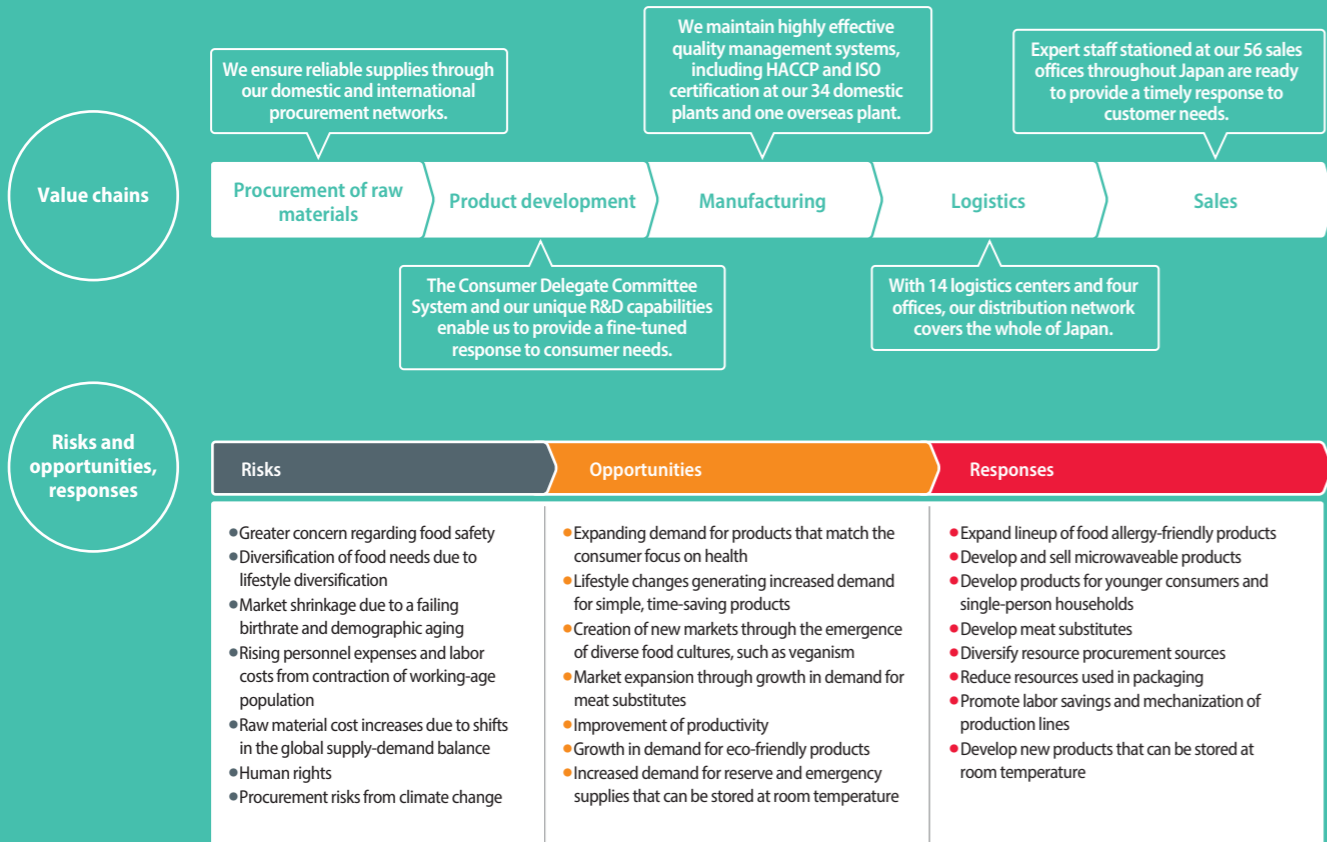


**Processed Foods Business Division**

**We will focus on productivity and profitability improvement, and the development of products to meet market needs.**

**Nobuhisa Ikawa**  
Representative Director,  
Executive Vice president



**Review of Medium-Term Management Plan 2020 and policies under Medium-Term Management Plan 2023**

<b>Policies under Medium-Term Management Plan 2020</b>	<b>Emergence from low-profit structure</b> <ul style="list-style-type: none"> <li>Strengthening product development capabilities through site-oriented marketing</li> <li>Redefining the cost structure through a fundamental review of the existing framework</li> <li>Persevering with a positive, challenge-embracing spirit and self-responsibility</li> </ul>
<b>Results and priorities under Medium-Term Management Plan 2020</b>	<p><b>Results</b></p> <ul style="list-style-type: none"> <li>Achievement of three-year cumulative profit target for the pre-merger Processed Food Business Division</li> <li>Improvement of profitability through the expansion of flagship brands, leading to the improvement of the product mix</li> </ul> <p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>Create hit products</li> <li>Improve productivity and maximize synergies from an all-company optimization perspective</li> <li>Balance business with social needs</li> </ul>
<b>Policies under Medium-Term Management Plan 2023</b>	<b>Work to increase corporate value by contributing to society through the creation and provision of new value</b> <ul style="list-style-type: none"> <li>Reorganize manufacturing structures from a company-wide perspective to build the infrastructure needed to create hit products and improve profitability</li> <li>Increase corporate value through the development of our business activities, including the reduction of our environmental impact</li> </ul>

