

# Realizing Vision 2030

Our Vision2030 corporate ideal of “Unleash new potentials for protein” aims to maximize corporate value by using our business activities to solve the social issue of protein availability. The Medium-Term Management Plans 2023 and 2026 frame our medium-to-long-term management strategies to realize our vision by leveraging the capital and strengths that are the sources of the Group’s value creation and combine our materialities and business strategies. The objectives of the plans are to contribute to realizing a sustainable society and advance the Group’s business growth and development.



## Review of Medium-Term Management Plan 2020

### Medium-Term Management Plan 2020 Achievements

Increase existing businesses efficiency to boost profitability	Processed Foods Business Division	<ul style="list-style-type: none"> <li>Achieved the initial target for ¥33.5 billion in three-year total business profit with the prior unintegrated Processed Foods Business Division</li> <li>Expanded sales of highly profitable consumer products by expanding core brands</li> </ul>
	Fresh Meats Business Division	<ul style="list-style-type: none"> <li>Expanded the production structure despite some impact on the chicken market after Medium-Term Management Plan 2020</li> <li>Increased profitability by expanding sales of highly profitable meat brands</li> <li>Raised business profit back above ¥40.0 billion despite the coronavirus pandemic by responding to increased demand in high-volume retailer channels</li> </ul>
	Company-wide	<ul style="list-style-type: none"> <li>Net sales and invested capital turnover fell short of plan</li> </ul>
Expand overseas sales early	Overseas Business Division	<ul style="list-style-type: none"> <li>Realized positive effects from internal improvements in the Australia Business and Processed Foods Business in the Americas</li> <li>Growth in Processed Foods Business in the Americas</li> </ul>
Create value through dialog with consumers		<ul style="list-style-type: none"> <li>Enhanced product development and sales promotion capabilities by using big data analysis to create the “future dining market forecast”</li> </ul>
Enhance and develop technological capabilities for conceptualizing and realizing the future of food		<ul style="list-style-type: none"> <li>Conducted research to fulfill our responsibility to supply animal protein in future society                             <ul style="list-style-type: none"> <li>Started the smart pig farming project</li> <li>Entered the domestic meatless (alternative meat) market</li> <li>Started research and development of cultured meat</li> <li>Patented imidazole dipeptide</li> </ul> </li> </ul>
Pursue sustainability		<ul style="list-style-type: none"> <li>Implemented initiatives to solve social issues through business activities                             <ul style="list-style-type: none"> <li>Endorsed the recommendations of TCFD</li> <li>Joined RSPO</li> <li>Engaged in CSR procurement</li> </ul> </li> </ul>

### Execute strategies to establish a launching pad for the future Pursue the optimal portfolio to boost profitability and productivity

We steadily advanced the management strategies and policies in the Medium-Term Management Plan 2020, which were aimed at “Building systems that pave the way to the future.” These efforts made our business operations more profitable. At the same time, we recognized that we still need to be more responsive to the external environment and improve our execution abilities.

