

Messages from outside directors



The NH Foods Group needs to work toward the realization of its vision with resolve and determination.

Yasuko Kono Outside Director

In fiscal 2021, the first year of Medium-Term Management Plan 2023, management tackled a range of priorities in relation to both business and the materialities. The prices of raw materials, animal feed, energy, and other items soared under the impact of the prolonged struggle against COVID-19, as well as the Ukraine crisis, and a weakening yen trend. The Company was forced to take a variety of actions, including revise prices, to ensure profitability in this harsh business environment. There was also important progress in many areas, including the formulation of an animal welfare policy and the introduction of environment-friendly packaging for *Schau Essen* products.

In fiscal 2021 I submitted an opinion highlighting the need for increased sensitivity to the solution of social issues from the perspective of consumers as an important aspect of corporate management.

Today there is increasing awareness of the importance of synergies between the financial and non-financial aspects of business activities as a path to survival for business corporations. Companies need to make significant commitments, including investment, to the achievement of the SDGs and material priorities, and the development of products from a market focus. The NH Foods Group deserves credit for steadily taking action and making progress on measures that contribute not only to its own sustainability, but also to social and environmental sustainability.

The NH Foods Group also deserves recognition for its efforts to build communication, especially the active participation of top management in discussions with frontline staff about the importance of a commitment by the entire Group, including employees, to the realization of Vision2030 and the Five Materialities.

In these uncertain times, companies need to earn the support of society and consumers by never neglecting the vital task of consistently and confidently supplying products backed by a solid commitment to quality and safety. Companies also need to view efforts toward the realization of the SDGs, which are part of a major global trend, as an investment rather than a burden. In addition, they need to remain focused on communication with all stakeholders, including shareholders, investors, markets, consumers, and employees. I also believe that the NH Foods Group should continue its efforts to inform society about its determination and the direction of its efforts.

The business environment is likely to become even more challenging in fiscal 2022. Vision2030 is a promise to society. I hope that the NH Foods Group will remain firmly committed to the task of turning this vision—"Unleash new potentials for protein"—into reality in ways that lead to improvements in both corporate value and business performance.



Dissemination of Vision2030 was a focus in the previous year.

The priorities now are overseas business strategies and group governance.

Hideo Arase Outside Director

The NH Foods Group has taken the first step toward addressing future challenges by adopting Vision2030 "Unleash new potentials for protein." I see human resources as a driving force for opening paths to the future, and I will therefore aim to contribute to realization of Vision2030 from the perspective of diversity and inclusion. In fiscal 2021 there was clear evidence of the Company's commitment to disseminating Vision2030, including the introduction of a Vision2030 award system for individual employees as an initiative to mobilize the strengths and ideas of individual employees. With projects of this type, it is vital to stimulate employee's curiosity and link their ideas to the improvement of business performance. I hope that the Company will continue to harness the talent of its employees to value creation through these systems, including the existing N-VIP system, which encourages employees to propose new business initiatives, and the Young Employees' New Product Proposal Forum. I also see the Company's determination to contribute to the achievement of the SDGs through the realization of its materialities as a positive change. This commitment has already yielded many visible improvements, such as the introduction of new packaging for the *Schau Essen* range.

I aim to contribute to the enhancement of medium- to long-term corporate value by providing input and participating in voting on motions in board meetings, while always remaining focused on the Corporate Governance Code. My role also includes participation in decision-making processes relating to nominations and remuneration, the delegation of executive authority, responding to management crises in emergency situations, dialogue with

institutional investors, and the enhancement of corporate governance. I am also expected to look at both offensive and defensive risks in relation to management, and to reflect my insights in strategies. I focus in particular on issues that I perceive in the areas of overseas business, M&A, organizational reforms, and human resource development.

In fiscal 2021, the Company made a good start with its efforts to improve the sales and profits of its overseas businesses, despite the environmental changes caused by the COVID-19 pandemic. However, it was slow to adopt growth strategies to control the impact of the external environment and enhance competitiveness, and it will need to accelerate progress. In relation to M&A activities, I would like to have more opportunities to visit domestic and overseas sites and engage in dialogue, in order to learn about frontline operations, including post-merger integration processes, organizational reforms, and human resource development.

In addition to differences in way that individual companies view risks, another challenge in relation to group governance is the time and effort required to develop the structures needed to implement group strategies efficiently. These factors have a major impact on the entire group, and management needs to initiate measures, starting with the companies in which these efforts are likely to yield the greatest benefits.

The NH Foods Group's message to the world is to "Unleash new potentials for protein." I hope that this concept and the benefits that it brings will be disseminated worldwide.



I see this as a historic transition. I will work to improve corporate value by providing advice based on outside perspectives, and by actively engaging in dialogue with investors.

Tokushi Yamasaki Outside Director

Vision2030 represents a major transition in the long history of the NH Foods Group from the viewpoint of company-wide optimization. Management efforts toward the realization of this vision began in fiscal 2021. The key goal indicator (KGI) for financial performance is ROIC. In addition to improved profit ratios, the Company is also targeting asset efficiency and plans to reduce the number of business sites in Japan by around 20% by fiscal 2029. Non-financial goals include contribution to the solution of social issues through the pursuit of the Five Materialities. The Company also aims to reduce shareholder capital costs by mitigating management risks. The NH Foods Group is moving forward with various cross-segment strategies, such as the Hokkaido Project. At the same time, it is shifting its functional strategies, including the promotion of digital transformation (DX). My impression is that the Company is progressing toward the creation of a highly functional organization, which is a key focus of its management philosophy.

I have identified five management issues. First, is the Company moving quickly enough toward the realization of its management policies? Second, how are materiality-related initiatives being quantified and linked specifically and logically to the improvement of corporate value? Third, how effectively are human and financial resources being utilized? Fourth, how is brand value being enhanced? Fifth, is risk being managed adequately on a company-wide basis? During my 30-year career as an analyst in a securities company, I analyzed and evaluated listed companies and

assessed their corporate value, while also engaging in dialogue with both business corporations and investors. In my three years with the Group as a member of the Audit & Supervisory Board and two years as a Sustainability Committee member, I have identified issues within the Group and engaged in discussions on various topics in meetings of the Board of Directors. I believe that my role as an independent outside director is to remain focused at all times on the improvement of corporate value, and to help the Company to achieve healthy growth by offering advice about management issues from an outside perspective. I am confident that the NH Foods Group will be able to build sustainable and robust business models through its efforts to address the five issues that I identified. I will continue to do my best to provide useful recommendations.

I am also committed to active dialogue with investors. When engaging in dialogue with investors, it is important to have a proper understanding of investors' perspectives, and to understand gaps between their perspectives and those of the Company. Currently I feel that there are gaps that we have not yet analyzed and understood in such areas as leadership, brand value, GHG reduction, shareholder capital costs, and the share price. I aim to use the experience that I have gained within and outside of the Company to contribute to the improvement of corporate value through communication.