

# Segment data

## Fresh Meats Business Division



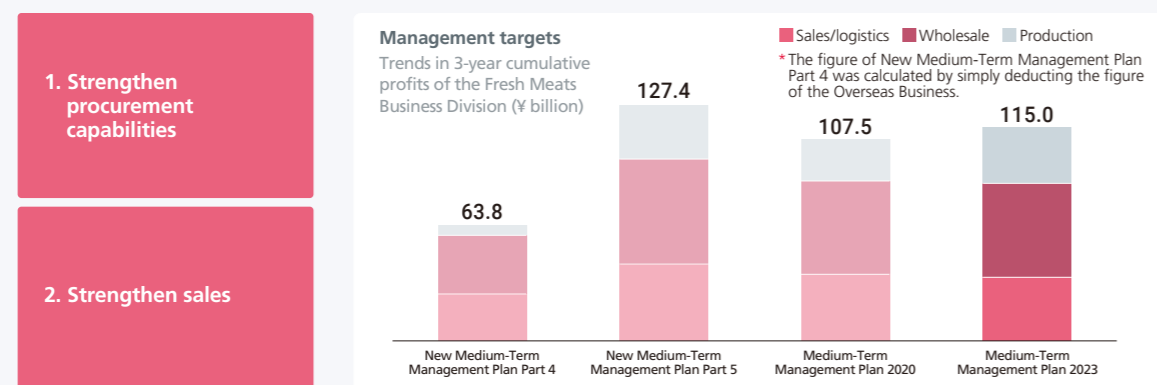
**We aim to achieve a 25% market share through the development of collaborative development networks.**

**Tetsuhiro Kito**  
Representative Director and Executive Vice President,  
General Manager of Fresh Meats Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> <li>Decrease in the livestock farmer population due to a lack of successors</li> <li>Escalating competition for supplies due to epidemics</li> <li>Higher prices for grains used for feed raw materials</li> <li>Manufacturing cost increases resulting from the aging of facilities and the need to meet quality requirements</li> <li>Growing pressure to reduce the environmental footprint of the livestock industry</li> </ul>	<ul style="list-style-type: none"> <li>Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements</li> <li>Increased demand for brand meat due to growing awareness of food safety</li> <li>Growth in meat consumption by seniors</li> <li>Increasing demand for simple, time-saving products because of labor shortages, etc.</li> <li>Increasing animal welfare demands reflecting contemporary perspectives</li> </ul>	<ul style="list-style-type: none"> <li>Promote the use of IT and mechanization, such as smart pig farming</li> <li>Expand sales of branded fresh meats</li> <li>Introduce production area packs</li> <li>Extend "best before" dates</li> <li>Utilize manure</li> <li>Generate electric power using biomass</li> <li>Transition to stall-free sow farming</li> </ul>

### Overview of Medium-Term Management Plan 2023

**Aiming for a 25% market share in fiscal 2030, strengthen procurement and sales capabilities**



### Review of fiscal 2021

#### Build sustainable value chains as the leading company in the fresh meats business

Our efforts toward the realization of Vision2030 are focused on the enhancement of both procurement and sales capabilities.

In fiscal 2021, the prices of imported raw materials reached their highest levels in 10 years. Reasons for this trend include world population growth, climate change, soaring feed prices, and the Ukraine situation. We expect costs to remain high in fiscal 2022. Fiscal 2021 was also a year of rapid change in the external environment, resulting from the impact of the COVID-19 pandemic. Overseas packers reduced production, while consumers became firmly focused on reducing expenditure. There was also a rise in demand for foods for home cooking.

We worked to strengthen our procurement capabilities by increasing in-house production and expanding external procurement. We reduced the cost of in-house production through productivity improvements at our own processing plants. We boosted our external procurement capabilities through initiatives based on our extensive procurement and logistics networks. We also targeted the expansion of procurement of imported fresh meats by developing sources in new countries and building relationships with new packers. Further efforts will be needed in this area, since we anticipate escalating competition for imports in the future.

Despite unstable conditions for the procurement of imports, we were able to strengthen sales capabilities and maintain sales volumes by offering domestic branded fresh meats. We maintained sales volumes by improving the percentage of branded fresh meats. The branded meats ratio improved, but there were still issues concerning our strategy in relation supermarkets, cooperative associations, and

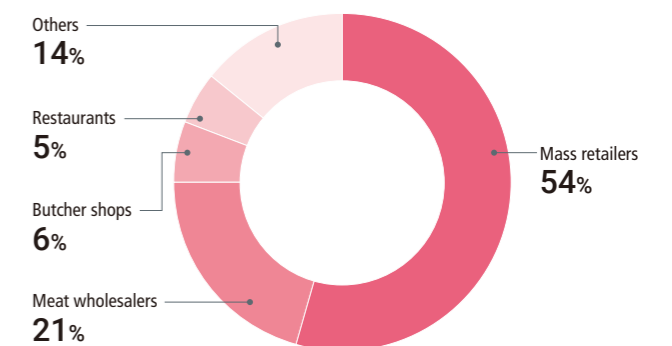
restaurants, which are all key channels.

