

## A message from the executive officer in charge of Value Based Management promotion

# Value Based Management decision-making based on long-term perspectives

**Atsushi Onishi** Executive Officer in charge of VBM Promotion Office and Sustainability Department

**Profile** Atsushi Onishi joined the Finance and Accounting Department of Aisin Seiki Co., Ltd. (now Aisin Corporation) in 1993. In 1998 he was seconded to the Corporate Financial Strategy Department of the Daiwa Institute of Research Ltd. (DIR). From 2007 onwards, he spent eight years working for Aisin Holdings of America and other three subsidiaries as the chief financial officer. He joined NH Foods Ltd. in November 2023 and has since served as Assistant CFO. He is also a Visiting Professor in the Graduate School of Economics of Nagoya University.



### Our VBM philosophy

The NH Foods Group established the VBM Promotion Office in April 2025 as the decision-making axis for the creation of multifaceted value from a long-term perspective under our Value Based Management (VBM) philosophy. The most important requirement for the creation of corporate value is to consider ways to ensure sustainable future cash flow growth from a long-term perspective. That concept is the foundation of my philosophy.

Before joining the NH Foods Group, I spent many years assessing company and business value for M&A and business restructuring, and developing capital policies to maximize corporate value. I aim to apply that experience to Value Based Management at the NH Foods Group.

The VBM Promotion Office will change the focus, scope and perspectives of our traditional approach to financial management systems in three ways.

First, we will realign our focus from profit to value. Since the future is built on current profitability, we will of course need to maximize the financial value of existing businesses from a short-term perspective by improving capital efficiency and expanding profit. Return on invested capital (ROIC) will be an important indicator for this. ROIC is already reflected in the management of NH Foods. However, if we look at the current year's results solely in terms of ROIC, there will inevitably be a bias toward short-term perspectives, which could lead to a shift toward business downsizing. The important thing is to strengthen our earning structures by accelerating profit-focused PDCA cycles, while also shifting to a management focus on value creation. Instead of basing decisions solely on short-term performance indicators,

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we will now judge actions according to whether or not they are necessary for value creation.

Second, we will shift our scope from individual optimization to overall optimization at the consolidated level. For the NH Foods Group, which consists of around 70 companies, this means that in addition to pursuing profit maximization for individual group companies through our management actions, we will also need to expand our perspectives and embrace the concept of overall optimization, including whether or not actions contribute to value creation across the entire group. This concept of overall optimization is reflected in our commitment to maximizing value across value chains, which is a core policy under Medium-Term Management Plan 2026.

Third, we will shift our perspective from short-term to long-term, and from the present situation to the future. As I stated earlier, while strengthening corporate fundamentals through the capture of short-term profit is an important management mission, we cannot build

future value if we are too preoccupied with current trends.

As our President & CEO, Nobuhisa Ikawa, has also mentioned, this philosophy calls for a focus on long-term factors. Long-term value creation is achieved through management based on the use of back-casting to identify future goals so that we can work to bridge gaps between the present situation and our vision.

Recently there has also been an increased focus on non-financial value that has a positive impact on society, such as environmental protection, R&D, and contributions to community development, as an extremely important factor for sustainable cash flow growth. I aim to position the VBM Promotion Office as an organization that will be more focused on company-wide value and able to function as a value creation hub linking business divisions and corporate functional units to create value, so that we can continually update the thinking on which our actions are based, while adapting more rapidly and effectively to accelerating environmental changes.

## Visualization of financial discipline and earning power

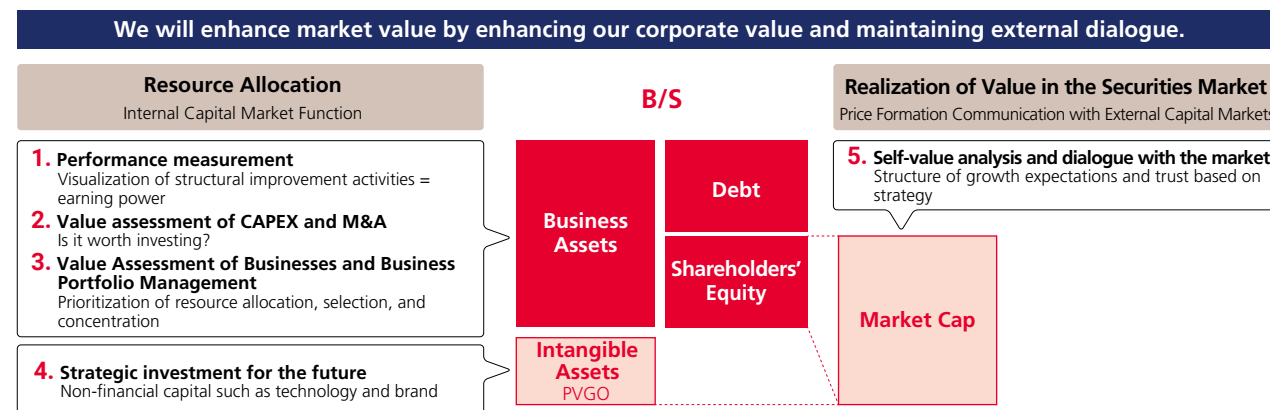
We will strengthen our financial discipline as part of our efforts to drive VBM.