**Focus on profitability**

Under Medium-Term Management Plan 2020, we worked to improve profitability by enhancing our product development capabilities and implementing cost structure reforms.

Initiatives to improve our product development capabilities resulted in the extension of our flagship *Schau Essen* brand. We were also able to build our customer base in younger generations by introducing microwavable products in response to strong consumer demand. The activities of the Processed Food Business Division have traditionally focused mainly on ham, sausages, and deli products. Since the previous fiscal year, however, we have also worked to increase added value and eliminate duplication by integrating the seafood, cheese, yogurt, extract, and primary processing businesses into the Processed Food Business Division in order to combine our advantages in both areas. Specifically, we have leveraged the strengths of our business divisions and companies, including their sales channels, marketing and development capabilities, and logistics systems, to market products under the Nippon Ham brand as a single business division.

Cost structure reforms resulted in the improvement of profitability and productivity through the introduction of automated machinery, changes to factory operations. We also implemented measures to reduce total costs at our main factories.

We are also developing product exports and imports in anticipation of moves toward free trade. For example, we export *Schau Essen* products to Singapore and import *Stock Pork*. From an environmental perspective, we worked to reduce the weight of product ingredients, and to develop and sell plant-based meat substitutes as a new source of proteins.

The financial results show that while overall net sales from our processed food operations tended to decline, operating profits followed a positive trend, with the result that the three-year cumulative total reached the initial target ¥33.5 billion.

## Overview of Medium-Term Management Plan 2023

### Summary of strategies

# Increased focus on customer-centered product development, further improvement of profitability

<b>1. Strengthen existing areas and take on challenges in new areas</b>	<ul style="list-style-type: none"> <li>Expansion of existing brands and developing brands</li> <li>Initiatives in new areas, such as extract flavorings and soy meat</li> <li>Shift away from product-centered thinking</li> </ul>
<b>2. Enhance productivity in manufacturing plants</b>	<ul style="list-style-type: none"> <li>Reconstruction and standardization of manufacturing systems</li> <li>Realization of synergistic effects</li> <li>Countermeasures against rising raw material prices</li> <li>Improvement of productivity through centralized production of flagship brand products</li> <li>Production leveling through investment in labor-saving and rationalization measures</li> </ul>
<b>3. Solve social issues and improve profitability</b>	<ul style="list-style-type: none"> <li>Environmental responses</li> <li>Co-creation and shared prosperity with local communities and society as a whole through food and sports</li> <li>Addressing food diversity and health issues</li> <li>Reduction of food losses and plastic use</li> <li>Food education activities in local communities</li> <li>Addressing food allergies</li> </ul>

### Increased focus on customer-centered product development, further improvement of profitability

Under Medium-Term Management Plan 2023, we will pursue business strategies focused on three core goals—to strengthen existing areas and take on challenges in new areas, to enhance productivity in manufacturing plants, and to solve social issues and improve profitability.

#### Strengthen existing areas and take on challenges in new areas

Efforts to enhance existing business areas relating to consumer products will center on the expansion of sales of *Schau Essen*, *Ishigama Kobo*, *Chuka Meisai*, *Kiwami-yaki Hamburg*, *NatuMeat*, *Chuka no testujin Chen Kenichi*, *Vanilla Yogurt*, and *Sutamina-en*. We are also considering sales of *NatuMeat* in overseas markets in collaboration with the Overseas Business Division.

In the area of commercial products, we aim to achieve differentiation by leveraging the sales channels and raw materials developed by our businesses and companies engaged in the processed food business.

Our challenge in new business areas is the creation of major new income streams through three initiatives.

First, we aim to expand our range of products that can be stored at room temperature in order to reduce food losses. We will develop

new products that offer uniquely delicious flavors, while also prioritizing the creation of sales outlets.

Second, we will implement R&D projects focusing on plant-based proteins to provide new protein options.