Our results for the year included net sales of ¥683.3 billion, a year on year increase of 4.1%. Business profit was 13.7% lower at ¥35.6 billion. The NH Foods Group's market share remained at around 20%.

Materiality initiatives included the formulation of animal welfare policy guidelines. We will continue these efforts with the aim of achieving a 100% transition to stall-free sow farming by fiscal 2030. We also made steady progress on other material issues, including "contributing to a sustainable environment" and "employee development and respect for diversity."

We plan to implement capital expenditure totaling ¥78.1 billion under Medium-Term Management Plan 2023. In fiscal 2021 we invested ¥23.2 billion, primarily in the pig and chicken farming areas. The main aims of this investment were to enhance the value of the pig farming business, and to expand the chicken farming business and enhance its value.

#### Sales mix of the four food companies (FY2021)



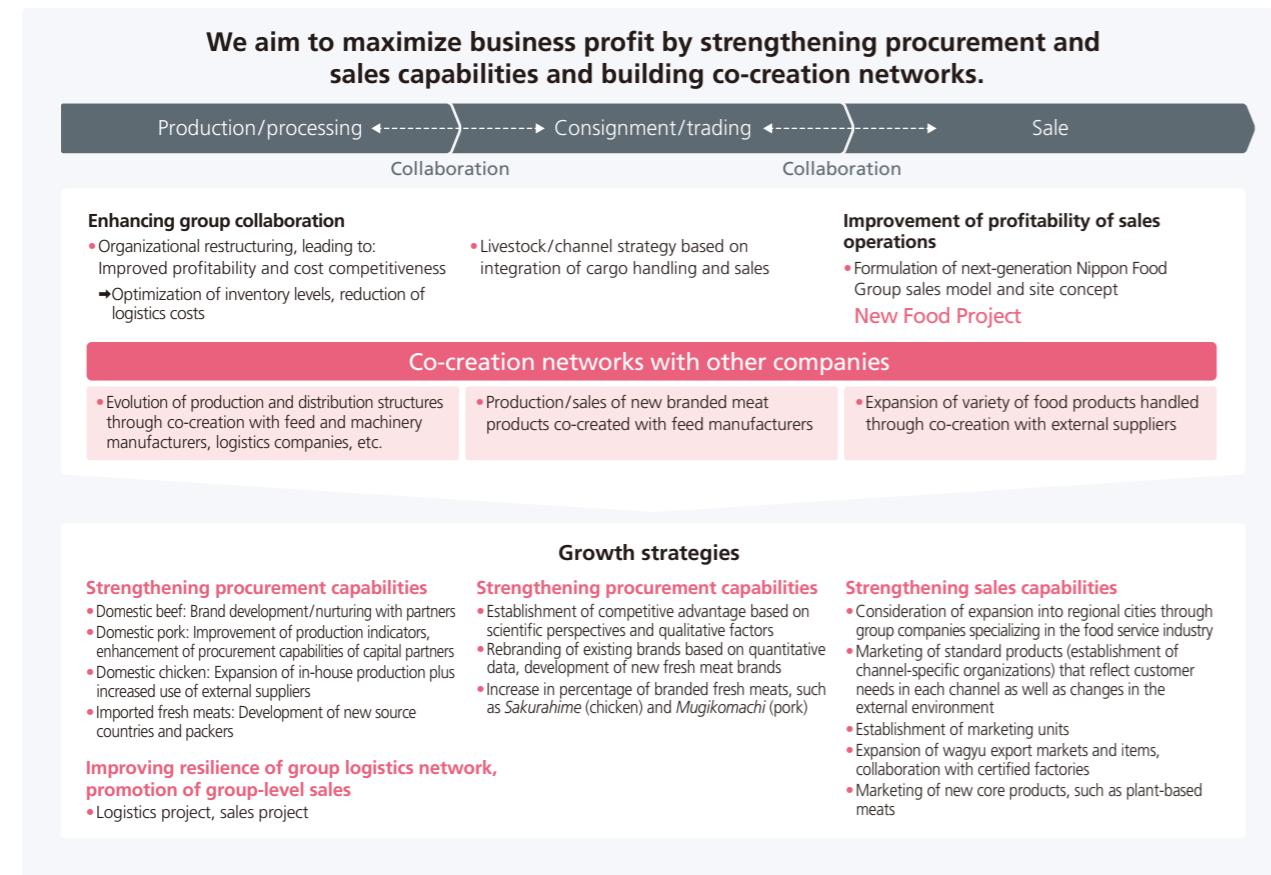
#### Results for fiscal 2021, initiatives going forward

<b>Results</b>	<ul style="list-style-type: none"> <li>Curbing of costs through productivity improvements in company-owned processing facilities</li> <li>Increased external procurement of domestic chicken and pork</li> <li>Expansion of the imported meat procurement network through the development of new source countries and packers</li> <li>Improvement of the branded fresh meat ratio</li> </ul>
<b>Future measures</b>	<ul style="list-style-type: none"> <li>Reduction of production costs to offset soaring feed prices</li> <li>Maintenance and enhancement of procurement capacity for imported fresh meats despite unstable local production and shipping disruptions</li> <li>Offensive strategies targeting priority channels</li> </ul>

## Segment data / Fresh Meats Business Division

### Future policies and plans

#### Business value improvement initiatives by the Fresh Meats Business Division



#### Enhancing the reliability of protein procurement and supply as a leading company in the fresh meat business

We see the enhancement of collaboration across our entire value chains and the maximization of the total profit of the Fresh Meats Business Division as our priorities in terms of adapting to rapid changes in the external environment in fiscal 2022. We will focus on the enhancement of our procurement and sales capabilities and the development of collaboration networks.

