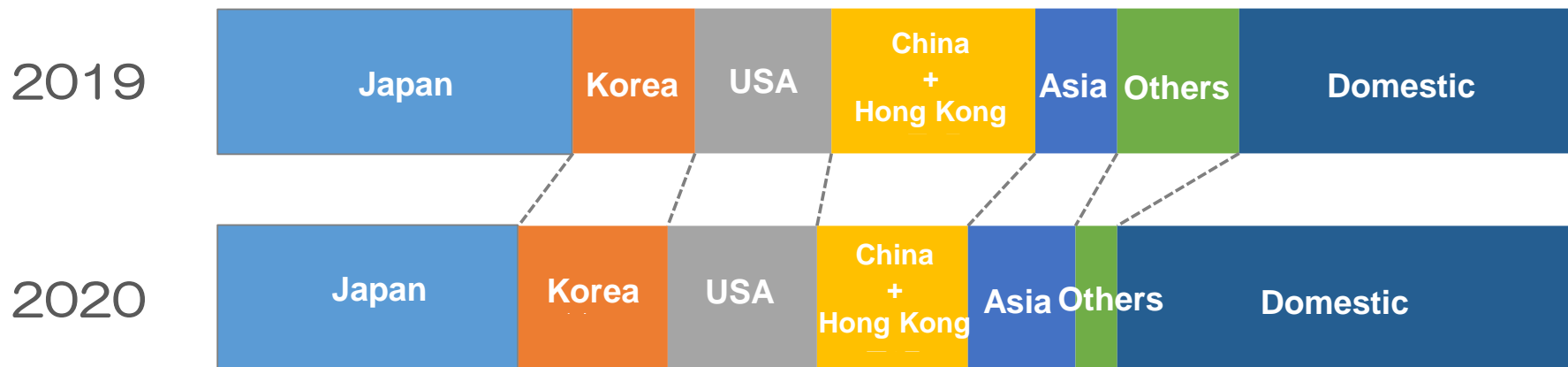
### Overview for each fiscal year

- 2016: Prioritized operations at plants to expand scale and revenue in a favorable environment for purchases.
- 2017: Posted a significant loss due to difficulty collecting cattle and rising prices compared due to the reactionary change from the previous year.
- 2018: No significant change in the external environment from the previous year.
- 2019: Made significant changes to KPIs under a new system, and revenue recovered.
- 2020: Profit improved significantly due to structural reform from the previous year and changes in the external environment.
- 2021: The challenging environment continues with the lowest number of cattle raised in the past 30 years and the COVID-19 pandemic.

However, the low level in volatile profit is rising thanks to the reform.



## Breakdown of sales by region (first half of the fiscal year)



### First half of 2019

- Replacement demand was strong in China due to the outbreak of ASF.
- The number of shipped cattle increased due to a historically terrible drought, which led to a fall in the price of cattle.
- Global competitiveness increased partly because of exchange rates.

### First half of 2020

- After the start of structural reform, we focused on gaining customers with whom stable transactions are possible.
- While demand from the food service industry was weak worldwide due to the COVID-19 pandemic, domestic sales channels and branding had positive effects, and weak exports were offset.
- Sales of a new brand that meets the needs in the U.S. market is expanding due to the advantageous features of Australian beef.

## Redefinition of brand equity

- Sharing branding strategies within the Group and centralizing management functions
- Launching a new brand, Nature's Fresh, in collaboration with producers
- Sharing the tag line “Joy of Eating” as a message to consumers
- Conducting branding activities actively at trade shows in different countries and



### Before (2018)

- Many product brands with similar standards
- Expanding SKUs decreasing production efficiency
- Branding primarily for production plants