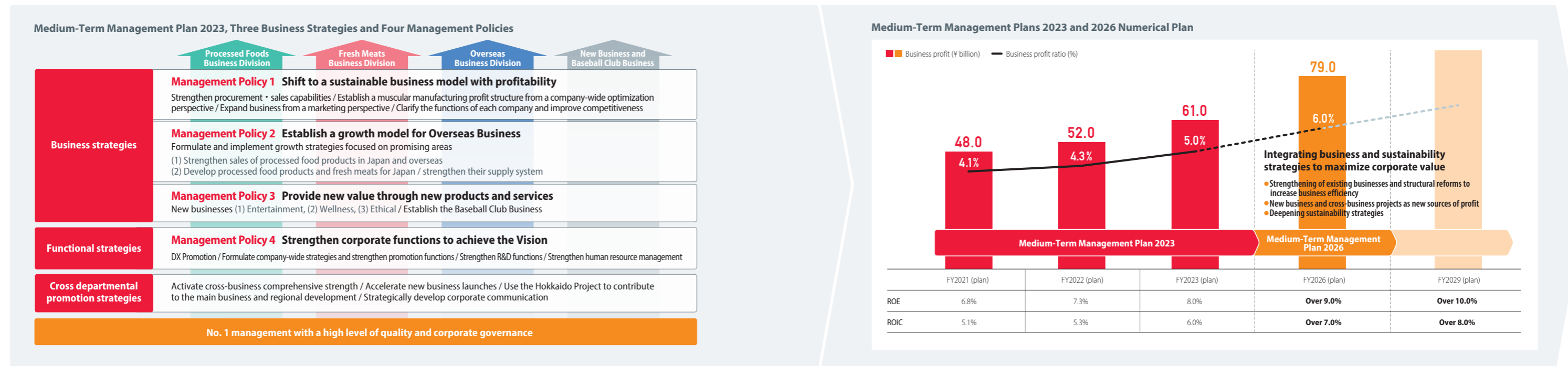
The Processed Foods Business Division’s strategies to “Strengthen profitability by improving the efficiency of existing businesses” increased profitability, primarily through expanded sales of its core brands, and generated synergy effects from integration with the Affiliated Business Division. Key themes from this point are to reap the effects of the six new integrated projects, revise the sales structure, and concentrate on its areas of strength. The Fresh Meats Business Division augmented and stabilized its logistics capabilities by expanding its production structure, which it achieved by revamping aging facilities in upstream operations and setting up distribution transfer bases. The division is now taking steps to minimize the impact from market fluctuations by seeking to expand sales of its high-margin fresh meat brands, advancing a multiple channel strategy so it can respond more quickly to changes in the external environment, and increasing the productivity of its manufacturing operations.

The Overseas Business Division’s measures to “Expand overseas sales early” included internal improvements in the processed foods business in the Australia and Americas operations that produced tangible results, including increased processed food sales in the Americas. The division is now focusing on reexamining its regions for potential growth, improving fresh meats business earnings in Uruguay, and boosting sales in its local and third-country markets to increase overall sales.

During the year, we launched R&D activities for cultured alternative protein products as part of the strategy to “Enhance and develop technological capabilities for conceptualizing and realizing the future of food.” We also advanced smart pig farming using AI camera analysis to the point that it is very close to not requiring human assistance, bringing it very close to practical application, which will increase productivity in the domestic livestock industry. In addition, we obtained a patent for imidazole dipeptide, which is primarily derived from chicken breast tissue and is currently used as a supplement for fatigue recovery. The substance also shows promise for improving memory, and we are aiming to quickly develop related products.

Under the plan’s strategy to “Pursue sustainability,” we endorsed and joined several international initiatives, including the Task Force on Climate-related Financial Disclosures. We also took steps to strengthen our business foundation that included setting new human resource evaluation and training indicators and fortifying corporate governance.

## Overview of Medium-Term Management Plans 2023 and 2026



### Solving social issues and maximizing corporate value to realize our Vision2030 corporate ideal

The Medium-Term Management Plans 2023 and 2026 launched in fiscal 2021 provide a roadmap for the next six years and were formulated based on our performance under the previous Medium-Term Management Plan 2020 and the changes in the external business environment. The objectives are to advance the structural reform and strengthening of existing businesses and to pursue the optimal business portfolio based on ROIC. The primary methods for achieving the objectives will be by strengthening our KPI management and bringing about our digital transformation (DX).

We are combining our materialities and our business strategies to maximize corporate value by solving social issues and growing and developing the Group.

#### Management Policy 1

#### Shift to a sustainable business model with profitability

We will further enhance the NH Foods Group's strengths in procurement and sales capabilities, create a manufacturing profit structure from the perspective of overall optimization, and expand our business through marketing.