One of our goals is the achievement of a 25% market share by fiscal 2030. We aim to reach that level by developing a sustainable fresh meat business model based on our unique vertical integration system. As a first step toward this goal, we will build collaboration and co-creation within the NH Foods Group. We will place particular emphasis on the development of collaboration across units involved in production and processing, consignment, and sales, as part of our efforts to expand the quantities of imported fresh meats handled and build a presence in priority channels.

Eventually we aim to develop collaboration and co-creation with companies outside of the NH Foods Group,

and to build a solid presence for the Group as a leading company in the fresh meats business.

#### Strengthen procurement capabilities

In the previous fiscal year, we focused on the improvement of productivity in processing plants and the development of external suppliers and new sources and packers. We will continue to strengthen our procurement capabilities through these efforts. We will also strengthen collaboration across our business operations in Japan through organizational restructuring. We will shift from an organizational structure based on supply chain functions to one based on livestock categories, including domestic beef and pork, and domestic chicken. The advantages of this new structure, including inventory level optimization and reduced logistics costs, will allow us to enhance profitability and cost competitiveness.

We will also be able to gather data about customer needs and other information by livestock category, thereby enhancing our ability to offer knowledge and proposals to our customers and further strengthening our sales capabilities.

We will build co-creation networks by working with

outside suppliers to expand the range of products handled. We will also explore opportunities for collaboration with companies in other industries, including feed and machinery manufacturers and logistics firms.

#### Strengthen sales capabilities

We will strengthen our sales capabilities through increased collaboration between consignment and sales units. We will secure sales quantities by proposing strategies targeting key channels for each livestock category. At the same time, we will enhance profitability through the development of added-value products, such as branded fresh meats and needs-based products, and the expansion of sales of these items. One of our initiatives in fiscal 2022 to develop and expand sales of branded fresh meats will be the updating of our *Sakurahime* character to mark the 20th anniversary of the brand. We will also expand sales promotion activities for this brand. In addition, we plan to update the *Mugikomachi* brand and enhance its value. We will also enhance the potential of our imported fresh meat brands by focusing on flagship brands. As we implement these policies, we will make effective use of meat analysis data from NH Foods Ltd. Research & Development Center to differentiate our products from those of our competitors.

Our efforts to develop needs-based products will continue to center on the development of processed products for consumers, and the improvement of packages and packaging materials. The market environment for imported products is also being impacted by rapidly rising costs. We will adapt to these changes by planning and proposing products to meet the needs of our customers in terms of specifications and origin.

Another priority goal will be the improvement of sales units' own profitability. We have explored new food marketing models and formulated site concepts with the aim of raising profitability. Specifically, we plan to establish specialist organizations and marketing units for mass-sales outlets and cooperative societies, while the Group company responsible for the restaurant channel will expand into regional cities. In addition, we have launched the New Food Project as a framework for the analysis of business models and the formulation of site concepts, leading to the creation of restructured business models and systems capable of supporting sustainable growth.

We believe that the Fresh Meats Business Division is already maintaining its ROIC at a reasonable level. Going forward, we will continue our efforts to improve efficiency and profitability by investing in farm productivity improvements and increasing the branded fresh meat ratio. We will also consolidate business sites across the entire division from a company-wide optimization perspective.

#### Business-based materiality initiatives

Animal welfare will continue to be a priority in relation to the stable procurement and supply of proteins. We will consider the installation of solar power systems and conversion to alternative fuels as part of our efforts to contribute to a sustainable environment. We see these initiatives as the path to a sustainable future for the livestock industry. We will fulfill our commitment to employee development and respect for diversity by reforming group companies' human resource systems, expanding training programs, and improving employee engagement.



#### Segment focus

##### We aim to achieve a market share of 25% by building co-creation networks.

We are working toward the 25% market share target in Vision2030 by creating sustainable value chains. To achieve this, we will implement organizational changes and improve the profitability of sales operations through the development of next-generation food business models and site concepts under the New Food Project. Another goal is contribution to the achievement of sustainability across the entire livestock industry by overcoming issues affecting the industry as part of our commitment to the reduction of environmental loads and the realization of a sustainable society.

Our challenge going forward is to build co-creation networks through further evolution of the vertical integration system that we have developed as a key source of strength for the NH Foods Group, so that we can fulfill our role as a true leader in the fresh meat industry by offering value, including the joy of food and good health, to consumers.