

Segment data

Fresh Meats Business Division



We will profitably expand our share of the fresh meats market, while strengthening our procurement structures and prioritizing external co-creation.

Fumio Maeda

Director and Managing Executive Officer
General Manager of Fresh Meats Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> Decrease in the livestock farmer population due to a lack of successors Escalating competition for supplies due to epidemics Higher prices for grains used for feed raw materials Manufacturing cost increases resulting from the aging of facilities and the need to meet quality requirements Cost increases caused by sudden shifts in overseas market environments Growing pressure to reduce the environmental footprint of the livestock industry Cost increases due to efforts to reduce the environmental impact of the livestock industry Logistics issues in 2024 	<ul style="list-style-type: none"> Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements Increased demand for brand meat due to growing awareness of food safety Growth in meat consumption by seniors Increasing demand for simple, time-saving products because of labor shortages, etc. Increasing animal welfare demands reflecting contemporary perspectives 	<ul style="list-style-type: none"> Promote the use of IT and mechanization, such as smart pig farming. Reinforce quarantine systems. Expand sales of branded fresh meats. Strengthen marketing of high-added-value products, such as farm packs and primary processed products. Transition to stall-free sow farming. Expand the range of sustainable products. Extend "best before" dates. Use livestock waste for biomass power generation.

Overview of Medium-Term Management Plan 2023

We aim to stabilize our business performance by profitably expanding our market share.

1. Strengthen procurement capabilities

2. Strengthen sales

Management targets
Trends in 3-year cumulative profits of the Fresh Meats Business Division (¥ billion)



*4 Adjusted in May 2023

Review of fiscal 2022, recognition of issues

The main themes for our efforts to maximize business profit in fiscal 2022 were the enhancement of our procurement and sales capabilities, and the development of co-creation networks.

Despite challenging business conditions, including rising energy costs and higher feed prices, we worked to strengthen our procurement capabilities by improving productivity in Japan and expanding external procurement. We focused in particular on the development of new import sources and packers.

We also restructured our domestic business organization and sought to improve our profitability and cost competitiveness by optimizing inventories and reducing logistics costs. Achievements from our efforts to expand our portfolio of branded fresh meat products included the development of the new *Kitanokomekokko* brand of Hokkaido chicken.

Initiatives to strengthen our sales capabilities centered on the expansion of market share and earnings. We created organizations specializing in specific channels, such as volume retailers and restaurants. We also established a new marketing unit.

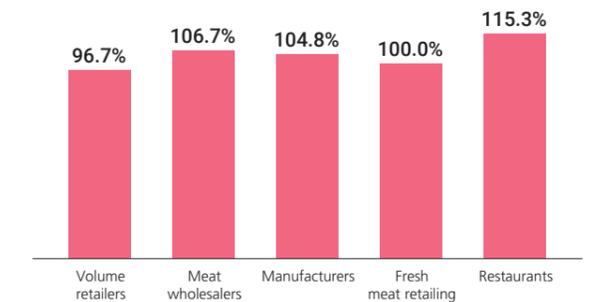
However, dramatic changes in the external environment caused a decline in the market prices of imported fresh meats, while prices for feed produced in Japan rose. These factors were reflected in reduced profitability. Production costs and selling, general and administrative expenses also continue to rise, resulting in sharply lower profit.

External causes of this decline in our earning power included the weak yen, rising feed prices, and expanding environmental costs. These trends are expected to continue, and we are strongly concerned that the present situation may not be a transitional phase.

Our priority now is to break out of this situation by transforming our traditional business models. This will be a difficult process requiring actions on many levels, including the selection of meat categories for prioritized expansion, the fine-tuning of investment priorities, and the development of procurement and inventory management systems based on anticipated demand risk in an increasingly unstable procurement environment for imported fresh meats. However, the entire NH Foods Group will work with determination to make progress on these priorities.

Yearly net sales of the four Nippon Food companies (by channel) in FY2022

Overall volume growth: 101.1% (109.8% in value terms)