The Processed Foods Business Division will focus on existing business expansion and brand development and strengthening its marketing capabilities to foster hit products. Manufacturing process productivity will be

improved, product domains will be expanded (into extract seasonings, soy meat, room-temperature products) and synergy effects will be pursued by integrating seafood, dairy, extract, and primary meat processing products.

The Fresh Meats Business Division will continue strengthening collaborations and alliances outside the Group in each livestock category and will concentrate investment in fields where growth is expected. The division will also increase the overall resilience of its business model, such as by fortifying its upstream production businesses and renovating facilities at its food packers. Specific measures will be taken to improve productivity and reduce costs in upstream pig and chicken operations as well as to expand sales of fresh meat brands, increase sales channels, and enhance its marketing capabilities.

#### Management Policy 2

#### Establish a growth model for Overseas Business

Sales of processed products in the United States and ASEAN countries will be built into earnings sources to complement Australian sales. Efforts to limit profit decline in the beef business will continue and steps, including M&A, will be pursued to expand business.

We will build on the strong reception in the United States market for the new *Nature's Fresh* brand featuring Australian beef to expand sales of the high value-added products in Australia and Uruguay. The strengths of the

processed foods business in Japan will be used to boost sales of processed products in the Americas, Asia, and Europe. Overseas Business Division will narrow its focus to growth fields and regions and will use the strengths of existing businesses to drive business expansion into new business domains.

#### Management Policy 3

#### Provide new value through new products and services

We will expand the Group's overall business by establishing an Entertainment Business, Wellness Business, and Ethical Business, broadening our direct-to-consumer business to new customer segments, and integrating consumer data to enhance our existing businesses.

In addition, we will continue advancing the Hokkaido Project and seek to generate profit of the Baseball Club Business.

#### Management Policy 4

#### Strengthen corporate functions to achieve the Vision

We will strengthen R&D and human resources management, primarily through digital transformation.

Research and development will be strengthened by tying it to the Vision2030. Research findings will be productized, such as using the patents received for imidazole dipeptide to strengthen the health food and

materials business and developing alternative proteins, to differentiate our products and boost our earning power.

Human resources management will be strengthened by creating a structure with the themes of pursuing challenges and a sense of growth, balanced abilities and duties, and self-directed careers. For the first two, we will encourage free and open exchange of opinions and ideas. We will assist employees in their self-directed careers by supporting their efforts for personal growth. We will also take steps to cultivate human resources.

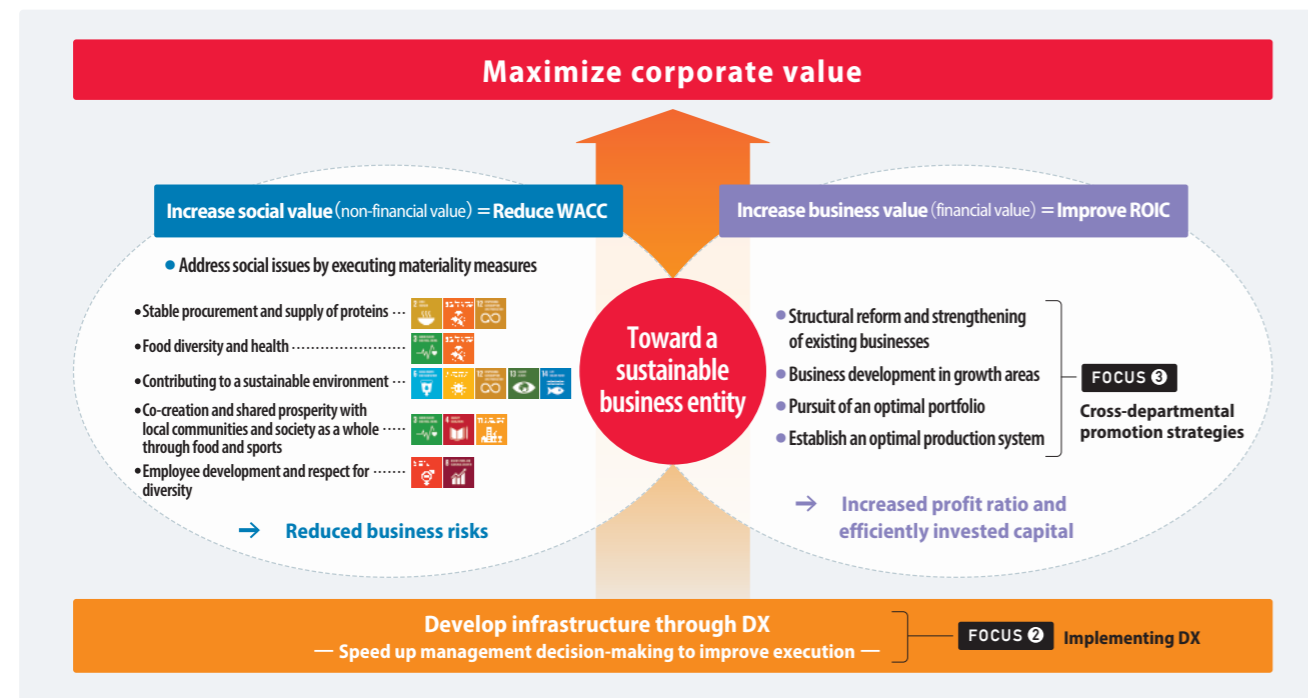
#### Strengthening the corporate foundation