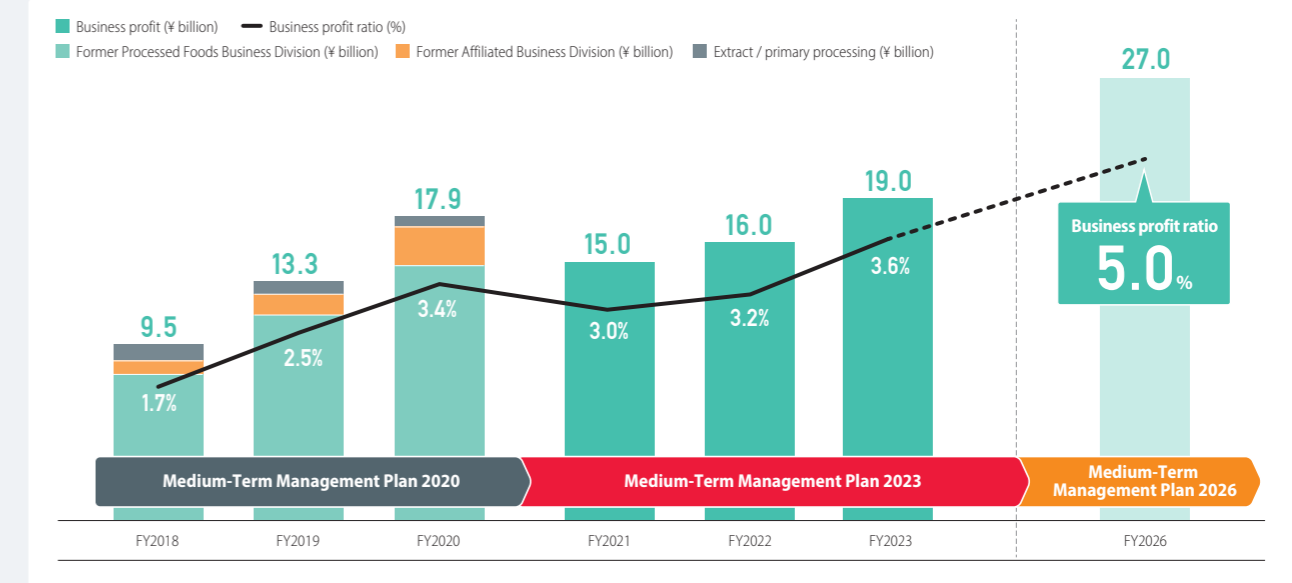
Third, we will expand our range of flavoring extracts, while also developing and expanding new sales channels.

All of these measures will depend on our marketing capabilities. We will shift away from our traditional product-centered thinking toward a market-focused approach. We also use digital technology to obtain and analyze consumer input so that we can work toward our goal of developing and expanding NH-style marketing processes based on consumer perspectives, leading to the creation of hit products.

To move forward with these reforms, the Processed Food Business Division must maintain its spirit of challenge and to avoid satisfaction with the status quo. An initiative that symbolizes our readiness to challenge preconceived notions was the Young Employees' New Product Proposal Forum in July 2021, at which 25 young development workers from our factories presented their own original product ideas.

We will continue this initiative, which we see as a way of strengthening motivation toward product development, while also creating future hit brands and new categories, by marketing the best proposals as new products.

### Management targets



### Enhance productivity in manufacturing plants

We will continue our efforts to restructure and standardize our manufacturing systems. We will work toward these goals through the optimization of our production structures, including mechanization, the centralization of production sites for flagship products. Other priorities include the realization of returns on our investment in production lines, and the use of digital technology to improve productivity.

### Solve social issues and improve profitability

We will pursue initiatives to realize our materiality through business activities.

We will respond to dietary diversification and health needs by helping people to cope with allergies and avoid frailty as they grow older.

We will contribute to global environmental sustainability by continuing our efforts to reduce packaging use, CO<sub>2</sub> emissions, and food waste. Specifically, we will eliminate plastic containers and trays as soon as possible by improving packaging, and changing "best before" date labels. We will reduce food losses through the expansion of our range of foods that can be stored at room temperature.

Another priority is the reliable procurement and supply of protein, which we will achieve by strengthening existing business areas and taking up challenges in new areas. We also aim to achieve cocreation and coprosperity with communities and society through

food and sport by making contributions in such areas as food education activities, the donation of products and ingredients to food banks, and participation in community events.

### Respond to the changing needs of society by creating new food culture and taking up the challenge of providing new value through protein.

The Processed Food Business Division has provided new value in the form of a wide variety of key brand products through our processed food business, including ham, sausages, and processed foods, under the Nippon Ham brand, as well as cheese, seafood, and other products under the brands of group companies. Recognizing that the improvement of our brand image will lead directly to the improvement of corporate value, we will work toward the realization of Vision2030 by fulfilling our responsibility to supply safe, dependable products reliably, and by creating ever more delicious and palatable protein products through product development from the consumer's perspective.