There are only two ways to create corporate value. The first is to generate returns in excess of capital costs on past investments that now exist in the balance sheet as existing businesses. The other is to execute investments in excess capital costs going forward.

To generate value through business consistently, we need to support business activities under an appropriate financial PDCA system. The NH Foods Group has solid product brands, notably *Schau Essen*, but we must still be able to react nimbly to fierce competition and environmental changes. A characteristic of the fresh meats business is the fact that basic earning power can be concealed by fluctuations in trading prices in the beef, pork, and chicken markets and feed prices, which can significantly impact performance. Because substantial amounts of meat are sourced overseas, exchange rates can also have a considerable impact. The ideal financial PDCA is defined as focusing on and supporting frontline improvements and their efforts, excluding external factors. We work to enhance earning power by improving business structures.

The most important aspect of our future investment from a corporate management perspective is to control how much will be invested (or not invested) and in what. We need to choose investments that will generate value and avoid investments that will result in impairment. To achieve this, we decided in the previous fiscal year to treat the ¥50 billion investment in excess of depreciation, which

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causes the balance sheet to expand, as an investment budget under the control of head office, instead of at the discretion of business divisions. Last year, we also completed the division of capital costs into totals for each business instead of a uniform corporate total. Going forward, we will make value-based investment decisions that take capital costs for each business into account, by formulating investment projects based on visualized earning power.

### Business portfolio management and value mapping

The aim of VBM is to improve the structures of existing businesses and execute selected investments, and to manage the shape of our portfolio on that basis. I see value mapping as a useful tool for this purpose, since it provides an overview of our value as a company based on portfolio verification through a comprehensive assessment of the growth potential, attractiveness, and earning power of the business domains in which each business operates. We will combine value mapping with the business portfolio matrix.

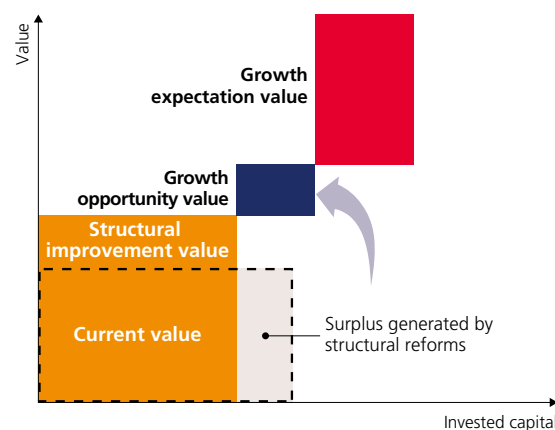
In this way, we will be able to consider our management strategy while thinking comprehensively about individual aspects of each business and long-term factors from a group-wide perspective. For example, how much further value can be enhanced through structural improvements and additional investments, which businesses to focus on for cash recovery, and whether to consider M&A (acquiring external resources to achieve synergies) for the next growth stage.

Value mapping also enables us to visualize the situation now and in the future. Since timelines and non-financial value are also decision-making elements, even if there is a temporary decline in business performance, the perspectives for decisions about the allocation of management resources will also include whether the business concerned is necessary for our core competencies and whether it will contribute to the solution of social issues.

Externally, we disclose information divided into three segments: Processed Foods, Fresh Meats, and Ballpark. Internally, we also analyze 18 business categories, which serve as the units for executing our strategies, to accurately identify growth opportunities across our businesses.

### Visualizing value creation through value mapping

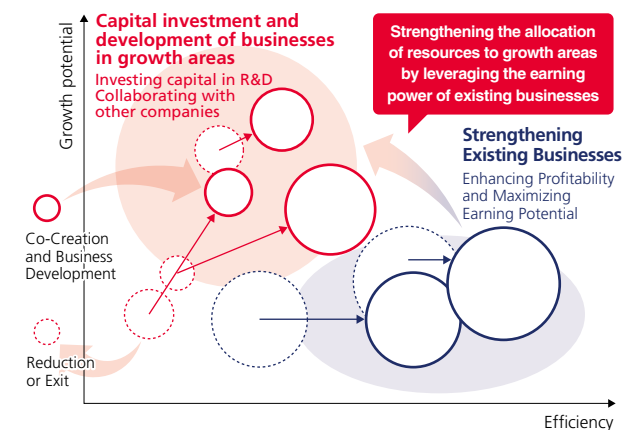
#### Using value mapping to recognize value creation from a group-wide perspective



Value map  
Structural improvement < Growth opportunities < Growth expectation value

In fiscal 2024, we also invested in venture capital with the aim of accelerating co-creation with other companies and open innovation. In addition to the acceleration of R&D based on the *Proteinnovation* R&D strategy that we announced in June 2025, we will also expand our alliances with startups and external research organizations. Initiatives such as these will allow us to create a structure capable of constantly searching for new technologies and know-how that can be used to drive the growth of the NH Foods Group over the next 10 years and the realization of Vision2030.

#### We identify ROIC and capital costs for each business and allocate management resource to businesses that create value.



Analyzing the competitiveness, growth potential, and market potential of each business and identify businesses to recover cash or expand investment.