#### No. 1 management with a high level of quality and corporate governance

We remain committed to quality-first management and will build a quality assurance structure and human resource development system capable of fully handling our business expansion.

Corporate governance will be improved by planning and executing medium- and long-term strategies related to the five materialities set in the Medium-Term Management Plan. We have also revised the Basic Policy and made it a fundamental principle to not maintain strategically held shares. In addition, we will strengthen the new Group auditing and internal control functions with the new Group Audit & Supervisory Board Members' Office and by establishing an appropriate corporate auditing structure, including an Audit & Supervisory Board.

**FOCUS 1** Shifting to sustainable business model



**Maximize corporate value by solving social issues and promoting group growth and development**

In Medium-Term Management Plan 2023, we plan to raise ROIC through “Structural reform and strengthening of existing businesses,” “Business development in growth areas,” and “Pursuit of an optimal portfolio,” and “Establishment of an optimal production system.” At the same time, we will address social issues by executing materiality measures to reduce business risks and minimize WACC.

Structural reform and strengthening of existing businesses in the Processed Foods Business Division began in April 2020 with its organizational restructuring to maximize synergies. The Fresh Meats Business Division will externalize its domestic beef assets, and the Overseas Business Division will implement measures to reduce overall earnings volatility.

Business development in growth areas will be achieved by growing the Overseas Business Division and expanding into new regions. The division will also create new revenue sources by focusing on specific growth fields and regions and adding processed products to its sales lines. We are also leveraging the strengths of our existing businesses to create new value for ventures into new business domains.

These strategies will be cross-departmental and will seek to make maximum use of each division’s management capital from an all-company perspective and for overall optimization with the aim of

creating an optimal business portfolio and optimal production system.

