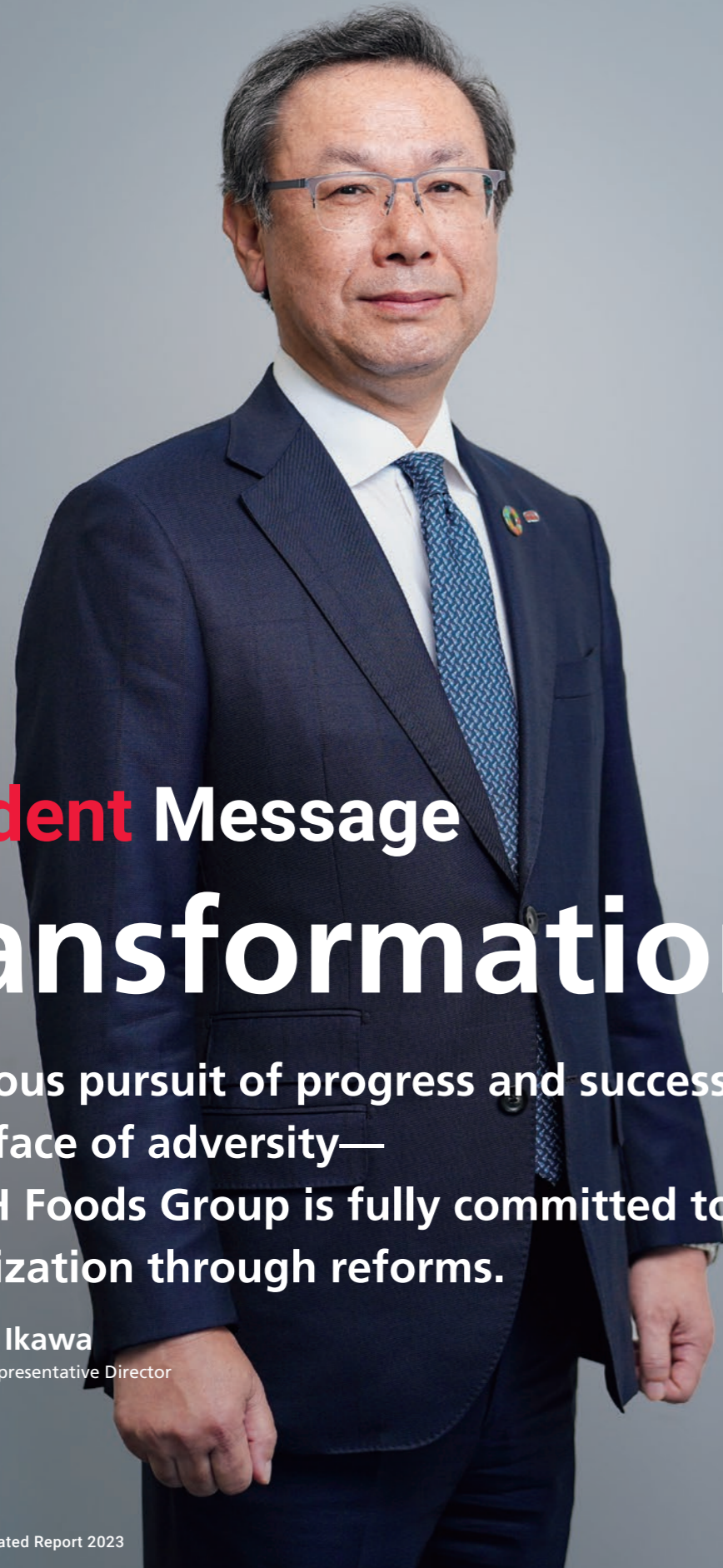


A message from the management



# President Message Transformation—

Tenacious pursuit of progress and success in the face of adversity—  
The NH Foods Group is fully committed to revitalization through reforms.

**Nobuhisa Ikawa**  
President and Representative Director

In addition to its livestock-related business in Japan and overseas, the NH Foods Group is also developing business activities centered on products made from animal-derived protein, such as processed foods, cheese, and yogurt. Protein, a bounty of nature, is essential to human life. As a supplier of protein, the NH Foods Group has a mission to help people to enjoy happy and healthy lifestyles by delivering the *Joy of Eating* through our products.

