

A message from the vice president

# Transformation to a business base with enhanced portfolio quality

## Fumio Maeda

Director and Vice President, Executive Vice President

### Strategy for the fiscal year ending March 2026

The NH Foods Group operates in a rapidly changing business environment, but we do not anticipate any shift away from the current trend toward a weaker yen. Compared with the era when Japan was the price leader, we now face a global market environment in which it is becoming increasingly difficult to purchase raw materials and other goods at low prices. Feed and energy costs are also soaring, and we are concerned about the future effects of the tariff relationship between Japan and the United States. Since the Japanese livestock industry is heavily reliant on imported feed, we see feed procurement as a potential source of issues in the future.

Domestic consumption trends are also shifting rapidly. Rising prices are reflected in heightened consumer frugality, and finding ways to simulate purchase intentions has become a challenge. I have formulated the following three policies to equip the NH Foods Group for success in this environment.



## A message from the vice president

### 1. Maximizing value across the value chain from a company-wide perspective

The NH Foods Group has value chains for each business division. These have expanded and changed in step with growth, from the era of mass consumption to the current focus on quality. We realized that we could not adapt to these environmental changes without changing the scale of our value chains.

One of our unique strengths is our vertical integration system, which encompasses all stages from the procurement and production of livestock products to processing, manufacturing, marketing, logistics, and sales. I have an important responsibility to match our advantages at each stage of the value chain with contemporary needs.

Until now we have achieved business growth by using horizontal connections across our value chains to differentiate ourselves from our competitors. Going forward, we plan to restructure our value chains to reflect the current environment by actively incorporating co-creation with other companies alongside our own operations. We have already announced several moves toward this transformation of our value chains, including a partnership with JA ZEN-NOH, the acquisition of LJD Holdings, Inc., and the signing of a comprehensive business partnership with Charoen Pokphand Foods, the biggest food company in Thailand.

We believe that there is still room for improvement along the vertical axes of our value chains when viewed from a cross-segment perspective. In the past, some aspects of optimization across multiple business divisions were difficult because of differences in practices and systems. However, the Business Strategy Division is now acting as a hub for the cross-segment implementation of these changes.

We recently carried out major structural reforms that resulted in the transfer of functions and personnel from the Overseas Business Division to the Fresh Meats Business Division

and Processed Foods Business Division. This restructuring is already yielding benefits, including the cross-organizational deployment of know-how and personnel, as well as processing technologies developed in Japan. Other benefits include faster collaboration with overseas operations in the fresh meats segment.

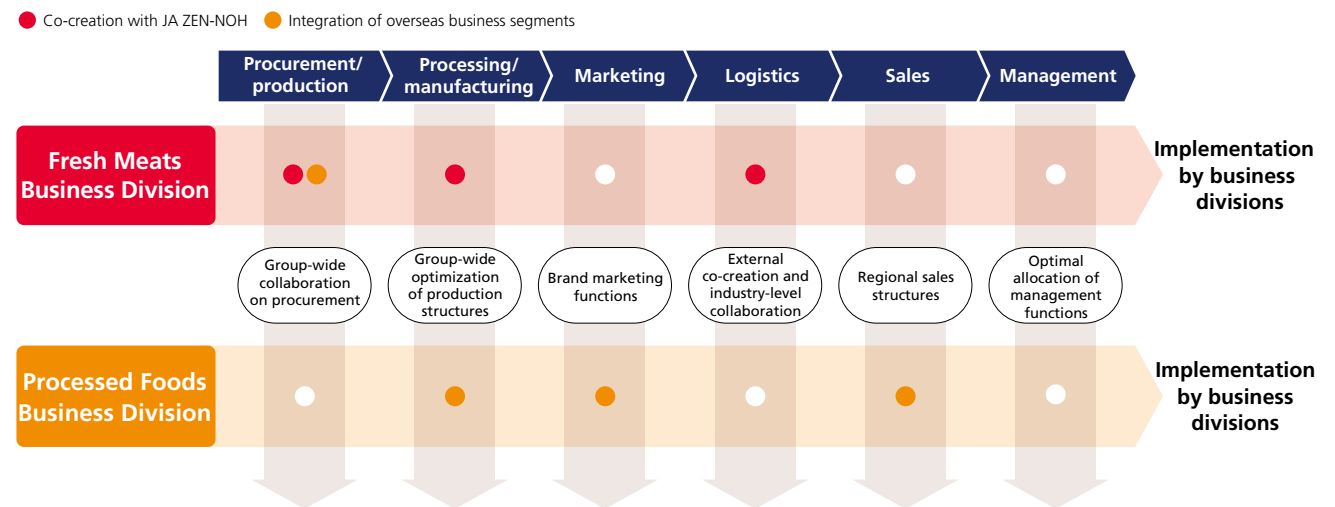
Soaring beef prices in the second half of the fiscal year ended March 2025 led to a shift in demand from beef to pork. This resulted in supply-demand gaps, since our procurement activities are based on plans that anticipate needs several months into the future. Frontline sales personnel were aware of this shift in consumers' meat preferences, but this information was not shared quickly enough with our procurement networks and overseas production units, and our profits were impaired as a result. We believe that our

