

Processed Foods Business Division

We will transform the Processed Foods Business and pave the way for future success by identifying growth products and exiting from low-profit areas.



Yukihiro Matsumoto
Managing Executive Officer,
General Manager of
Processed Foods
Business Division

The Processed Foods Business Division develops, manufactures, and sells ham, sausages, processed foods, dairy products, seafood, and extract seasonings. It contributes to the enjoyment of food in many areas through the development of products with high market shares, including *Schau Essen*, *Chuka Meisai*, and *Ishigama Kobo*, and long-selling products, such as *Vanilla Yogurt*. Supplied not only to consumers, but also to convenience stores and restaurants, these products have achieved top market shares in a wide range of categories.



Our strengths in each value chain

1. Raw material procurement

Our domestic and overseas procurement networks enable us to supply products reliably.

2. Product development

Our ability to develop products that match consumer needs is backed by unique consumer monitor systems and advanced R&D capabilities.

3. Manufacturing

Our manufacturing systems combine advanced quality management expertise with sophisticated production methods capable of recreating delicious flavors.

4. Logistics

Our logistics networks extend throughout Japan.

5. Sales

In addition to our diverse sales channels, our sophisticated proposal, sales, and marketing capabilities also contribute to enhanced customer satisfaction.

6. External customers

Volume retailers, butchers, drugstores, department stores, convenience stores, processed food sellers, restaurant operators, food manufacturers

Value provided by the NH Foods Group

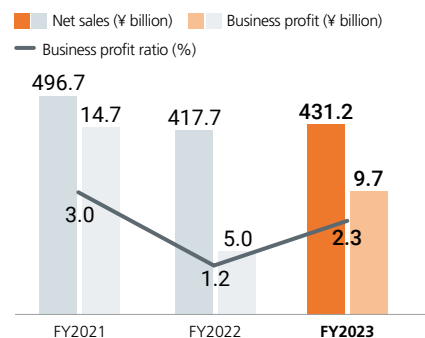
- We help to create new food culture by introducing products that enhance mealtime enjoyment.
- Our manufacturing systems ensure that all products supplied to consumers are safe and reliable.
- From our origins in meat processing, we have evolved into a supplier of a diverse range of processed protein products.



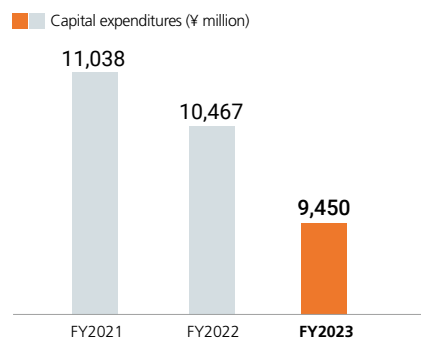
Processed Foods Business Division

Segment data

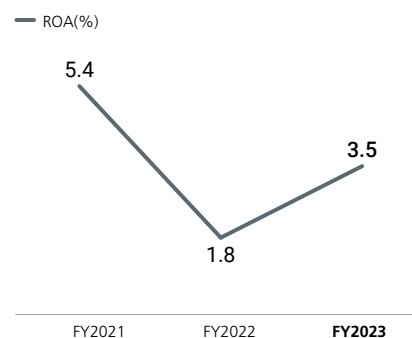
Net sales, business profit, business profit ratio



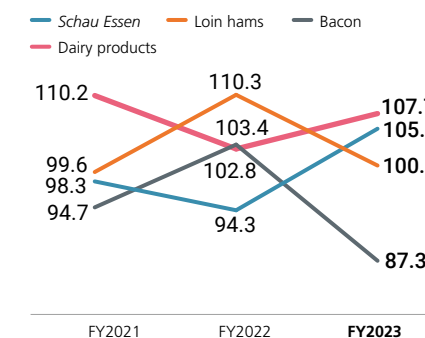
Capital expenditures



ROA



Sales of flagship products (%)



Results and priorities under Medium-Term Management Plan 2023

Profitability enhanced through product mix enhancements and price adjustments

Themes	Results	Priorities
Growth with profitability	<ul style="list-style-type: none"> Profitability on a recovery trend thanks to five price adjustments Reduction of the number of unprofitable products, focus on flagship brands Improvement of profitability through price adjustments linked to the launch of new products by companies with integrated production and sales systems 	<ul style="list-style-type: none"> Creation of new flagship brands Further action to offset soaring raw material prices
Enhancing productivity	<ul style="list-style-type: none"> Line integration focusing on duplicated lines Reduction of manufacturing costs through production efficiency improvements 	<ul style="list-style-type: none"> Cost increases due to factors in the external environment (electric power and fuel costs, labor costs, etc.)