The history of NH Foods Group began in 1942 with the founding of the Tokushima Meat Processing Plant in

the city of Tokushima by Yoshinori Okoso. Okoso overcame many challenges, including the destruction of his factory during the war, and dwindling sales during repeated economic downturns. His philosophy can be summed up in the phrase “*tenacious pursuit of progress and success in the face of adversity.*” I have taken these words to heart as a core philosophy that will enable us to overcome the challenges of a harsh business environment and reinvigorate the NH Foods Group through a total commitment to reform.

**We accept the fact that we were unable to adapt to dramatic changes in the external environment. Going forward, we will work with a sense of crisis to transform the NH Foods Group.**

At ¥25.6 billion, our business profit for the fiscal year ended March 2023 (fiscal 2022) was 46.8% lower than the previous fiscal year. We take this significant decline extremely seriously, even though it resulted from the combined impact of multiple external factors.

Our stock price has also remained weak due to this steep downturn in our business performance, while our price to book value ratio (PBR) was 0.8 as of March 31, 2023. We are deeply concerned about these results, and we are determined to achieve a business recovery and a transition to sustainable growth by accelerating our structural reforms.

In fiscal 2022, we responded to a sudden increase in raw material prices through price adjustments. However, our inability to predict changes in consumer needs prevented us from responding quickly enough to demand shifts. There was a significant decline in profit from imported fresh meats due to customs clearance delays caused by the late arrival of vessels, which had been a problem since the previous fiscal year, as well as delays in our response to demand fluctuations linked to the COVID-19 pandemic. However, we were able to take steps to minimize the loss

recorded by our Australian business due to soaring cattle prices and a slump in the Chinese market.

Starting in the current fiscal year, we aim to ensure timely adaptation to environmental changes by monitoring progress toward each business division’s principle KPIs at monthly management committee meetings. We have also established a system whereby all members of the Management Strategy Committee consider measures to address progress delays. We are now working under this structure to achieve a V-shaped recovery.

However, I believe that we also need to accelerate our adaptation to environmental changes through efforts to enhance the Group’s social value. One of the NH Food Group’s materialities is the stable procurement and supply of proteins. As a business group that is involved in the livestock industry, both in Japan and overseas, we see our efforts in this area as a way to address social issues through our business activities. We will also continue our efforts toward a transformation that will improve the sustainability of the livestock industry as a vital source of protein as the power of life. Our markets are being transformed by accelerating and increasingly diverse

Results for the fiscal years ended March 2022 and March 2023, plans for the fiscal year ending March 2024

	FY2021 (Result)	FY2022 (Initial estimate)	FY2022 (Result)	FY2023 (Plan)	FY2023 (Medium-Term Management Plan 2023)
Net sales	¥1,151.9 billion	¥1,240.0 billion	¥1,259.8 billion	¥1,260.0 billion	¥1,220.0 billion
Business profit	¥48.1 billion	¥46.0 billion	¥25.6 billion	¥38.0 billion*	¥61.0 billion
Business profit ratio	4.0 %	3.7 %	2.2 %	3.0 %	5.0 %
Net profit for the period	¥48.0 billion	¥33.0 billion	¥16.7 billion	¥23.0 billion	¥40.0 billion
ROE	10.5 %	6.7 %	3.4 %	4.6 %	8.0 %
ROIC	5.0 %	4.4 %	2.4 %	3.5 %	6.0 %

\* Adjusted in May 2023

A message from the management

changes, and I do not believe that the NH Foods Group can survive simply by continuing along our present path. My mission is to share this sense of crisis throughout the

NH Foods Group, so that we can focus our total energies toward structural reforms and growth strategies that will ensure a sustainable future for the Group.

**Advancing to a new phase through structural reforms**

Our results for fiscal 2022, the second year of Medium-Term Management Plan 2023, diverged significantly from the targets in the plan. We are now formulating our next medium-term management plan as the blueprint for policies designed to overcome the effects of environmental changes that could not have been predicted when we formulated Medium-Term Management Plan 2023, and for our transition to a new phase.

