



TOP MESSAGE

A message from the president

New challenges and co-creation

Working together to create value through protein
Achieving corporate growth through innovation and challenge

Nobuhisa Ikawa
President and Representative Director



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“ Solving problems and achieving turnarounds in each segment ”

Overview of financial results for fiscal 2023

We fully acknowledged the various issues that caused our business profit to decline in the year ended March 2023 (fiscal 2022) and took comprehensive action to address these problems in fiscal 2023 (the fiscal year ended March 2024). These efforts brought a recovery in segment profit, and business profit for the Group improved from ¥25.6 billion to ¥44.9 billion.

In my communication with frontline units, I have continually placed particular emphasis on the improvement of business profit as our most important priority. We have also taken steps to transform our product portfolio, including the discontinuation of production and sales of unprofitable products.

We will achieve sustainable growth by providing value

However, there are many issues that need to be addressed on our path to sustainable growth. We recently completed the formulation of

Medium-Term Management Plan 2026, the theme for which is “Working together to create value through protein.” Under this plan, we will achieve corporate growth and improve our shareholder value by confronting issues head-on and implementing reforms.

In addition to its role as a processed food manufacturer, the NH Foods Group also supports livestock farming, which is a primary industry. This characteristic sets us apart from conventional manufacturers, which simply procure and process materials, add value, and sell products.

Like other food manufacturers, we must add new value to food through our Processed Foods Business. However, we also need to ensure reliable supplies of fresh meats to the Japanese market through our Fresh Meats Business, while encouraging people to consume more protein.

We fulfill a very important role by maintaining reliable supplies of protein to Japanese consumers in the form of beef, pork, and chicken. In addition to supplying fresh meats, we will increasingly need to use our processing technologies to offer easy ways to enjoy the delicious flavors of meat.

For example, the fresh fish sections of supermarkets include counters selling various processed products, such as sashimi, dried

	FY2021	FY2022	FY2023	FY2023 Initial targets	Difference
Net sales (¥ billion)	1,174.4	1,259.8	1,303.4	1,260.0	43.4
Business profit (¥ billion)	45.8 ^{*1}	25.6	44.9	38.0	6.9
Business profit ratio (%)	3.9	2.2	3.5	3.0	0.5
Profit attributable to owners of the parent (¥ billion)	48.0 ^{*2}	16.6	28.1	23.0	5.1
ROE (%)	10.5	3.4	5.5	4.6	0.9
ROIC (%)	5.0	2.4	4.1	3.5	0.6

*1 After retroactive adjustment for the marine food business of The Marine Foods Corporation and its affiliated companies

*2 Before retroactive adjustment for the beef business relating to Breeders & Packers Uruguay S.A.

Introduction

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products, and delicacies. This tells us that families today rarely need to fillet or even cut fish. I believe this trend toward easier meal preparation will continue and accelerate.

“ We will shift from the product-out concept to the market-in concept, and beyond that to the customer-in concept. ”

We need to respond to these changes in society and consumer needs by providing fresh meats that are processed to enhance flavor and make them easier to cook. We are one of the few companies that produce both fresh meats and processed foods. We enable consumers to enjoy the value of protein by using our integrated technologies and expertise to add new value to fresh meats. I see that as one of the reasons for the existence of the NH Foods Group.

Fostering awareness of the need for reform from the consumer's perspective

It will be meaningless to create new value with protein if we cannot provide the resulting products quickly and reliably. We have over 100 logistics centers throughout Japan and our own fleet of over 2,000 trucks. Our ability to deliver products reliably and quickly through this logistics network is a key advantage.

However, we have been unable to realize this advantage fully because of the vertical organizational barriers that have hitherto separated our fresh meats and processed food operations. Going forward, we will shift to a new structure under which convenient processed fresh meat products and other items sought by our customers will be manufactured in the facilities of the Processed Foods Business Division and supplied through the Fresh Meats Business Division. I believe that the resulting crossover in terms of products, logistics, and sales will allow us to create business models

and ideas that maximize our advantage.

My goal is not simply to sell processed products, but rather to consider what we need to do now in order to satisfy consumers in the future. Our overriding goal is to shift from a focus on manufacturing to a focus on consumers.

Of course, this does not mean that we will stop selling fresh meats. We will continue to prioritize fresh meat sales as part of our commitment to the reliable supply of protein. However, as a company with powerful marketing capabilities, we also have the ability to identify changes in consumer needs. The ability to earn profits is obviously important in the short-term perspective, but I see an increased focus on the market-in concept as a vital factor that will allow us to overcome competition and achieve growth by developing and supplying the products sought by consumers from a medium- to long-term perspective.

I will continue to focus on the enhancement of communications with the aim of fostering a mindset centered on medium- to long-term customer perspectives, by visiting manufacturing sites and frontline operations and engaging in dialogue with leaders.

We will advance to a new stage by realizing the goals in Medium-Term Management Plan 2026

Medium-Term Management Plan 2026 was formulated as a blueprint for our evolution as a business entity capable of achieving sustainable growth. The three main components of the plan are structural reform, growth strategies, and cultural reform.

