

## Segment data

### Processed Foods Business Division



**We aim to maximize earnings across all business areas through a brand recovery driven by marketing, and the minimization of production costs.**

**Yukihiro Matsumoto**

Managing Executive Officer,  
General Manager of Processed Foods Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> <li>Market shrinkage due to a falling birthrate and demographic aging</li> <li>Raw material cost increases due to shifts in the global supply-demand balance</li> <li>Procurement risks from climate change</li> <li>Dramatic exchange rate fluctuation (weaker yen)</li> <li>Rising personnel expenses and labor costs due to a falling working-age population</li> <li>Growing concerns about food safety</li> </ul>	<ul style="list-style-type: none"> <li>Diversification of diets due to lifestyle changes</li> <li>Global population growth</li> <li>Expanding demand for products that match the consumer focus on health</li> <li>Increased demand for reserve and emergency supplies that can be stored at room temperature</li> <li>Evolution of new markets through the emergence of diverse food cultures, such as veganism</li> <li>Growth in demand for eco-friendly products</li> <li>Market expansion through growth in demand for meat substitutes</li> </ul>	<ul style="list-style-type: none"> <li>Develop products for different meal scenarios in each target area.</li> <li>Pursue cost competitiveness</li> <li>Optimize the product mix.</li> <li>Optimize the production structure.</li> <li>Diversify resource procurement sources.</li> <li>Expand into overseas markets, including exports.</li> <li>Develop meat substitutes.</li> <li>Expand lineup of food allergy-friendly products.</li> <li>Reduce resources used in packaging.</li> </ul>

### Review of fiscal 2022, recognition of issues

Our goals for fiscal 2022 were to develop a lean manufacturing structure through overall optimization, and to expand sales from a marketing perspective. While we made progress with business development efforts focused on these goals, this was not enough to offset all of the greater-than-expected impact of changes in the external environment, including sharply high costs for raw and processed materials and energy, as well as exchange rate movements.

In our ham, sausage, and deli product business, sales of flagship products slowed due to the effects of two rounds of price revisions implemented in the previous fiscal year. The resulting change in the product mix led to lower business performance.

In the area of dairy products and marine products, we made progress with price revisions to reflect sharply higher prices in the mainstay category of commercial cheese raw materials. This resulted in higher sales, especially through the restaurant channel. However, performance was adversely impacted by a decline in sales

volumes. There was also a decrease in sales of *Vanilla Yogurt* because of the price revisions, our flagship consumer product, but the overall business profit result for the dairy foods category was similar to the previous year's level.

In the extracts and primary processed products category, there was a decline in sales of unheated processed products through the ready-made meal channel. However, we recorded strong sales of soups and other products to restaurants, especially *ramen* shops, after the easing of COVID restrictions.

We also made progress on the creation of systems to develop hit products. However, we became keenly aware that we would need a new approach rather than the business models of the past in today's rapidly changing business environment. We believe that the biggest issue is inadequate awareness of a crisis that will necessitate changes to the methods of the past. We will transform ourselves into a new business organization capable of adapting quickly and effectively to the changes that will impact our business environment in the future.

### Results for fiscal 2022, initiatives going forward

#### Achievements and issues

- Additional price revisions
- Expansion of sales of commercial products via the restaurant channel
- Expansion of range of products with reduced packaging materials
- Climate change prevention initiatives (fuel conversion, installation of waste oil boilers, solar panels)
- Expansion of food education areas
- Decline in sales volumes following price revisions
- Creation of hit product development systems
- Increased sales of low-margin products
- Flexible production structure

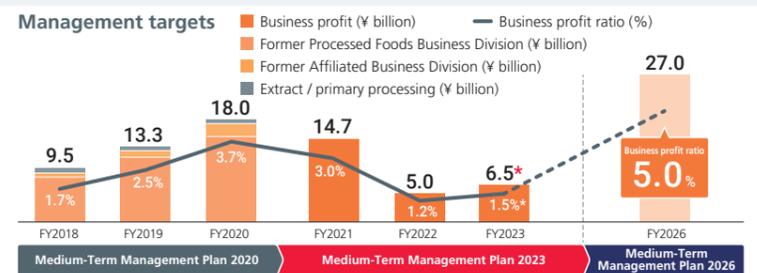
#### Future measures

- Effective countermeasures against rapid changes in the external environment
- Recovery of sales volumes after price revisions
- Achievement of a full recovery for the three flagship brands (*Schau Essen*, *Chuka Meisai*, chilled pizza range)
- Creation of new core business categories
- Minimization of production costs
- Tightening of investment criteria, pursuit of returns
- Increased use OEMs
- Exploration and implementation of energy-saving measures