organizational changes will minimize such supply-demand gaps and enhance profitability.

We have expanded joint purchasing activities by procurement units in the Fresh Meats Business Division and the Processed Foods Business Division. This is expected to result in enhanced earnings for the Processed Foods Business Division. We are also working on collaborative production activities involving plants that are in close proximity to one another. In addition, we are exploring the possibility of using the Processed Foods Business Division's processing technologies to create primary processed fresh meat products.

One of the NH Foods Group's strengths in the area of logistics is our transportation capacity for chilled products. We will further enhance this advantage by pursuing

#### Value Chain Changes



**By optimizing our activities from both the value chain and cross-organizational perspectives, we will maximize value throughout our value chains and strengthen our business base.**

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cross-segment strategies. In May 2024, we introduced palletized shipping, which has not been used extensively in the fresh meat industry in the past. We will continue to lead the industry in introducing this palletized shipping. We will also explore the possibility of transporting other companies' products alongside our own.

Through these initiatives, we aim to achieve both horizontal and vertical optimization, leading to value enhancement across entire value chains. If we encounter issues that we cannot resolve solely through our own efforts, we will pursue solutions through co-creation with other companies.

### 2. Creation of new profit opportunities through new business creation

While our frontline employees intuitively understood the changes taking place in the Japanese consumption environment. However, we still faced many challenges, including our inability to reflect these changes in our product commercialization and marketing strategies quickly enough. We need to adapt our marketing systems to a market environment characterized by accelerating change, while also speeding up our product development activities.

In June 2025, we formulated the *Proteininnovation* R&D strategy. As a company dedicated to the supply of protein, we will work not only to ensure reliable supplies of protein, but also to develop and provide new types of protein. By exploring the potential of protein in new areas, we are confident that we can develop ways to meet customer needs while also addressing social issues, leading to sustainable growth for the NH Foods Group.

I believe that in addition to the initiatives outlined in Medium-Term Management Plan 2026, we also need to prioritize the development of a growth strategy that will enable us to achieve medium- to long-term growth. That

will require the creation of a "new business" segment as our fifth business pillar. We aim to map out a specific strategic direction and specific themes for our growth areas before the end of the current fiscal year.

Another key focus will be expansion into overseas markets. We will transform the NH Foods Group into a business structure capable of achieving growth through expansion into growing overseas markets and the global roll-out of our brands.

