

Minutes of the Web Conference for the Medium-Term Management Plan 2023

Date & Time: May 13, 2022 (Friday) 9:00-10:30

Presenters: President and Representative Director	Yoshihide Hata
Representative Director and Executive Vice President	
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Representative Director and Executive Vice President	
General Manager of Corporate Planning Division	Nobuhisa Ikawa
Director and Managing Executive Officer	
General Manager of Processed Foods Business Division	Fumio Maeda
Director and Executive Officer	
In charge of Accounting & Finance Department	Masahito Kataoka
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Medium-Term Management Plan 2023 Progress Briefing Materials

Source: "https://www.nipponham.co.jp/eng/ir/library/briefing_session/"

○Q&A○

Q1. What are measures taken by the Processed Business Division to cope with cost increases expected in FY2023/3?

For FY2023/3, we are assuming an impact of ¥13 billion in the external environment. We expect the price revision already implemented ¥6 billion and the improvement activity ¥5.6 billion to improve by ¥11.6 billion, but a certain impact remains. Improvement activities are planned to further revise prices, change the mix, and reduce the number of items. The reduction of items will be bold because it will lead to a recovery in operating revenues, improvements in plant productivity, and standardization of logistics operations for the future. Efforts will be made to realize improvement effects from the next fiscal year onward, including the DX that is currently underway.

Q2. What is a self-evaluation of price revisions at the Processed Foods Business Division and responses to further cost increases?

We took the lead in revising prices in the industry, and as a result, sales volume was affected in the fourth quarter. However, other companies are also revising prices, and volumes are recovering from the start of this fiscal year. The improvement effect of the price revision will be realized as initially expected. If the procurement environment deteriorates further, we would have to consider another price revision.

Q3. What were efforts by the Processed Foods Business Division for past self-help efforts?

In order to increase profit margins, we have been promoting awareness reforms with a strong

determination. In sales, we worked on brand extensions and new value creation. In manufacturing, we worked to improve profitability by saving labor and utilizing waste oil. Environmental measures such as reduction of product films have also been practiced. In the future, we will further promote line consolidation, labor-saving measures, and environmental measures.

Q4. What are expected effects by organizational restructuring of the Fresh Meats Business Division?

As meat consumption expands, we have achieved growth through self-sufficient based on integration and maximization of profits through production and shipment optimization. However, domestic meat consumption has peaked out since 2019. The future potential of the meat business has become a major issue. Through this reorganization, we aim to coordinate production and delivery, optimize inventory, eliminate overlapping operations, and reduce logistics costs. We also cooperate with machine manufacturers to rationalize and to streamline processing companies. Nippon Food Group sales will also consider the ideal state of regional sales bases. Procurement is not only self-sufficient, but also strengthens external procurement. We build a supply system to achieve a 25% share of the market by strengthening branded meat and external procurement. In addition, we restructure a sustainable meat business model for the entire integration of the fresh meats business, from upstream to sales. We intend to become an organization that is resilient to headwinds through organizational restructuring.

Q5. What are measures taken by the Fresh Meats Business Division to cope with cost increases expected in FY2023/3?

In the farming division, we will secure profits throughout the value chain, despite the impact of soaring feedstuff and fuel prices. We will collaborate with feed manufacturers to consolidate feed and take other measures to curb costs. The above-mentioned reorganization will also improve the cost structure. In Nippon Food Group sales, we secure profits by strengthening sales to the restaurant channel and through a brand strategy.

Q6. What is the reorganization of the Nippon Food Packer Group in the Fresh Meats Business Division?

Nippon Food Packer Kagoshima, Inc. announced the closure in March 2023, and Nippon Food Packer Tsugaru Co., Ltd. announced the closure in March 2024. It was judged considering countermeasures for aging of facilities and future efficiency improvement. We plan to improve production efficiency in the continuing food packer group and maintain and improve supply volume.

Q7. What are profit plans of Australia business in the Overseas Business Division?

Australia is forecasting a ¥0.5 billion decline in profits. However, the decline in China's consumption and other factors have led to uncertainties about global sales prices, and the lack of labor at meat packers due to COVID-19 has not resolved and the number of processing heads has not recovered. Australia has been profitable by strengthening branding and raising the domestic sales ratio. In addition to stabilizing earnings through a production system linked to sales, we will work to further secure earnings. On the other hand, BPU, Uruguay beef packer is seeing an increase of 0.5 billion yen. The global beef environment is unlikely to be in Australia, but export volume declined in the first quarter of the previous

year due to the suspension of exports to China. Its export has already resumed, and the export volumes are expected to recover in the current fiscal year.

Q8. What are Cross-Business Strategies?

In order to increase profitability across the processed foods and fresh meats businesses, we will promote logistics and sales projects. The logistics project utilizes the logistics network of the processing and meat business to build an optimal logistics system. The sales project will build a sales system tailored to regional and major cities across divisions. The Free Trade Agreement Project will consider the optimal procurement system, including the domestic manufacturing system. We would like to create a system that can respond flexibly and quickly to changes in the environment.