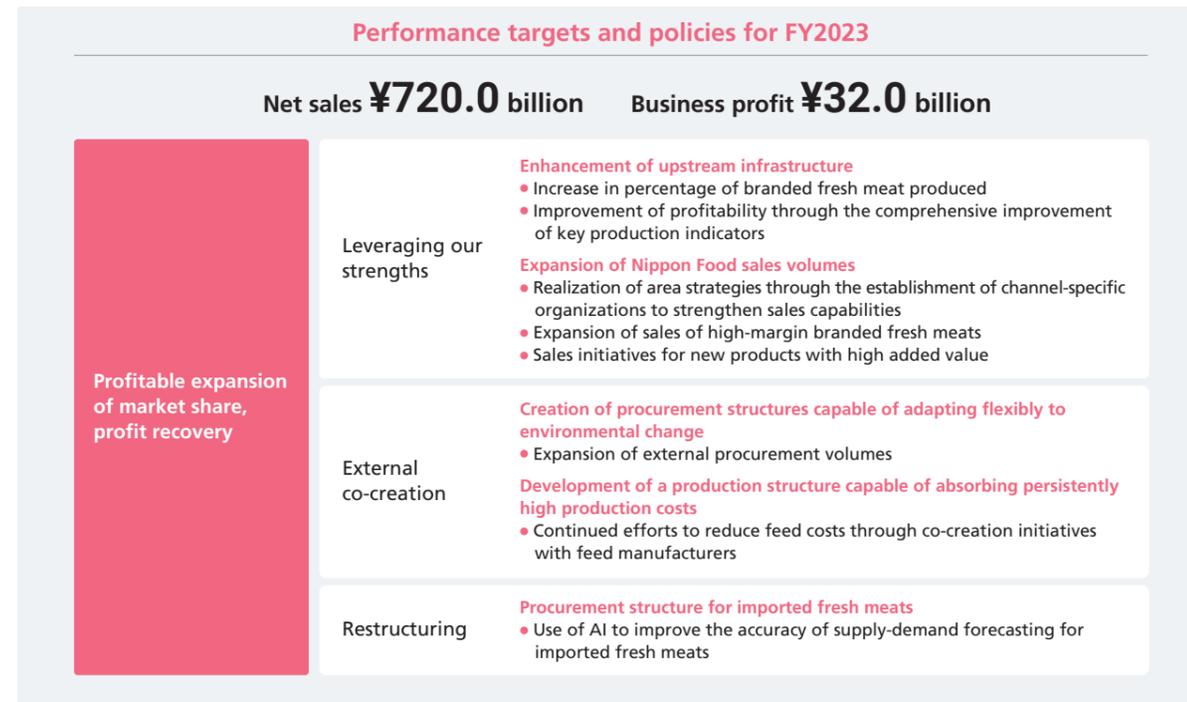
Results for fiscal 2022, initiatives going forward

Achievements and issues

- Improvement in the earnings of the four Nippon Food companies following the resumption of economic activities
- Persistently high feed prices
- Impact of disease outbreaks on business performance
- Deteriorating profit margins on imported fresh meats

Future measures

- Profitable expansion of our share of the fresh meats market through enhanced Nippon Food sales activities
- Enhancement of procurement structure for imported fresh meats
- Expansion of profit through external co-creation



Combining market share expansion with profitability

Business profit from the fresh meats business has expanded significantly from around ¥20 billion 10 years ago to approximately ¥40 billion today. However, it has become increasingly difficult to achieve further growth by building up profit through the accumulation of volume growth by each function in the value chain. We expect profit to recover to some extent in the current fiscal year, in part because of an improvement in the external environment. Even so, we will need to adapt our business models to put the fresh meats business back on a growth track.

This process will begin with collaboration between our consignment and sales units. We will identify priority livestock types, channels, and areas and work with the Nippon Food companies, which are our consignment and sales units, to strengthen our sales systems. Another focus will be the use of digital technology in marketing. Our sales units will accelerate initiatives toward the reduction of production costs in anticipation of persistently high feed costs. We will ensure that our investments for this purpose have the potential to yield good returns.

We will also accelerate our efforts in relation to branded fresh meats. In addition to the continuing expansion of sales of the core *Sakurahime* brand of domestic chicken, we will also improve added value by expanding our product

categories, including farm packs and processed products.

Another priority is the creation of future flagship brands. Production, consignment, and sales units will work together to develop brands that match market needs and will be supported by consumers.