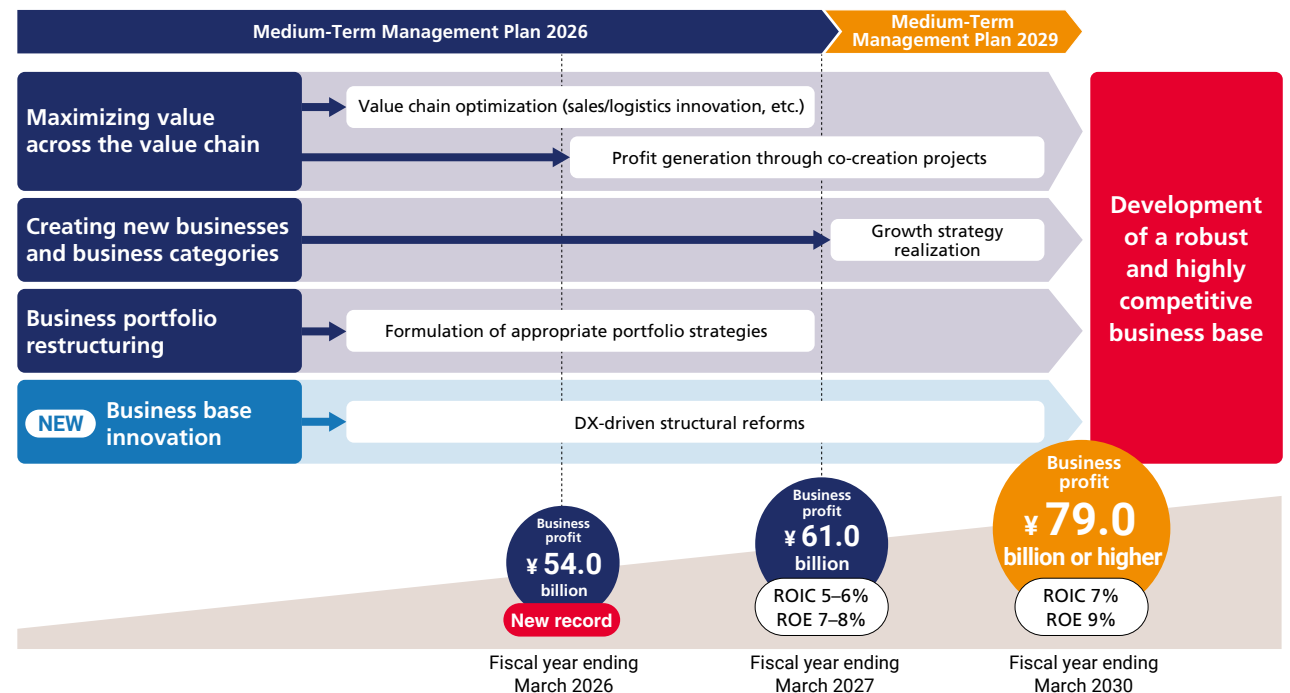
We will continue to pursue our R&D strategy and overseas expansion, both through our own initiatives and

also through external co-creation activities. Where necessary, we will also actively engage in M&A, while allocating funds appropriately in response to opportunities for growth, leading to further value chain optimization.

### 3. Transforming our business base with DX

Business base enhancement through digital transformation (DX) initiatives will play a vital role in maximizing the income generated by all of our business processes. The NH Foods Group's DX strategy centers on the concept of enhancing the value of existing businesses and creating new value

The growth story of the NH Foods Group





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through operational innovations and the transformation of digital platforms.

In April 2025, the Processed Foods Business Division began to introduce SAP technology to enhance its operational efficiency and improve the accuracy of supply and demand forecasting. We initially experienced teething problems due to a lack of familiarity with the new systems. However, we have completed the development of a structure that supports centralized data management, and we are now transitioning to the operational phase.

We also plan to introduce SAP technology in the Fresh Meats Business Division, starting in FY2028. By learning from the issues encountered when the technology was introduced in the Processed Foods Business Division as part

of the preparatory process, we aim to ensure a smooth transition for the Fresh Meats Business Division.

At the same time, the NH Foods Group will move forward with the use of AI to generate economic value. Over the past two years, we have been trialing an AI-based supply-demand forecasting system for our imported chicken procurement operations. Using data collected through this system, we forecasted demand two months and four months ahead and then used AI to support purchasing decisions. This initiative has already delivered measurable benefits. While it will be difficult to adapt the system for other types of meat because of differences in the timing of procurement and the number of different meat cuts, we intend to apply knowledge and experience gained from its

use for imported chicken procurement in other areas. We will continue explore various improvements, including the use of AI-based forecasting for our beef and pork procurement activities.

### Achieving sustainable growth

The NH Foods Group owns Japan's leading sausage brand, *Schau Essen*, and has a nationwide fresh meat distribution network with around 1,300 trucks. Our other strengths include an excellent logistics network, quality assurance systems to ensure product safety, and production capabilities that enable us to meet the needs of our customers. Through our Ballpark Business, we are also a leader in the Japanese sports content industry. While these strengths put us ahead of our competitors, we believe that there is always room for further improvement.

To achieve further growth and meet the expectations of our stakeholders, we need to leverage these strengths to enhance our competitiveness and profitability. To achieve that, we must take on the challenge of achieving real change rather than just pursuing improvements and upgrades along our existing trajectory. I believe that I have a personal responsibility to develop strategies that will help our employees to take on new challenges along a unified vector leading to the realization of our vision. By harnessing the integrated strengths of the NH Foods Group, we can overcome challenges in the external environment and achieve sustainable growth.