Over a three-year period spanning the fiscal years ending March 2025 through March 2027, we aim to increase our business income beyond the previous record of ¥54 billion to ¥61 billion. This target of ¥61 billion emerged from discussions with general managers of business divisions over a period of one year. It is an achievable target that reflects the determination of our management team. Based on our calculation of the gap between our present position and the target of ¥61 billion in the final fiscal year of the plan, we aim to generate profit of ¥10 billion

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through structural reforms and ¥6 billion through growth strategies.

We have also built a monitoring structure that enables us to check progress on our various initiatives and targets on a monthly and quarterly basis. In addition, we have established specific business schemes designed to accelerate management processes and ensure the achievement of the targets in the Medium-Term Management Plan.

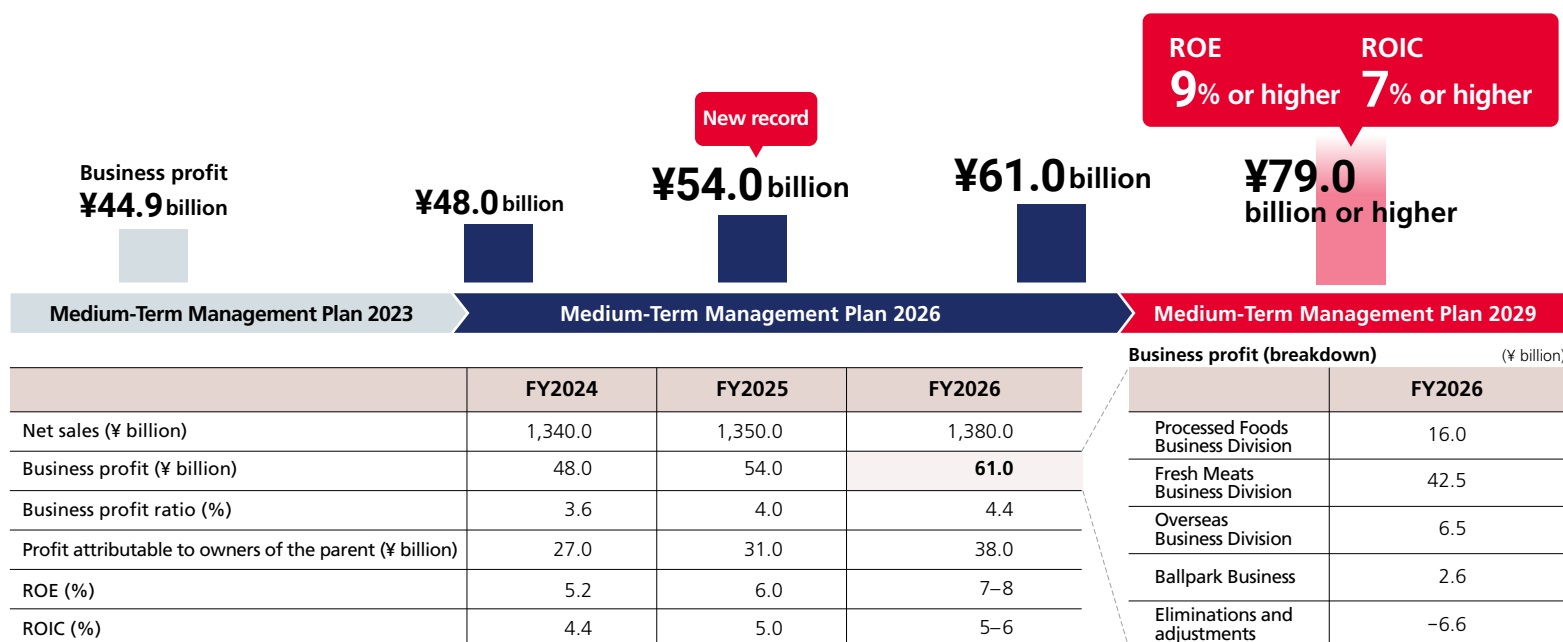
Our structural reform efforts include the enhancement of our product mix, the development of optimized production structures, and reviews of low-profit businesses. Our main growth strategies are brand enhancement, cross-segment marketing, strengthening of global operations, enhancement of R&D activities, and the expansion of visitor numbers at Hokkaido Ballpark F Village. The KPIs that we have defined for each of these categories will be broken down into targets for

individual business divisions. (See page 33 for details.)

Our transformation into a culture focused on new challenges—Starting with the management team

My vision for cultural reform goes beyond the creation of positive working environments. We need to create a corporate culture in which highly motivated and self-driven people can take up new challenges.

The NH Foods Group has been working to tighten compliance ever since the beef mislabeling scandals that occurred in 2002. We have set our own rigorous rules and prioritized full compliance with all requirements. This cultural environment has prevailed for over two decades, and I sense that our willingness to take on new challenges and make changes has been dulled.





