

Message from the General Manager of Corporate Planning Division

We aim to achieve sustainable improvement in corporate value through the convergence of three strategies from a group-wide perspective.

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Pursuing overall optimization through a group-wide approach

The Corporate Planning Division is responsible for the planning and implementation of strategies and policies, including DX and technology strategies, affecting the entire NH Foods Group, including the formulation of visions and Medium-Term Management Plans, and business portfolio optimization. Management planning must always be focused on the identification of issues from a cross-organizational perspective encompassing the entire NH Foods Group, and the pursuit of overall optimization.

As indicated in Medium-Term Management Plan 2023, which we launched in fiscal 2021, we aim to maximize our corporate value by transforming our business models through the convergence of our business strategy, sustainability strategy, and DX strategy. My mission as General Manager of the Corporate Planning Division is to implement effective policies developed through an exhaustive exploration of ways to improve our corporate value sustainably by harmonizing social priorities with economic priorities, while maintaining a balance between the centrifugal force of our business entities and the centripetal force of our governance structure.

Raising sustainability awareness in frontline operations

I believe that our most important priorities as we work to integrate our sustainability strategy and business strategy are to reflect sustainability perspectives in our business growth strategies, and to raise sustainability awareness in our frontline operations. For example, in February 2022 we ran a commercial campaign for *Schau Essen* sausages showing how the amount of packaging had been reduced by cutting off material at the top of the package. While the purpose of the campaign was to raise public awareness of the introduction of environment-friendly packaging for the products, I believe that the commercials helped to inform not only consumers, but also our frontline workers. We will continue to roll out many initiatives of this type for the purpose of motivating people within the company to work toward sustainability.

When we look at the unique divisional structure adopted by the NH Foods Group from a broader perspective, we see many areas in which energy is being wasted through the duplication of tasks and other issues. For example, there are cases in which trucks belonging to the Fresh Meats Business and trucks belonging to the Processed Foods Business deliver products to the same locations at the same times of day. By combining these shipments, we would be able to reduce both improvement initiatives by identifying issues such as this from a company-wide perspective.

Using DX to achieve real productivity improvements

Our core goal in combining our business strategy and DX strategy is to raise corporate value by using digital technology to improve the efficiency of essential business processes. Our biggest initiative in this area is the *Connect Project* launched in 2020 with the aim of updating our company-wide core systems. Through this project, we will create company-wide ICT infrastructure by integrating the individual core systems that were previously administered separately by individual business divisions. This plan to create an integrated core system is proceeding on schedule, but the really important question is whether it will contribute to the improvement of business profitability. For that reason, our work on the creation of the system has been paralleled by preparation for simulations designed to measure improvements in frontline business process efficiency, and the extent to which this will translate in improved productivity and profitability.

Innovations resulting from the use of digital technology are not limited to these improvements in our core system. For example, the PIG LABO smart pig farming system that is currently being developed by the Research and Development Center will dramatically reduce the pig farming workload by using monitoring cameras and AI to manage the estrus-pregnancy-farrowing cycle, which is currently an extremely time-consuming task. Trials have been carried out with the cooperation of farmers, and the system is on track for practical implementation. Our sales organization is also implementing a project to introduce digital marketing systems that will contribute to new product development and the reduction of the amounts of raw materials used.

We will continue to move forward with company-wide DX initiatives with a sense of urgency, while also monitoring opportunities to use DX at the frontline operations level.

Contributing to global environmental sustainability

We will also provide support from a company-wide perspective for initiatives by business divisions in relation to the Five Materialities, which we revised in fiscal 2020. Initiatives focused on these materialities, which include “stable procurement and supply of proteins” and “food diversification and health”, are basically led by individual business divisions. Activities, including the development of new products, are approached from a medium- to long-term perspective. We will meanwhile work alongside the Research and Development Center on initiatives that are beyond the capabilities of individual business units, such as the development of processed foods to offset future shortages of animal protein.

It is especially important for the Corporate Planning Division to play a central role in our efforts to contribute to a sustainable environment. By fiscal 2030, the NH Foods Group aims to reduce its emissions of fossil fuel-derived CO₂ in Japan by at least 46% compared with the fiscal 2013 level. In addition to the company-wide expansion of initiatives like the

aforementioned advertising campaign for *Schau Essen* sausages, we will also work to reduce environmental loads linked to our business activities.

For example, as a food manufacturer that it is also involved in the livestock industry, we are working with universities and other organizations on research activities targeting the reduction of livestock-derived emissions of methane, which is a greenhouse gas. The Engineering Department, which is responsible for the construction, installation, and maintenance of production facilities and equipment, was merged with the Sustainability Department of the Corporate Planning Division in April 2022. In addition to building expansion projects and the replacement of equipment, it will also prioritize the construction, installation, and development of environment-friendly facilities and equipment, such as solar panels, and boilers that use waste oil to generate heat.

Community contribution through the Hokkaido Project

Another of the five materialities that requires company-wide leadership by the Corporate Planning Division is “co-creation and shared prosperity with local communities and society as a whole through food and sports.” A new initiative linked to this materiality is the Hokkaido Project Office in Sapporo, Hokkaido.

The Hokkaido Nippon-Ham Fighters baseball team, which is based in Sapporo, is a well-known sports-related business in the NH Foods Group. In fact, around 20% of our group business sites, especially companies affiliated to business divisions, are located in Hokkaido. However, the lack of parent company offices in Hokkaido has made it difficult to build a profile for the NH Foods Group in the Hokkaido community. Going forward, the Hokkaido Project Promotion Office will play a central role in our efforts to inform local residents about the policies of the NH Foods Group and demonstrate our gratitude for their support. After the opening of the new ballpark, which will be named “HOKKAIDO BALLPARK F VILLAGE,” next year, we will explore new business opportunities and contribute to the global promotion of the regional image of Hokkaido as an internationally popular region.

