

Fresh Meats Business Division

We aim to achieve sustainable growth in a challenging business environment through enhanced marketing.



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

The Fresh Meats Business Division has built a vertical integration system covering all stages from the production of fresh meats through to sales, together with fresh meat procurement networks and the Nippon Food companies' sales networks in Japan and overseas. We currently handle approximately 20% of all meat sold in Japan in volume terms.

Three major brands



Sakurahime domestically produced chicken



Mugikomachi domestically produced pork



Australian-produced Omugi-gyu ANGUS

Main brands



Kitanokomekokko brand of chicken produced in Hokkaido



Domestically produced beef GENMAI GYU



American-produced Toumorokoshi Buta



Thai-produced Herb Soiku Chicken



Australian-produced Suffolk-Cross Lamb

Our strengths in each value chain

1. Production and breeding

By operating our own farms in Japan and Australia, we are able to ensure reliability of supply and stringent quality management.

2. Packing and processing

We satisfy customer needs by supplying extremely fresh meats processed at our own plants to meet a variety of requirements.

3. Consignment

Our product lineup covers a full range of meat types sourced from various locations in Japan and overseas. We deploy expert personnel to support reliable procurement and adjust supply and demand.

4. Logistics

We have built an optimized delivery system based on Japan's largest meat distribution centers.

5. Sales

We combine a nationwide sales network with customer-focused marketing.

6. External customers

Volume retailers, food stores, butchers, fresh meat wholesalers, processed food sellers, restaurant operators, food manufacturers

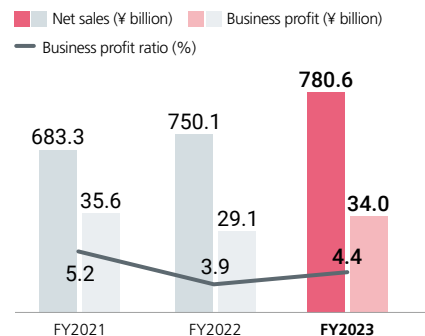
Value provided by the NH Foods Group

- Development of a domestic food sales network to supply food to Japanese consumers
- Supplies of safe, secure, high-quality fresh meats through an integrated structure linking all stages from production to sales
- Contribution to regional prosperity through collaboration with local producers

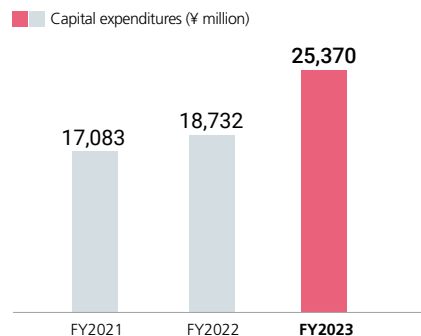


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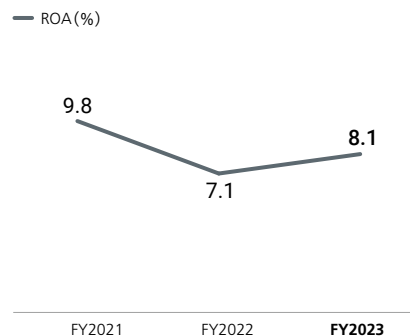
Net sales, business profit, business profit ratio



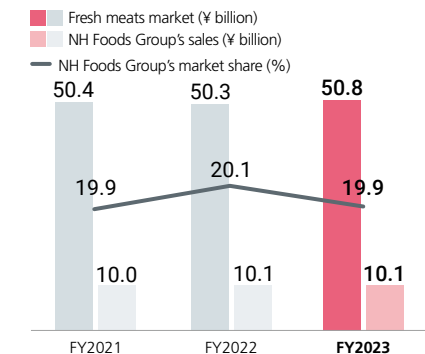
Capital expenditures



ROA



Fresh meats market, NH Foods Group's market share



Results and priorities under Medium-Term Management Plan 2023

Record profits achieved by Nippon Food sales companies

Themes	Results	Priorities
Profitable expansion of market share, profit recovery	<ul style="list-style-type: none"> Increased sales to volume retailers and restaurants resulted in record profits for the five Nippon Food companies 	<ul style="list-style-type: none"> Increase in inventory assets due to sharply higher prices for imported products and feeds Impact of exchange rate fluctuations Slower growth of domestic markets

In FY2023, we prioritized profitable expansion of market share and a profit recovery. Consumers became increasingly budget-conscious, resulting in heightened demand for comparatively cheap domestic chicken and pork, and increased sales to volume retailers. Sales of beef to restaurants also rose due to growth in inbound tourist demand.