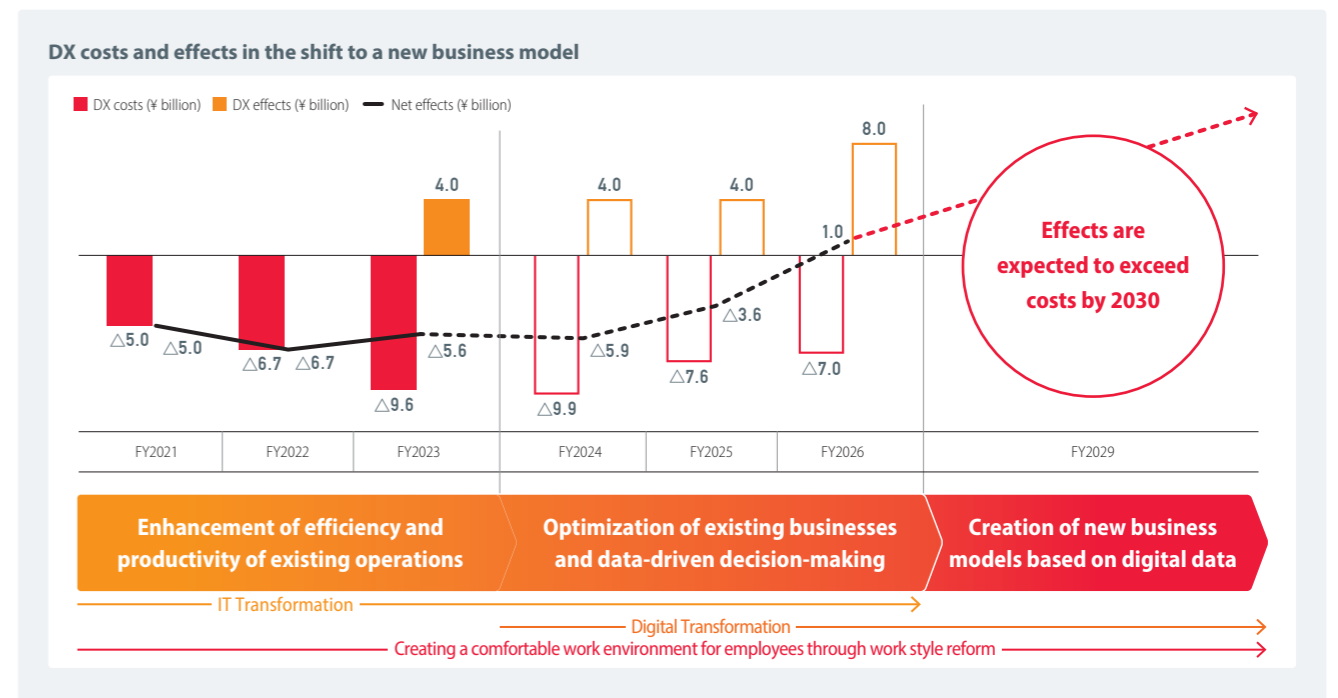
We will also take steps to minimize WACC. We believe that reducing business risks is essential, and revising our corporate materialities in April 2021 was a critical first step.

The NH Foods Group’s operating environment is undergoing substantial change, with fluctuating raw material procurement costs due to climate change and trade restrictions, diversifying food needs, and labor shortages among a host of challenges. Addressing these social issues will reduce our business risks. One step the NH Foods Group has taken is expressing support for the United Nations Food Systems Summit.\* In addition, our CSR procurement measures include responding to issues of materiality, including climate change and increasing food diversity, such as by creating foods in consideration of food allergies.

We aim to widen the WACC-ROIC spread and maximize cash flow and corporate value by addressing social issues by executing material measures to address social issues and to grow and develop the Group.

\* Please see the Ministry of Agriculture, Forestry and Fisheries website for information about the United Nations Food Systems Summit. (Japanese language only)  
[https://www.maff.go.jp/j/kokusai/kokusei/kanren\\_sesaku/FAO/fss.html](https://www.maff.go.jp/j/kokusai/kokusei/kanren_sesaku/FAO/fss.html)

**FOCUS 2** Implementing DX



**DX for a new business model and creating business and social value**

We have four objectives for the DX of the NH Foods Group. Digital technology will be used to: 1) radically increase the efficiency and productivity of existing operations, 2) standardize and optimize business processes, and accelerate management decision-making, 3) create a business model to provide new value related to food, and 4) create a comfortable employee work environment through workstyle reform.

At present, each business division and company has their own system optimized to their own operations. Not only are the systems becoming outdated, but they are increasingly unable to effectively respond to changes both inside and outside the company. We believe the circumstances make it necessary to invest resources for DX.

