

Minutes of IR DAY on January 14, 2022

2nd Part: NH Foods Group's DX Efforts 14:10-15:00

Presenter: Executive Officer, General Manager of Corporate Planning Division Hirohide Fujiwara

○Q&A○

Q1. What are quantitative targets of utilizing AI for inventory allocation by the Processed Foods Business Division, shipment management by the Fresh Meats Business Division, and Smart Pig?

We expect that AI will be able to replace the man-hours for 40 to 50 people. It is also expected that the adoption of AI will improve efficiency, such as reducing sales chance losses, waste losses, and improving direct delivery rates. Smart Pig is expected to be able to recover its investment within five years if it is invested on a standard farm. In the future, it will be important to make use of human resources, and we will concentrate our human resources on operations with greater added value.

Q2. What is the outlook for the realization of benefits from DX investments planned for the fiscal year ending March 2024?

The ¥4 billion DX effect planned for the fiscal year ending March 2024 is expected not only to improve operational efficiency, but also to further expand and strengthen existing businesses and to expand new business domains. The timing and scale of the emergence of DX benefits will be aimed at achieving benefits that exceed projections at the same time as the realization of benefits at an earlier stage from the creation of Quick Win.

Q3. What is the size of investments in DX costs?

The plan we calculate as DX expenses includes not only the new system, but also other expenses such as system maintenance expenses during the parallel run period with the existing system and education expenses to instill understanding in each business division. Even compared to other companies, we do not recognize that our DX expenses are too high.

Q4. What is the progress and challenges of DX investment? What is a promotion to make stock market understand the DX investment?

We think the progress is generally in line with the plan. Collaboration with each business division will be extremely important in the future when implementing it, so the DX Promotion Department and IT Strategy Department are cooperating with each business division to promote information sharing for introduction.

In order to promote better understanding of the stock market, we would like to present KPIs that can be shared in financial results announcements and analyst briefings.