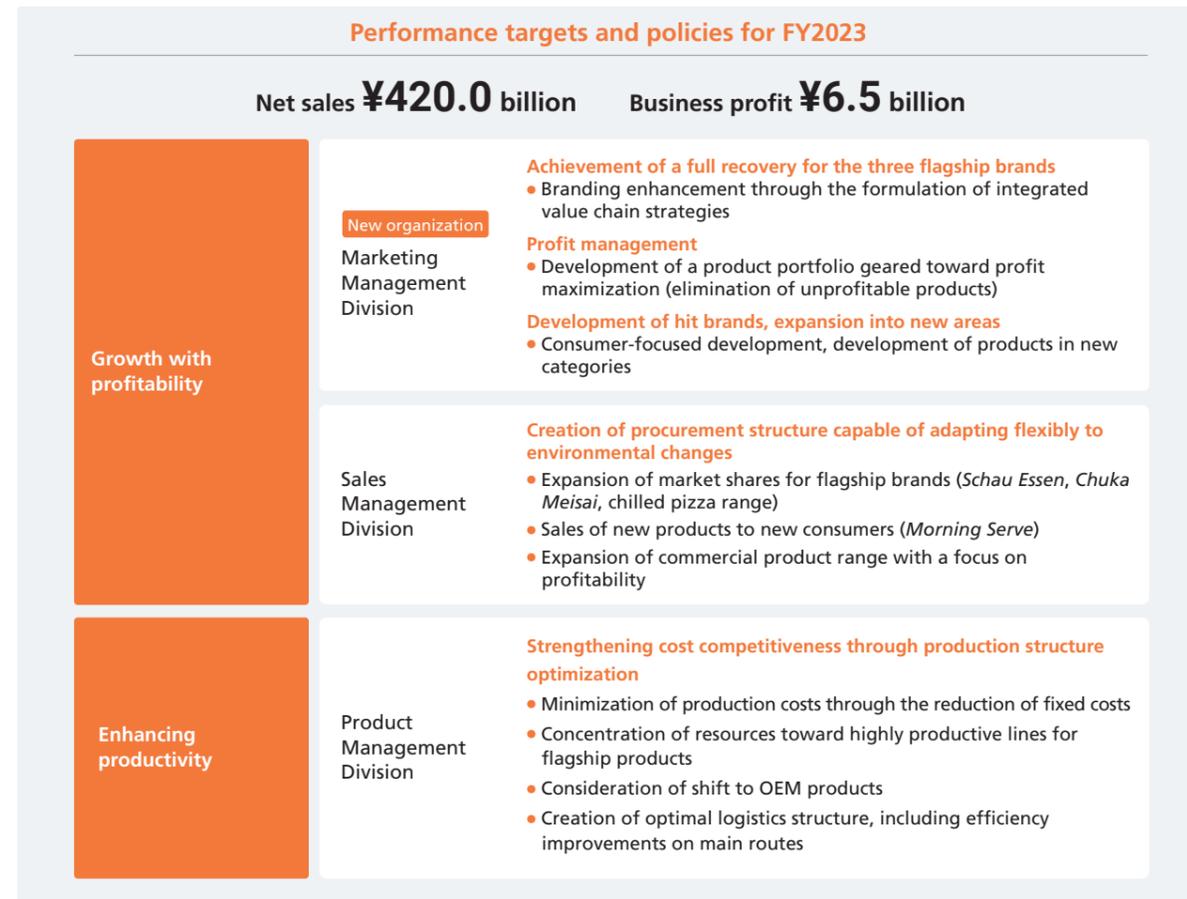
### Overview of Medium-Term Management Plan 2023

**Enhancing profitability across the entire value chain through structural reforms targeting production and marketing**

- Concentrate on high-profit categories.
- Enhance productivity in manufacturing plants.
- Enhance of marketing capabilities.



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**Key role for Marketing Management Division in concentrating resources toward major brand**

Our top priority in fiscal 2023 is the achievement of a sales recovery for our mainstay consumer brands, especially *Schau Essen*, *Chuka Meisai*, and the chilled pizza range. A recovery in sales of these high-margin consumer brands will drive the recovery of the entire Processed Foods Business.

