

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

Date & Time: May 16, 2023 (Tuesday) 13:00-14:30

Presenters: President and Representative Director	Nobuhisa Ikawa
Director and Managing Executive Officer	
General Manager of Fresh Meats Business Division	Fumio Maeda
Director and Managing Executive Officer	
CFO, in charge of Accounting & Finance Department	Masahito Kataoka
Managing Executive Officer	
General Manager of Overseas Business Division	Nobuo Oda
Managing Executive Officer	
General Manager of Processed Foods Business Division	Yukihiro Matsumoto
Executive Officer, in charge of Corporate Planning Department, DX Promotion Department, Sports Business Department	Hirohide Fujiwara

Source: Medium-Term Management Plan 2023 Progress Briefing presented on May 16, 2023

https://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2023/20230516.pdf

○Q&A○

Q1. What is our view on the ¥79 billion business profit plan for the final year of the Medium-Term Management Plan 2029?

The external environment changed drastically from when the medium-term management plan 2023 was formulated. Through this fiscal year, we will closely examine whether it is achievable and announce it in the next medium-term plan.

Q2. What is the difference between our determination to promote structural reform and the past?

There are two main points. The first point was that past reforms resulted in individual optimization for each business division, but in the future, Management Department will take advantage of the grip and work on it from the perspective of total optimization. The second point is a sense of unity in which management works together to advance structural reforms. We promote structural reforms by assembling human resources who can implement reforms without fear.

Q3. What is the direction of future structural reforms?

It is undeniable that discussions to build an optimal business structure had been postponed due to various backgrounds. Going forward, we will reorganize the expanded invested capital rather than the story-like discussions, concentrate on core businesses, and review low-profit businesses, including overseas businesses. We will not rely on excessive top-line growth but will consider the appropriate level of invested capital and pursue an optimal business structure.

Q4. What is the specific scale of structural reforms?

Currently, we are accelerating discussions toward disclosure in the next medium-term management plan, but it is difficult to mention the specific scale at this time. The final-year target at the time of the formulation of the current medium-term management plan was earnings, as well as an efficiency indicator of ROE 8% and ROIC 6%. It is also necessary to consider the level of assets relative to these targets, as well as the level of profits. Our consideration will proceed based on the acceleration of the restructuring plan and additional measures.

Q5. What is our view of asset-light in the future?

We examine the relationship between sales and profits and invested capital and reduce excessive assets. We consider initiatives in three directions: new investments, existing fixed assets, and corporate assets. With regard to new investments, Management Department shall exert control over the grip from a company-wide perspective. Existing fixed assets will be reduced by reviewing low-profit businesses and considering OEM production. The company-wide assets will be reduced in deposits and the sale of strategic stockholdings. Instead of reducing them uniformly, we consider the balance with profits and judge them based on the environment of each business.

Q6. What is your approach to capital investment?

In the current medium-term plan, we constructed a ballpark, so the capital investment plan for the next medium-term plan will be lower than planned. Free cash flow turns positive from the current fiscal year. The next medium-term plan will also be planned capital investment with an awareness of free cash flow.

Q7. What is the cross-business strategy?

Food Sales assets (human resources, bases, and trucks) are among the highest in the industry, and our nationwide coverage is a major strength. Conversely, in the processed foods business, the share of the countryside market is declining as a result of the separation of distribution and sales due to factors such as the conversion of customers to center deliveries. Leveraging the assets of Food sales to customers who have not delivered products to the center will lead to an increase in processed foods

share. We will proceed with the verification of whether it will be implemented in the next medium-term management plan.

Q8. What are the recovery measures in the processed foods business for the current fiscal year?

In the previous fiscal year, the product MIX deteriorated due to the decline in sales of mainstay brands and the expansion of sales in the low-price range. This is caused by the fact that manufacturing division and sales division were individually optimal, and the Company was unable to implement integrated manufacturing and sales measures. The Marketing Management Division was newly established this fiscal year. It takes the lead in controlling profits to maximize profits while manufacturing and sales are in total optimization.

Q9. What is the future direction of the fresh meats business?

In order to increase market share, we will consider which business to grow in the next medium-term plan, but we believe that expanding domestic chicken will lead to stable growth. Rather than expanding everything in-house, we will also strengthen procurement from outside the company. Considering the balance between in-house production and external procurement, we promote procurement that leads to stable future growth and development.