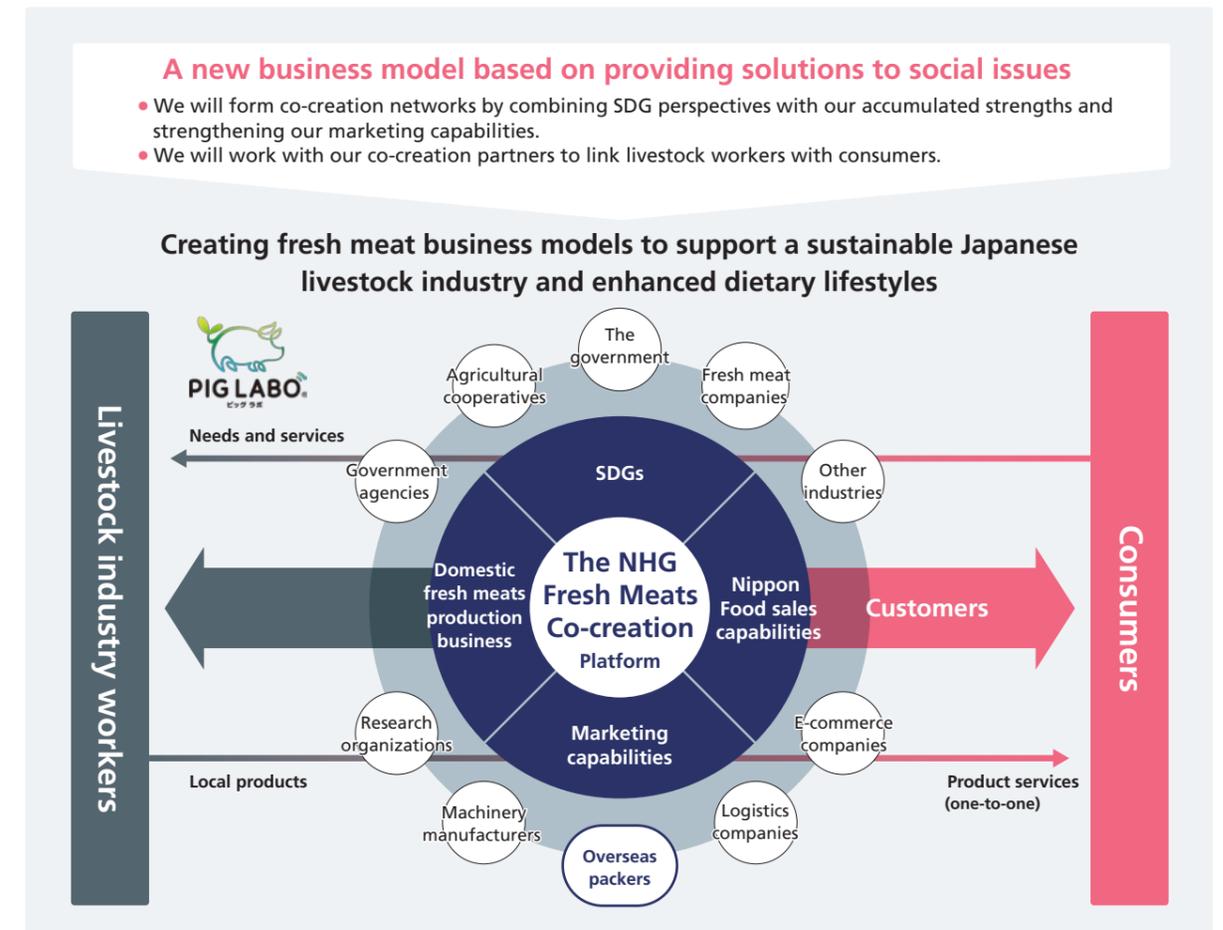
To achieve profit growth, we will also need to build inventory management systems that will allow us to reduce volatility and expand our market share. Our continuing efforts toward these goals will include the use of digital technology.

Building a brighter future through organizational reforms—co-creation network development

As in the previous fiscal year, we will continue to strengthen our co-creation networks. The first step will be the transformation of the NH Foods Group's business models. We will then combine SDG perspectives with our accumulated strengths, while also focusing on the solution of issues affecting the livestock industry, and strengthen our marketing efforts, leading to the formation of co-creation networks. We will also work to create business models designed to address issues affecting the entire livestock industry in ways that reflect consumer needs.

We believe that these initiatives will lead to improvement in the corporate value of the NH Foods Group as an entity that plays an essential role in society.

Co-creation network concept



The Fresh Meats Business Division's priorities for sustainable growth

Priority measures	Targets for FY2030	Situation
Initiatives focused on animal welfare	Installation of free access stalls at all pig farms Provision of drinking water facilities all beef cattle and pig processing sites Installation of environmental quality monitoring cameras at all farms and processing sites	<ul style="list-style-type: none"> • Progressive installation of free access stalls at all pig farms • Installation of animal welfare water systems (to be completed by FY2023) • Installation of cameras for the purpose of improving the livestock breeding environment and quality (to be completed by FY2024)
Reduction of fossil fuel-derived CO ₂ emissions	46% or higher (compared with FY2013)	<ul style="list-style-type: none"> • Fuel conversion in plants • Installation of solar power systems at business sites • Updating of freezer equipment at NH Foods Group logistics centers • Reduction of fuel consumption through vehicle replacement • Implementation of energy-saving initiatives
Improvement of waste recycling ratios	92% or higher	<ul style="list-style-type: none"> • Promotion of recycling of livestock-derived waste products