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“ I will personally support frontline staff who take up new challenges by sending out *Kaete mo ee de* (“change is welcome”) messages. ”

I have started to raise awareness of the need for new challenges by focusing on our management team, whose role is to set an example for the rest of the company. We have set and will assess new challenges for all members of the management team, from corporate officers to divisional and department managers, including those in Group companies. I will also work to raise awareness levels while maintaining a 360-degree overview. Frontline workers will not be able to take up new challenges until we transform the attitudes and actions of senior managers.

Group companies account for 80% of the NH Foods Group’s profits. Reforms targeting motivation and culture in Group companies will contribute significantly to the improvement of our total earnings. We will monitor the way that management team members approach new challenges. We also select officers from Group companies for executive positions within NH Foods. In addition to transforming our culture, this expansion of our management team with a focus on new challenges will also function as part of our succession planning.

I am working to instill this culture focused on new challenges by directly visiting our frontline operations and Group companies. I also hold promotional meetings at 40 locations each year. In addition, we are continually using various media, including the posting of information on the intranet, and the display of *Kaete mo ee de* (“change is welcome”) promotional posters in all Group companies.

Reform and challenge through human capital expansion

I believe that we need to combine these measures to change the mindsets of existing employees and enhance their capabilities with changes to our recruitment activities. Because of our involvement in a

primary industry, we need people to work in livestock farming and agriculture. In the past, we have approached recruitment without making any distinction between these categories. In a significant number of cases, this has caused us to lose talent to our competitors. When I think about our business activities and human resource structure five or ten years in the future, it becomes clear that the expansion of our human capital in the areas of livestock farming and agriculture will be a particular priority, and that we need to employ various initiatives, including direct approaches to individuals.

Because our corporate administration has prioritized business divisions in the past, there have been few opportunities for people in management areas to diversify their skills and knowledge through rotation into other areas. While people can enhance their specialist skills by working in the same area for many years, I feel that this limits their opportunities to make changes and take up new challenges. We cannot solve this problem simply by transferring people to different areas. We are therefore recruiting ambitious mid-career personnel and appointing them to management positions. Around five such people have been appointed in the past year. We will continue to energize this circulation of human resources while expanding our human capital to meet future needs.

Co-creation—Working together to create value through protein

Our basic approach to co-creation is to work with partners who share our commitment to unleashing new potentials for protein and our goal of working together to create value through protein, which is the theme for Medium-Term Management Plan 2026, and can help us to achieve these aspirations. We will continue to pursue the co-creation of new value with partners who share our ideals.

For example, we will continue to build mutually beneficial partnerships as part of our efforts to realize our mission to ensure reliable supplies of protein. As a company that benefits from the bounty of nature, we are concerned that we do not make sufficient use of by-products from livestock farming. We are also considering



various approaches, including co-creation through research in such fields as the use of by-products in medicine. Another direction for co-creation will be the transfer of processing technologies developed in Japan to other countries. Our baseball team and our ballpark in Hokkaido also offer opportunities for co-creation, and we aim to will take up a variety of new challenges in that area.

“ **We will accelerate our management processes, starting with the launch of co-creation projects.** ”

In July 2024, we launched a business alliance with JA Zen-noh (the National Federation of Agricultural Cooperatives) as our first co-creation project. The main activities under this project are the development of standards for carbon-neutral farming, and use of livestock-derived methane as an energy source, the sharing and automation of meat processing facilities, collaboration on the production of ham, sausages, and other products, and the joint use of both organizations’ logistics networks. Through this project, we aim to ensure the sustainability of Japanese livestock farming by making optimal use of our resources, including management resources and expertise. (See page 25 for details.)

Our sustainability priorities

As a company involved in livestock farming, we view animal welfare and the reduction of livestock-derived greenhouse gas emissions as particularly important priorities. We will continue to work toward solutions in these areas through joint research based on industry-academia collaboration, and cooperation with the livestock industry.

Another initiative that is having a significant impact is the reduction of the plastic used in food packaging and processing in the Processed Foods Business. We have already reduced the amount of plastic used in packaging for our flagship *Schau Essen* brand, and



we are also working toward the elimination of trays used for another of our flagship brands, *Chuka Meisai*. We are also considering the elimination of trays used for our pizza products as part of our ongoing efforts to reduce the quantities of plastic used.

A turning point for NH Foods—Our long-range vision

I see companies as groups of people. Human qualities, such as imagination, creativity, and sensitivity, are the driving forces that turn the impossible into reality. That is why I want to create a corporate culture in which people can continue to take up new challenges. I define a company capable of sustainable growth as one that has large numbers of people who are sensitive to changing trends, who can detect the right time to act, and who can quickly turn their ideas into initiatives.

We will achieve the business profit set down in our Medium-Term Management Plan. We have reached a major turning point on our path to the future beyond that target. Our efforts to transform our human capital and corporate culture are extremely important from a long-term perspective. The steps that we take now in these areas will determine the future of the NH Foods Group. I remain fully committed to the realization of Medium-Term Management Plan 2026, and to the creation of a foundation for the future of this company.

Nobuhisa Ikawa

President and Representative Director