We also worked to normalize inventory levels for imported fresh meats and enhance food marketing through business model innovation based on our unique strengths. In addition, we established specialized organizations to handle sales through particular channels, such as volume retailers and restaurants. The efforts of our marketing unit to strengthen our sales capabilities resulted in record business profit (management basis) for the five Nippon Food companies*.

We anticipate continuing challenges in the environment for the Fresh Meats Business, including persistently high feed prices, the weakness of the yen, and

sharply higher prices for imported fresh meats. Profits from the Fresh Meats Business as a whole are tending to decline, but we will continue our efforts to improve profitability, including the normalization of inventory levels.

Capital expenditure was higher than under the previous Medium-Term Management Plan, but we did not reach the target level in Medium-Term Management Plan 2023. There is still work to do in order to secure future business continuity through appropriate investment decisions based on our plans.

New initiatives included the formation of a business alliance with the National Federation of Agricultural Cooperative Associations (ZEN-NOH) in July 2024 with the aim of ensuring the sustainability of livestock farming. (See Special Feature on Page 25.)

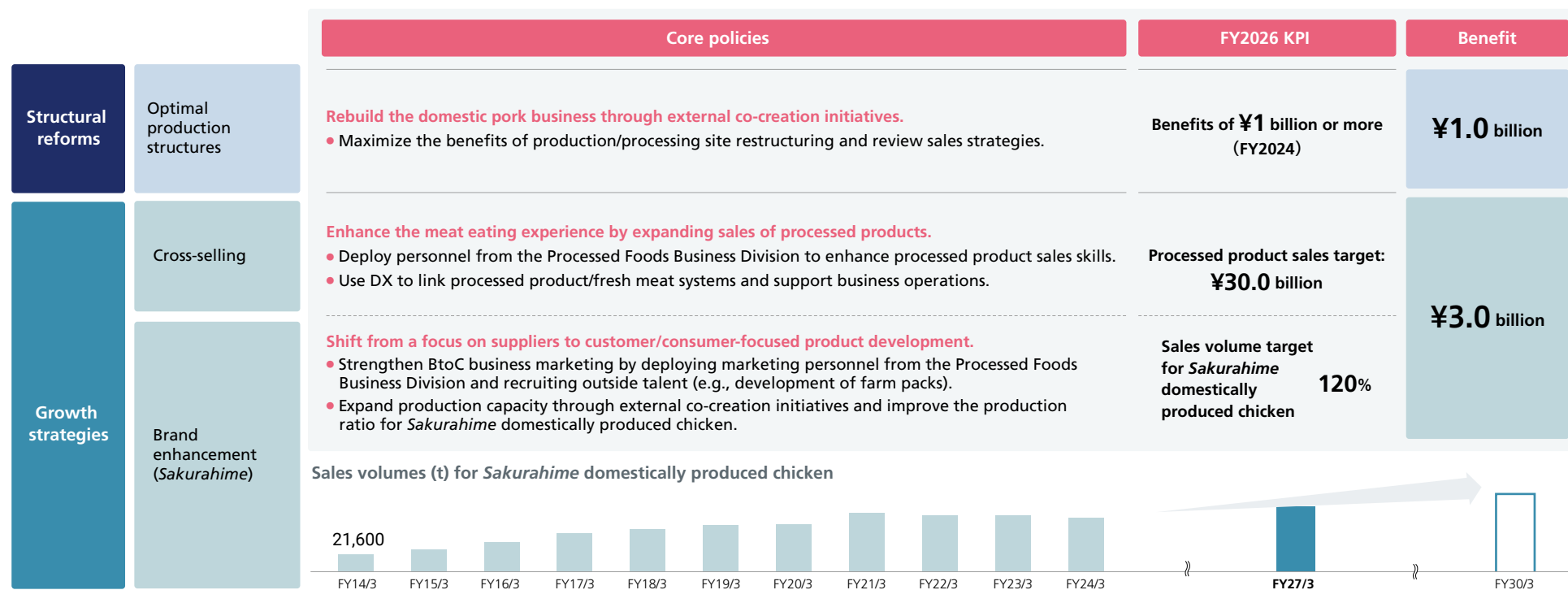
* "Nippon Food companies" refers to five fresh meats sales companies: Higashi Nippon Food, Inc., Kanto Nippon Food, Inc., Naka Nippon Food, Inc., Nishi Nippon Food, Inc., and NHJF corporation