Our priority themes for FY2023 were “growth with profitability” and “enhancing productivity.” We faced challenges in the first half of the year due to factors in the external environment. However, the benefits of our restructuring measures began to emerge in the second half, resulting in a recovery in profitability.

One of our initiatives to drive growth with profitability was the management of earnings across entire value chains by the Marketing Management Division, which we established in FY2023. This approach began to deliver benefits. We also took steps to strengthen our three major brands— *Schau Essen*, *Chuka Meisai*, chilled pizzas. For example, we expanded the range of *Schau Essen* categories to include sliced-pack and dry-type products. In addition, we ran promotions on social networks.

Through these initiatives, we improved our product

mix by shifting from low-profit to high-profit items. (See “Sales of flagship products”.)

Companies with integrated production and sales systems, such as Nippon Pure Food, Inc., which handles dairy products and extracts, as well as Hoko Co., Ltd., Nippon Luna, Inc., and Premium Kitchen Co., Ltd., also contributed to the improvement of profit by using their ability to integrate all stages from manufacturing to sales to implement structural reforms and price adjustments.

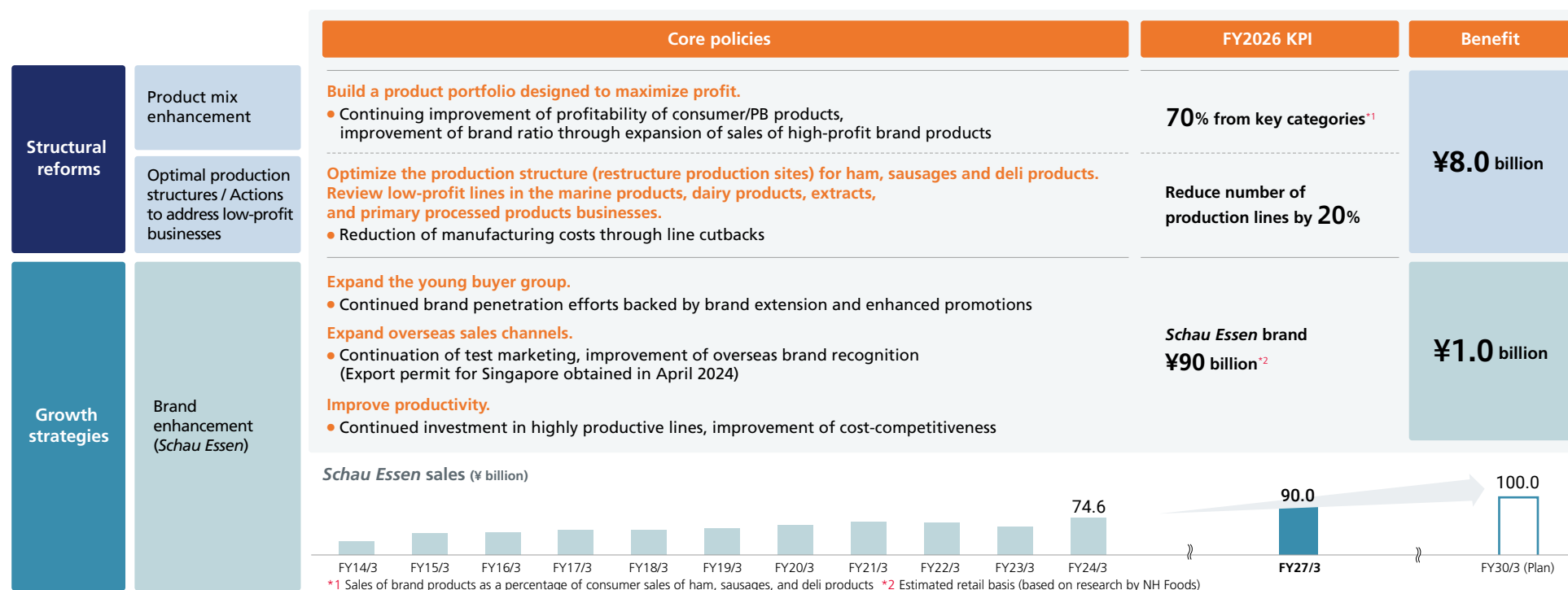
We will continue to pursue further improvements in profitability by identifying growth products and products to be reassessed. We will also continue to make the creation of new brands and categories our top priority.