The three-year period covered by our next medium-term management plan will be a time for intensive structural reforms and growth strategies. We will build an optimal business structure by integrating management from a Group-wide perspective, clarifying our business priorities, and concentrating management resources into growth areas. We are now assessing the outlook for

change in the external environmental, while estimating the extent to which structural reforms and growth strategies will enable us to catch up with our projections and achieve our business profit target of over ¥70 billion by FY2026, which was set at the time when our current Medium-Term Management Plan was formulated. We will soon share further details of our next medium-term management plan, which we will launch on April 1, 2024.

Fiscal 2023 will be the year in which we build the foundations needed to achieve the targets in our next medium-term management plan. Our number one priority is a profitability turnaround. We will work to enhance our strengths and implement restructuring measures with the goal of achieving business profit of ¥38 billion.

**We will shift away from our self-sufficiency philosophy and take the initiative in implementing structural reforms.**

**Processed Foods Business Division—Stronger branding and marketing**

Branding and marketing are extremely important factors in our efforts to establish a competitive advantage in the processed foods segment. In FY2022, our efforts to adjust processed food prices resulted in an extremely adverse situation because of our slow response to changes in customer needs, as well as the lack of coordinated business strategies encompassing both manufacturing and sales units.

In fiscal 2023, we have modified our structure through the establishment of the Marketing Management Division. This unit will propose and implement customer-focused brand and marketing strategies and manage earnings across the entire Processed Foods Business Division. We will accelerate the creation of an optimal production structure and a business portfolio that will maximize profit by formulating and implementing business strategies based on a bird’s-eye view of the entire processed foods business, by eliminating unprofitable products, by consolidating and modifying our manufacturing facilities, and by spreading production operations evenly across our plants.

**Fresh Meats Business Division—Expansion of co-creation initiatives with external partners**

Our efforts to expand the percentage of profitable sales will further enhance our existing competitive advantage in the fresh meats segment. One source of the NH Foods Group’s advantage in this area is our integrated procurement system for domestic pork and chicken. We need to strengthen that system, while also working to expand transaction volumes through external co-creation initiatives.

We are making well-balanced efforts to shift away from our self-sufficiency philosophy. By expanding our co-creation relationships with meat producers in Japan and overseas, we will strengthen our procurement systems and ensure we can respond flexibly to changes in the business environment. This will enhance our ability to earn profits efficiently even under adverse conditions.

**Overseas Business Division—Reducing volatility**

With world population expanding, the future growth of our business will depend on our ability to increase our overseas business ratio. One of our priorities for our overseas business operations is to reduce the volatility of business profit by increasing the percentage of processed foods in

our product mix. We will focus on the expansion of processed food sales in North America in anticipation of continued population growth.

Manufacturing capacity has been an issue for our processed food business in North America. Through our efforts to address this issue, including the expansion of our production lines in 2022, we are creating a structure capable of delivering further growth in sales. The provision of human resources will remain a priority in the areas of research and development and production management, and we will meet this need by deploying personnel from a group-wide perspective and recruiting mid-career personnel.

We are working to improve profit margins for our Australian business through branding based on the advantages of Australian beef, and the expansion of our sales channels in North American markets. It is becoming increasingly important to assess products and brand values from the perspectives of environmental protection and sustainability. For that reason, I believe that we need to create new value through products that reflect current needs, such as high-quality grass-fed beef.

**Cross-segment synergies**

I referred earlier to management integration from a Group-wide perspective. One of our objectives is to realize business synergies by cross-linking the strategies of business divisions that have previously worked independently.

In the past, the market for fresh meats in Japan has expanded steadily in step with the growth of per-capita consumption. Our business model has traditionally been based on the creation of our own integrated value chains from production through to sales. This approach was suitable for an era of market growth and provided a driving force that allowed us to produce ample profit. However, the domestic markets for fresh meats, ham, and sausage

products are now either static or shrinking because of Japan’s population decline, and it is clear that we will not be able to achieve growth unless we address these changes in the business environment and adopt strategies that reflect market trends. To expand our earnings, we need to develop new business, strengthen and modify our value chains, develop new markets and differentiate ourselves from our competitors.