Fresh Meats Business Division

Targets and policies for Medium-Term Management Plan 2026

Further increase the sales potential of the Nippon Food companies by strengthening marketing capabilities. Achieve sustainable sales growth.



Under Medium-Term Management Plan 2026, our robust governance and compliance systems will form the foundation for efforts to achieve innovation in existing business areas, including the use of digital technology, and business expansion.

Structural reforms

One of our structural reform goals is profitability

improvement in the domestic pork business. The opening of the new Donan Plant by Nippon Food Packer, Inc. in January 2024 has increased our meat processing capacity by 40%. This expanded structure will ensure reliable supplies of pork and allow us to increase our exports. We will also work to address low demand in the summer, improve profitability through increased sales of

primary processed products, and promote a sustainable business model for pig breeding.

Measures to strengthen our procurement capacity will include the continuing development of new sources. We will also strengthen our collaboration with the Overseas Business Division with the aim of increasing procurement of competitively priced South American beef and pork.



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Growth strategies

We will address slower growth in the domestic fresh meats market by further strengthening our advantages, including our nationwide sales network and our procurement capabilities, and by creating new marketing models.

One of the pillars of our Fresh Meats Business is the domestically produced chicken business. Our main brand in this area is *Sakurahime*. We aim to expand production and achieve further improvements in profitability. Specifically, we will develop products that match the needs of our customers and consumers, including the reduction of package weights, and the enhancement of farm packs. We will also expand procurement volumes by strengthening our relationships with external suppliers. In addition, we aim to step up marketing of our rebranded *Omugi Beef ANGUS* range through closer collaboration with the Overseas Business Division.

Other priorities include the marketing and development of processed foods with added value, the strengthening of our brands, and responses to the changing needs of our customers and consumers. We will also respond to population decline and a growing need for simple, time-saving products by expanding our range of high-added-value easy-cook products. We will expand promotional activities, assign personnel, and initiate collaborative efforts with the Processed Foods Business Division. In addition to boxed meat, we will also place an increased emphasis on the marketing of

processed foods designed to enhance the meat eating experience in a wide range of meal scenarios. We will use the logistics and marketing networks of the Nippon Food companies to supply our processed foods to consumers in regions that were not previously covered.

At the same time, we will work to achieve carbon-neutrality in our farming operations through the establishment of sustainable production systems, such as through the use of chicken manure to generate electricity. We will also consider brand development for environment-friendly products from these sustainable farms.

New initiatives launched in the current fiscal year include the start of data collection in preparation for the introduction of AI-based supply-demand forecasting. We will use this technology to reduce inventory turnover days for imported products and enhance control of invested capital.

The NH Foods Group created this business model with the aim of building a bright future for its Fresh Meats Business through the development of new business areas. As a result, we now have the biggest share of the domestic fresh meats market in terms of sales volumes. In FY2027, which will be the first year of the next Medium-Term Management Plan, we aim to achieve record profits by pursuing business models that will bring livestock producers closer to consumers and support sustainable livestock farming in Japan, while enhancing consumers' enjoyment of meat.

TOPICS

23.7% reduction of water usage in factories in one year

One of the NH Foods Group's medium- to long-term environmental targets for the period to FY2030 is the reduction of water usage per unit of production. Specifically, we aim to reduce water usage at plants in Japan by 5% compared with the FY2019 level.

Nippon Food Packer, Inc., which processes and packs approximately 170,000 pigs per year, significantly reduced water usage at its Shikoku Plant over a one-year period starting in May 2023. The first step was to identify every location where substantial quantities of water were being used. We then implemented various improvements, including changes to freezer defrosting systems and the nozzles on washing systems. At the same time, the company took steps to raise employee awareness. These steady efforts resulted in a 23.7% year on year reduction in water usage. The Shikoku Plant now has the second lowest water consumption per pig among the company's six plants.