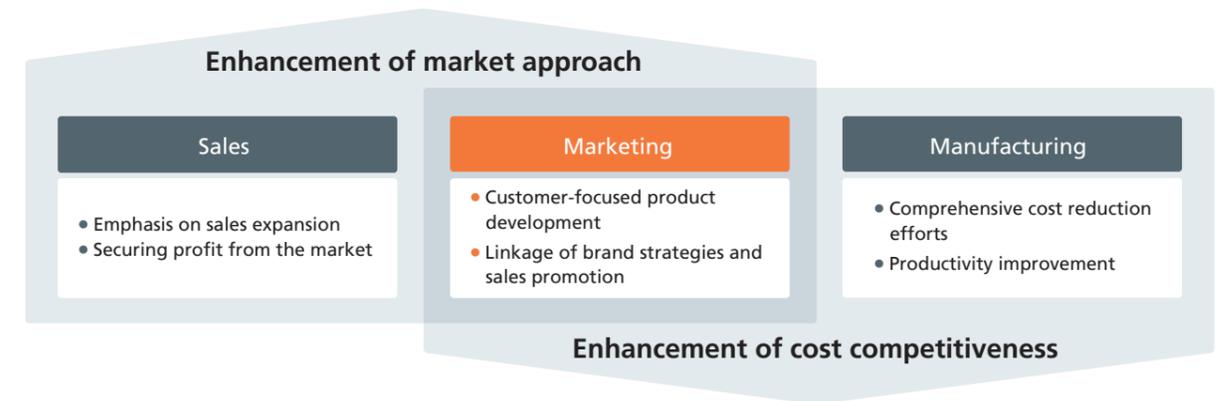
Although the price revisions implemented in the previous fiscal year caused a temporary decline in sales volumes, unit prices are improving, and we will shift fully onto the offensive in our marketing activities. We established the Marketing Management Division for that purpose in the current fiscal year. Product development

functions that were formerly handled by production units will be transferred to the new division, which will introduce a new approach to branding strategy development and pursue market-focused product development.

In addition to conventional marketing activities, the Marketing Management Division will also manage earnings across entire value chains, including decisions on what products to sell, when, and in what markets in order to maximize profitability. These major changes to our organizational structure will allow us to integrate production and sales across all of our processed food business operations.



The role of the new Marketing Management Division



**Enhancing cost competitiveness through production structure optimization**

The reduction of production costs is a priority goal. In the past, individual plants have been strongly aware of their own profitability and have worked individually to maximize their operating rates. In some cases, this approach has resulted in inefficiencies due to the continued operation of production lines even when production volumes declined.

We are currently centralizing production in order to achieve overall optimization. In line with this approach, we will further concentrate production at the plants with the highest productivity. We will also level production by strengthening collaboration between production and sales.

In addition to these initiatives to improve production efficiency, we will also pursue environmental investment at our plants. At the same time, we will adapt to the

dramatic rise in energy costs in recent years by working aggressively to reduce energy consumption through energy-saving initiatives.

We will ensure that all investment yields high returns by setting clear priorities for capital expenditure across the entire Processed Foods Management Business. While minimizing the amount of capital invested, we will concentrate our resources toward investments with the potential for high returns, while also working to improve ROIC.

Through these initiatives, we will align our development, sales, and production activities toward the same goals. By focusing on socially and environmentally responsible business activities, even in challenging business conditions, we aim to improve both our brand value and corporate value.

The Processed Foods Business Division's priorities for sustainable growth

Priority measures	Targets for FY2030	Situation
Expansion of lineup of plant-derived protein products	External sales of plant-derived protein products: ¥10 billion	<ul style="list-style-type: none"> <li>Expansion of commercial area</li> <li>Facilitation of trial marketing</li> </ul>
Reduction of fossil fuel-derived CO <sub>2</sub> emissions	Reduction by at least 46% (compared with 2013)	<ul style="list-style-type: none"> <li>Installation of solar panels</li> <li>Implementation of energy-saving measures</li> </ul>
Reduction of water use	5% reduction in water use (compared with 2019)	<ul style="list-style-type: none"> <li>Review of industrial water utilization methods</li> <li>Review of water defrosting</li> </ul>
Improvement of waste recycling ratios	92% or more	<ul style="list-style-type: none"> <li>Reduction of final waste disposal quantities</li> </ul>