Our productivity enhancement initiatives also yielded benefits. We reduced production costs by integrating production lines from an overall optimization perspective.

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Targets and policies for Medium-Term Management Plan 2026

Exit from low-profit areas and build a strong earnings base by concentrating management resources into high-added value products.



To ensure the realization of Vision2030, the Processed Foods Business Division aims to achieve a business profit ratio in excess of 6% in the fiscal year ended March 2030 by shifting to a high-profit business model. Our milestone target under Medium-Term Management Plan 2026 is a business profit ratio of 4%.

Structural reforms

As part of our efforts to improve our product mix, we have designated our three flagship brands and new high-profit products as growth products. In addition to *Schau Essen*, our product mix for consumers will also include *Houjun*, *Morning Serve*, *Ishigama Kobo*, and *Chuka Meisai* (One Cook). Our commercial product mix will be targeted

primarily toward major customers in the restaurant and delicatessen segments.

We will also prioritize the optimization of production structures. In addition to major changes to the number of production lines across the entire Processed Foods Business, we will also work to reduce manufacturing costs.

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Growth strategies

Our priority under the current Medium-Term Management Plan 2026 is to improve profitability, especially for the three flagship brands.

We will further step up our branding and extension initiatives for *Schau Essen*. We have already launched social media promotions with the aim of raising brand recognition among younger consumers, and these activities are gradually yielding benefits. As part of brand enhancement measures for *Schau Essen*, we held our first *Schau-1 Grand Prix* in June 2024. All employees were invited to submit ideas for product development based on *Schau Essen* as a way of exploring new possibilities for the brand in existing areas and beyond. (See Special feature on Page O21.)

More work is needed to address market changes affecting *Chuka Meisai*. We are tackling issues in this area by expanding our target beyond the existing family consumer profile and developing new products from a market-in perspective, including one-person servings,

Strengthening our three major brands



Schau Slice



Chuka Meisai JUSTCOOK
Cantonese-style
Happosai



Ishigama Kobo
Arabiki Sausage

Fostering sub-brands



Houjun
Arabiki Wiener



CHICKEN NUGGETS



CHIKICHIKI BONE



Morning Serve

microwavable versions, and frozen all-in-one products. We will also work to expand and consolidate sales of these new products. Our main focus for the *Ishigama Kobo* brand will be the popular mini-pizza range. We will also target expansion across the entire range of dough-based products, including one-hand products and bakery products.

One of our priorities since the previous Medium-Term Management Plan is the creation of new brands and categories. Through our annual innovation contest we encourage young employees to create new product ideas that go beyond existing concepts. One of the products to emerge from this contest is *Gras Foie*, which has been selected for the menus of major pub chains and foreign-affiliated hotels. Sales are gradually expanding, and in June 2024 the product was included in the lunch menu for the World Bank's Understanding Risk Global Forum 2024.

We will prepare for predicted shortages of animal protein by further expanding our range of plant-based protein products. We will also continue to supply an expanding range of other protein products, including seafood.

For our export business, we will introduce and promote delicious Japanese products, especially *Schau Essen*, in overseas markets. We will also expand the number of designated plants

Another priority will be the creation of environment-friendly products. We will reduce the amount of plastic used through product design changes, including the reduction of packaging thicknesses and the elimination of trays. At the same time, we will continue our efforts to reduce CO₂ emissions. In addition to the installation of waste oil boilers and solar panels, we will also switch to fuels that emit less CO₂ and evaluate the use of offsite PPAs. Efforts to alleviate logistics problems and improve efficiency will include industry-level collaboration and the use of cooperative logistics.

TOPICS

Reducing CO₂ emissions efficiently through energy-saving conferences

Every three months, staff from all sections at the Isahaya Plant of NH Foods Ltd., which produces *Chuka Meisai*, *Ishigama Kobo* and other consumer products, meet to share information about efficient ways to reduce CO₂ emissions. In FY2023, 24 energy saving initiatives reduced emissions by approximately 308 tons per year.

These energy-saving conferences facilitate the cross-organizational implementation of CO₂ reduction initiatives. For example, an improvement to a production line for retort-packed curry that resulted in the reduction of energy consumption has since been implemented on other production lines. In March 2024, we installed a waste oil boiler as part of our continuing efforts to reduce CO₂ emissions.