A sense of crisis engendered by this situation led us to establish the Business Development & Strategy Division in fiscal 2023. This new unit is working to build new strengths for the NH Foods Group by accelerating cross-segment initiatives for the processed foods and fresh meats businesses. Examples include the roll-out of integrated marketing and distribution policies, and collaboration between our overseas and domestic businesses on exporting and market development. In addition, a sales company affiliated to the Fresh Meats Business Division has started to market general consumer products supplied by the Processed Foods Business Division under one of our group-wide digital transformation (DX) strategies. We will accelerate our transformation by actively launching initiatives to deliver profit from a group-wide perspective, in addition to the business strategies of individual business divisions.

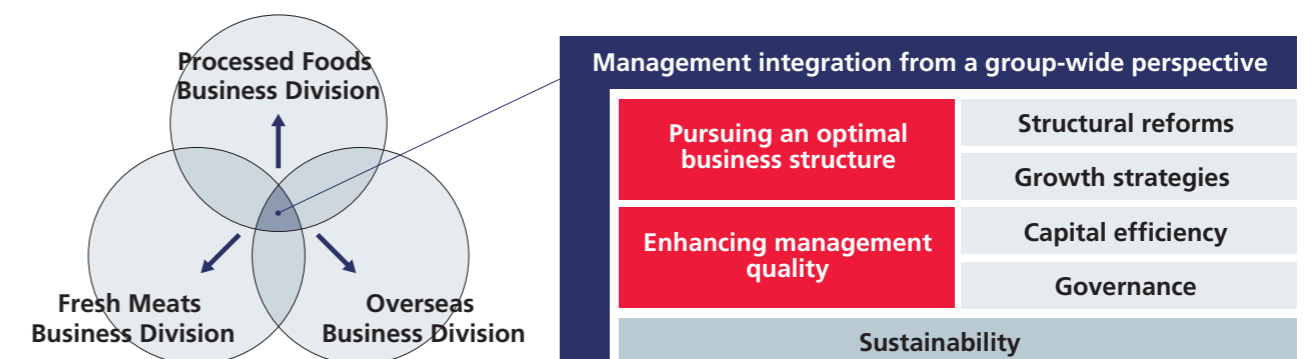
**Accelerating our expansion into new business areas**

Another focus for the NH Foods Group is the development of a direct-to-consumer (D2C) business. These efforts are being spearheaded by the New Business Promotion Department, which was established under Medium-Term Management Plan 2023.

The theme for Vision2030 is to “unleash new potentials for protein.” Under this vision, our goals for 2030 are to develop reliable supply systems backed by environmentally and socially responsible business processes, and to support

**Our vision for the NH Foods Group**

**Advancing to a new stage through management integration from a group-wide perspective, and the improvement of earning power**



A message from the management

the diversification of diets so that people can enjoy food with greater freedom. With consumer needs becoming increasingly diverse, we anticipate that a growing number of people will seek products that reflect their own special preferences, rather than products that everyone buys. As our first step toward

addressing this need, we have established Meatful as a D2C business offering diversified food options. We also see the D2C business as an important business segment and as contact point that will allow us to capture consumer information and enhance the accuracy of our marketing activities.

to the development of human resources who can take the NH Foods Group forward through every difficulty, we are

also working to create a corporate culture in which people can take up challenges without fear of failure.

**Our greatest priority—The reliable procurement and supply of protein**

Our most important social priority is the stable procurement and supply of protein. I believe that our efforts to achieve this goal also contribute to mental and physical health and help people to experience the *Joy of Eating*, thereby realizing our corporate philosophy and enhancing our corporate value.

with other nations for the procurement of proteins due to purchasing power shrinkage. We will ensure reliability of supply by using our livestock operations in Japan and overseas as a platform for deepening our relationships with existing suppliers, while at the same time diversifying our sources.

To ensure the stable procurement and supply of protein for an expanding world population, we need to maintain reliable supplies of existing protein products, especially processed foods and fresh meats, while also developing and commercializing new forms of protein that can be used as alternatives for these existing products.