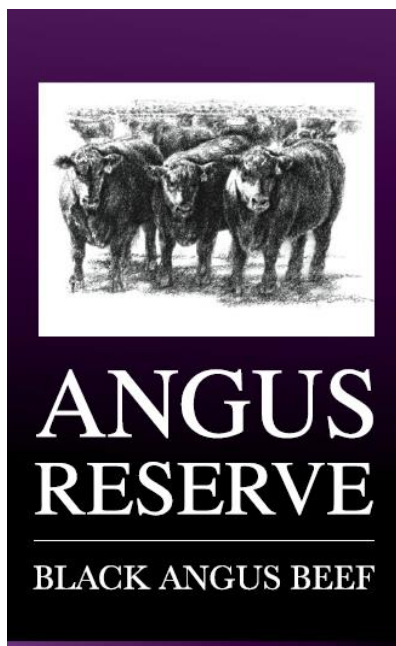


### After (2020)

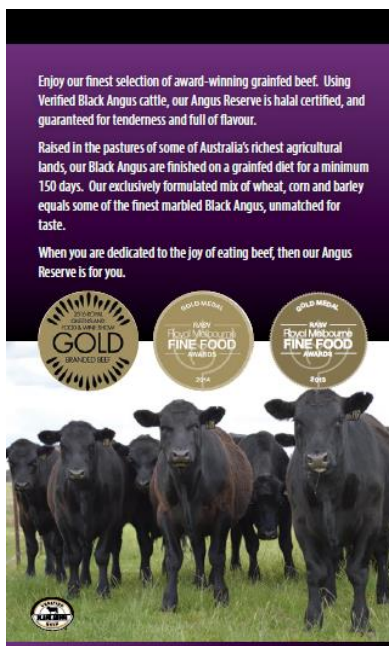
- Redefining brand equity, emphasizing the value of the value chain
- Branding that takes advantage of the regional characteristics of Australia
- Sharing the tag line “Joy of Eating”

## Creating products to be chosen

- Differentiation as a brand verified by the Angus Society of Australia
- Gaining recognition among consumers, using the tag line “Joy of Eating”



*“the joy of eating”*



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@angusreserve  
@angusreserve



## A new brand emphasizing the features of Australian beef for the U.S. market

- MSA standard grass-fed beef brand produced in Queensland
- Gaining recognition among consumers using the tag line “Joy of Eating”



*“the joy of eating”*

From the heart of Australia's cattle country, we bring you some of the finest pasture fed beef that nature intended.

We can proudly say our Nature's Fresh natural beef is:

- 100% pasture fed
- Sustainably grown and free to roam open plains
- Never confined to a feedlot
- Never treated with hormone growth promotants
- Never treated with antibiotics

Quite simply, there's nothing artificial – It's Nature. And it's Fresh.

For your peace of mind, Nature's Fresh Natural Beef has been awarded the highest standard to ensure the highest eating quality. We utilise the Meat Standards Australia grading system – a USDA Process Verified Program – so you can trust that tenderness, juiciness and flavour is guaranteed with every taste.

When you are dedicated to the joy of eating natural beef, then our Nature's Fresh is for you.

[nh-foods.com.au](http://nh-foods.com.au)

- Eating Quality Assured for tenderness, juiciness and flavor
- Beef Grading Program developed to predict the eating quality of beef.

<http://processverified.usda.gov/>



### MSA Program

It estimates the taste of beef based on the evaluation of the quality of beef, cooking methods, and meat conditioning, and assures consumers of the excellent taste.



## Corned beef

- Typical beef dish in Europe and the United States.
- Beef is cured at plants. The product can be sold at mass retailers.
- Corned beef is currently produced at two plants. Sales are expanding.



## Products with bone (Tomahawk steak)

- Popular rib-eye steak with bone
- Flesh-chunk rib-eye meat were shipped, but portion-cut with bones have been produced as added-value products since those are sold at places closer to consumers.





## Example of use by customers (Gift Box)

- Diversifying marketing methods in addition to existing sales routes as a result of product planning to meet the needs of the times.

## Other products

- Products with bone, among other products, meet demand in Asian countries.

**Loin bone**



**Back ribs**



**Ribs**





## Improvement in productivity

Rate of weight gain and feed conversion ratio

Mortality

Fattening period

## Improvement in productivity, profitability

Repeated formulations of production volume hypotheses and testing

Company-wide sharing of figures, which accelerates decision making

Yield management and leveling of operation

### Enhancement of facilities at a feed mill (Whyalla Beef)

Enhancement of the ability to heat and add water to grain has enabled production of appropriate formula feed and reduction of cost and consumption.

Appropriate formula feed reduces the burden of digestion and absorption on livestock. (The facilities operation in June 2020.)



### Improvement in efficiency at a processing plant (Oakey Beef Export)



The process from processing work will be automated to efficiently supply products that meet diversifying customer needs. Automation will enable prompt warehousing and shipment work, eliminate errors in the work, and improve work efficiency.

(Automation will start in July 2021.) 19



### **Effective use of energy resources**

Extract methane gas from plant wastewater and use it as fuel for boilers, holding down the consumption of fossil fuel and reducing greenhouse gas emissions (Oakey Beef Export).

### **Effective use of water**

Recycle plant wastewater and use it as irrigation water (Wingham Beef Export).



### **Joint research to hold down methane gas emissions on fattening farms**

Conduct a study of the metabolic inhibition of methanogen using feed supplements, in cooperation with universities and MLA (Whyalla Beef).

- Beef consumption remains on a global upward trend.
- Growing awareness of safety and security is increasing the presence of Australian beef in the world.
- We will continue to expand sales in the Chinese and Asian markets, taking advantage of the geographical features of Australia.
- We will expand branding activities and value-added products to make the most of the existing value chain.
- We will undertake joint industry-academia initiatives to become a pioneer in the environmentally friendly livestock business.

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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.