The first step will be to lay the foundation for migrating from individual systems to a shared Group system. To prepare this foundation, we are advancing an initiative for the “Connect Project” (company-wide core system reform project) for infrastructure development, preparing the infrastructure for a smart work platform, and developing DX human resources.

Digitalization will improve the efficiency and productivity of existing operations, which will lower operation costs and enable data-based decision-making.

The next step will be to apply digitalization to optimize our business operations. By optimizing our internal processes and accelerating the

launches of new services with digital technology, in 10 years we aim to provide our customers and business partners with digitally enhanced services including smart pig and chicken farming, digital marketing, and AI examination processes.

The Smart Pig Farming Project aims to address the problems of aging and retiring producers and environmental impact by using digital technology to create highly productive, low-impact farm management operations that can be carried out with fewer people. We are targeting Medium-Term Management Plan 2023 for achieving practical application of the system and are ultimately aiming to productize our smart pig farming expertise.

**Core strategies of Medium-Term Management Plan 2023**

<b>Lay the foundation for the new business model</b>	<b>Initiatives to create business opportunity</b>
	<ul style="list-style-type: none"> <li>D2C</li> <li>Smart pig and chicken farming</li> <li>Digital marketing</li> <li>AI for inspection process</li> </ul>
<b>Increase business process efficiency and productivity</b>	<b>Cost reduction and data-based decision making</b>
	<ul style="list-style-type: none"> <li>Introduce RPA, AI, OCR</li> <li>Upgrade supply and demand adjustment capability</li> <li>Increase centralized purchasing</li> <li>Introduce AI shipment management</li> <li>Strengthen data analysis</li> <li>Improve CCC visualization</li> </ul>
<b>Fortify the DX foundation</b>	<b>Migrating from individual systems to a shared Group system</b>
	<ul style="list-style-type: none"> <li>Advance the Connect Project</li> <li>Create a smart work platform</li> <li>Cultivate DX human resources</li> </ul>

**FOCUS 3** Cross-departmental promotion strategies

Cross-departmental promotion strategy objectives and content			
Four cross-cutting strategies	Objectives and content		Expected effects
<b>Cross business strategies</b>	Plan and implement a company-wide common strategy to demonstrate the integrated strength of the NH Foods Group as a whole, beyond the business divisions, toward the enduring development of the Group	<ul style="list-style-type: none"> <li>• Cross-divisional Free Trade Agreement Countermeasure Project</li> <li>• Mutual cooperation in sales and logistics</li> <li>• Optimization of production bases</li> </ul>	<b>Cost reduction</b> <b>Sales expansion</b> <b>Reduction of environmental impact</b>
<b>New business</b>	Accelerate efforts in new growth areas in anticipation of future changes in the environment, aiming for concrete commercialization and fostering a culture of challenge	D2C challenge by the New Business Development Department	<b>Single year profitability in FY2024</b> <b>Sales of ¥10.0 billion in FY2029</b>
<b>The Hokkaido Project</b>	In Hokkaido, where many of the Group's sites are located, create synergies with its core business in preparation for the opening of the new baseball stadium in 2023, and contribute to the development of the region	Promotion of 11 measures related to sports business synergies	<b>Opening of Hokkaido Ballpark F Village in 2023</b> <b>Operating profit of ¥2.6 billion</b>
<b>Corporate communications</b>	Strengthen corporate communications functions to enhance the reputation by developing strategic communications with stakeholders	Delivering a consistent message through Vision2030	<b>Brand value enhancement</b>

**Cross-business strategies**

**Leverage the Group's comprehensive power by integrating and leveraging the strengths of all business divisions**

We have launched two projects, the Cross-divisional Free Trade Agreement Countermeasure Project and the Shared Assets Project, to organize concerted Group-wide efforts to make the most efficient use of the management capital of all of our business headquarters, which will be essential to respond to the changes in the business environment under new free trade agreements.