New forms of protein are expected to play an important role in the future. The NH Foods Group is engaged in research focusing on cellular foods (cultured meat) and malt protein. Evidence that we are making real progress on our research relating to cellular foods includes our success in reducing the cost of culture media. However, we anticipate that it will take time to implement the regulatory changes required to introduce these products in Japan. In the meantime, we will accelerate our efforts to commercialize malt-derived protein.

Feed grain harvests are expected to stagnate because of climate change and other factors. This could lead to a situation in which it will not be possible to supply sufficient protein to meet expanding world demand. There could also be situations in which Japan becomes unable to compete

**I am determined to channel our total energies into reforms that will enable us to use our founding philosophy and comprehensive strengths as our value structure, so that we can turn challenges into opportunities.**

To overcome unprecedented challenges in a rapidly changing business environment and maintain growth over the next 10 or 20 years, we absolutely must go back to our beginnings and reaffirm the principles and foundations on which the NH Foods Group was built. That founding spirit will be our foundation as we rethink our approach to growth and contribution to society.

our next medium-term management plan, we will need to reassess our significance to society and what we need to do in a rapidly changing and increasingly unpredictable environment. At the same time, we will continue to implement reforms that allow us to achieve our goals.

Our founder expanded our businesses and business facilities in order to supply protein derived from the bounties of nature to all parts of Japan. NH Foods started with ham and sausages but ultimately diversified into other types of products, such as fresh meats, processed foods, cheese and yogurt. I believe that the tenacity and comprehensive strengths that enabled NH Foods to turn its ideals into reality and continually supply people with protein form our foundations and value structure.

As I have said many times, the key to fundamental reform is integration from a company-wide perspective. We are transitioning to a structure under which there is close communication among myself, as President, our business divisions, and our corporate units, as we consider our future vision and short- and medium-term policies, and in which all decisions are immediately reflected in the operations of our businesses. In addition to our efforts to realize our business strategies, we will also enhance the achievability of those strategies by ensuring that every individual employee understands and takes ownership of our policies.

Vision2030 is a statement of our aspirations for the NH Foods Group in 2030, as expressed in the words “Unleash new potentials for protein.” It is also a message to our stakeholders. This vision combines the value structure that enabled us to build a diverse range of products and businesses with a commitment to work with greater freedom to provide more people with the protein that they need.

I will conclude by pledging that we will continue to work with total commitment to bring the NH Foods Group forward out of the present crisis by realizing our corporate philosophy in the spirit of “tenacity in adversity.” We look forward to the continuing support of our stakeholders.

As we work toward the realization of Vision2030 under

**Nobuhisa Ikawa**  
President and Representative Director



**The NH Foods approach to sustainability**

The NH Foods Group is determined to contribute to the realization of a sustainable society through wide-ranging initiatives. Because of our involvement in the livestock business, we regard animal welfare and the reduction of livestock-derived GHG emissions as particular priorities.

understanding about the importance of sustainability. We are also committed to co-creation and shared prosperity with local communities. We have multiple meat production and processing sites and processed food manufacturing facilities in Hokkaido, and if sales offices are included, around 20% of our total network of business sites are concentrated in that region. We are also engaged in co-creation projects that build on our relationships with communities in Hokkaido. In March 2023, we opened the Hokkaido Ballpark F Village complex, which includes the new ballpark built for the Hokkaido Nippon-Ham Fighters. This facility will be a hub for new co-creation initiatives.

Currently we produce and raise 75 million chickens, 600,000 pigs, and 100,000 cattle each year in Japan and overseas. We are one of only a few food manufacturers to develop a major involvement in the livestock industry on this level.

I see the provision of increased personal growth opportunities for our employees as an essential part of our contribution to sustainability. Our corporate philosophy states that NH Foods should be a place where employees can feel truly happy and fulfilled. We believe that employees who are able to reach their full potential can achieve personal growth and contribute to society. In line with our commitment

We have only just begun to work toward the solution of livestock-related issues, and there is a limit to what we can achieve through our own efforts alone. For that reason, we are working to find solutions through co-creation with stakeholders in the livestock industry and other areas. Initiatives include joint research and the development of animal welfare systems through industry-academia collaboration.

In addition, we are contributing to the creation of a sustainable society by raising public awareness and