Cross-divisional Free Trade Agreement Countermeasure Project is tasked with identifying opportunities and threats and proposing Group-wide countermeasures to free trade agreements such as the Trans-Pacific Partnership, Japan-EU Economic Partnership Agreement, and the Japan-US Trade Agreement. We will seek both to develop specific measures to counter the impact of reduced tariffs on processed pork products and to promote

**The cross-divisional strategy concept**



marketing of ready-made processed products overseas with the aim of creating new markets.

The Shared Assets Project will seek to integrate the Group's sales and logistics operations and optimize the use of our production bases to generate positive short-term effects. The project will also examine potential medium- and long-term issues. Integrating the sales and logistics operations is one way to combat the rising logistics costs that all of our companies are facing. The project will seek to improve resource efficiency through the Group by promoting inter-company cooperation, and by preparing a plan for accommodating future changes in the environment for logistics, storage, and sales functions. Optimizing the use of our production bases will seek to fully enhance the operation of our production bases from a Group perspective. This will be achieved by strengthening the interconnections of regional production and manufacturing sites that are in close proximity to each other, and by generating cumulative effects from improving our cost structure, reducing our environmental footprint, and lowering the burden on laborers.

**New businesses**

**New value for new customers through new products and services**

The Group's drive to establish new businesses has two primary objectives: to accelerate advances and commercialization in new growth business domains in anticipation of future changes in the business environment, and to foster a Group culture of pursuing challenges.

The Entertainment Business, Wellness Business, and Ethical Business are intended to reach new customers, expand our business, strengthen our market develop, and create new brands and new value.

In the Entertainment Business, we will offer services with new food experiences centered on our leading asset of "meat" and develop products, such as sets of meat and cooking utensils, with entertainment elements.

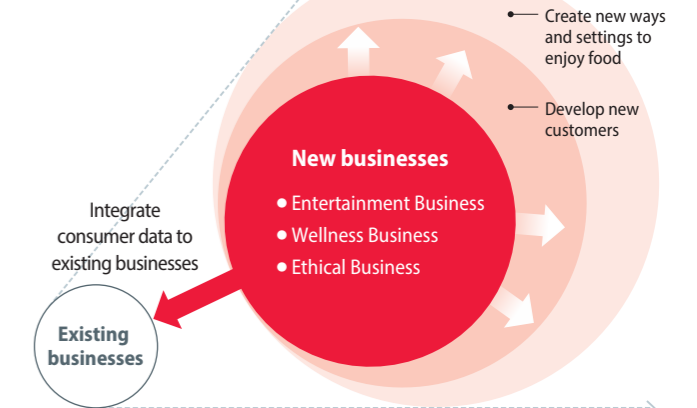
The Wellness Business will offer relaxing experiences for the mind and body. We will especially focus on developing products and services designed to support the health of working women and children with food allergies.

The Ethical Business will advance development of alternative proteins, including rebranding of the *NatuMeat* alternative protein products.

The Processed Foods Business Division and Fresh Meats Business Division will work with the Central Research Institute to explore new materials, apply food tech, and conduct digitalized empathy marketing.

The New Business Development Department created in April 2021 is preparing each of the businesses with plans to officially launch D2C services in fiscal 2022 and further expand and integrate the businesses in fiscal 2023.

**Development plan for the new businesses**



**The Hokkaido Project**

**Contribute to the local community and society through sports to maximize synergies and raise corporate value**

The Hokkaido Project is a strategy to raise the social value, brand value, and economic value of the region and the Company in Hokkaido, where the NH Foods Group owns the Hokkaido Nippon-Ham Fighters and many farms, manufacturing and production processing sites, and distribution bases.

The new stadium and Hokkaido Ballpark F Village, which are scheduled to open in 2023 is an energy- and resource-efficient facility with a minimized environmental footprint, and is additionally designed to serve as an evacuation site in case of an emergency. The village will have restaurants and host collaborative events that will generate synergies with the Group's existing businesses and raise our corporate value by contributing to regional development.

(For details, please see Baseball Club Business on page 51)

**Outline of the Hokkaido Project**

