

Our approach to sustainability and sustainability promotion framework

Basic policy

There has been a growing call for companies to tackle social issues through their business activities. Within this environment, the NH Foods Group is pursuing sustainability by implementing a variety of environmental, social and governance (ESG) initiatives. We also recognize that we are expected to play a role in achieving the UN's Sustainable Development Goals (SDGs), so we are advancing activities aimed at solving issues related to each of these goals.

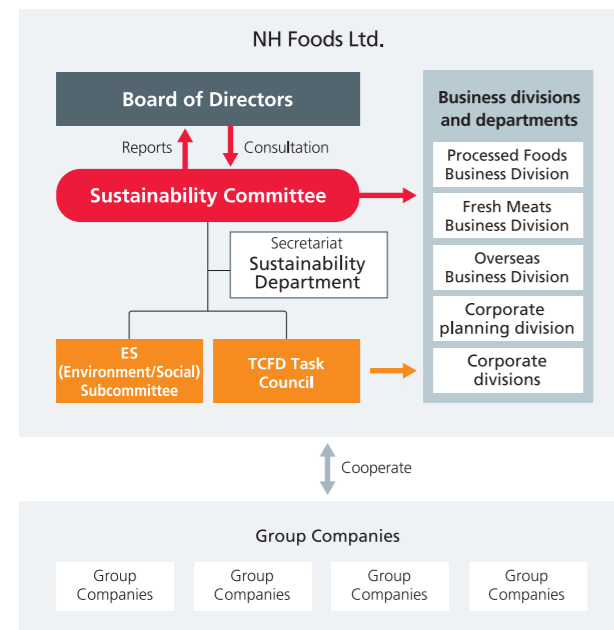
In March 2021, we formulated Vision2030 and identified the NH Foods Group's Five Materialities, which are initiatives that need to be engaged as a priority in order to realize our vision. We will implement our business strategy and materialities in a way that also advances our sustainability strategy so that we can contribute to solving social issues.

Sustainability promotion framework

The NH Foods Group has established a Sustainability Committee with the President of NH Foods Ltd. serving as chair. In principle, it meets at least once every quarter. The committee hears the opinions of external experts and outside directors who have expertise in ESG matters and carries out activities such as formulating sustainability policies and strategies, and checking the progress being made by each Group company. It reports the details of its activities to the Board of Directors, which is responsible for making decisions.

The ES (Environment/Social) Subcommittee and TCFD Task Council operate under the committee and comprise the director in charge of sustainability and the heads of major departments and divisions. They have been tasked with formulating specific strategies that correspond to discussions by the committee and developing measures to be carried out by business divisions.

Sustainability promotion framework



Members of the Sustainability Committee (as of June 2022)

Position	Name	Role
President and Representative Director President and CEO	Yoshihide Hata	Committee chairperson
Representative Director and Executive Vice President	Tetsuhiro Kito	Committee member
Representative Director and Executive Vice President	Nobuhisa Ikawa	Committee member
Director and Managing Executive Officer	Fumio Maeda	Committee member
Director and Executive Officer	Masahito Kataoka	Committee member
Director (Outside)	Yasuko Kono*1	Committee member
Director (Outside)	Tokushi Yamasaki*1	Committee member
Director (Outside)	Hideo Arase*1	Committee member
Managing Executive Officer	Nobuo Oda	Committee member
Managing Executive Officer	Kohei Akiyama	Committee member
Audit & Supervisory Board Member (Outside)	Shigeru Nishiyama*1	Observer
External experts/Company name/Position	Name	Role
Executive, Nissan Financial Services Co., Ltd.	Keiko Tanaka	Committee member
Attorney-at-Law, T. Kunihiro & Co. Attorneys-at-Law*2	Katsumi Nakamura	Committee member
General Manager, CSR & Global Environment Center, Daikin Industries, Ltd.	Satoru Fujimoto	Committee member
President, Cre-en Inc.	Ayako Sonoda	Observer

*1 Independent officers
*2 Reserve Audit & Supervisory Board member

Organizations and their activities

Organization entity	Role	Organization	Frequency
Sustainability Committee	Develop the Group's sustainability policy and consider strategy	<ul style="list-style-type: none"> Directors Outside directors General managers of business divisions Audit & Supervisory Board members / outside experts 	4 times / year
ES (Environment / Social) Subcommittee	Formulate specific strategies and measures for each business division based on overall strategies determined by the Board of Directors	<ul style="list-style-type: none"> Director in charge of sustainability Heads of departments and sections 	4 times / year
TCFD Task Council	Evaluate climate change-related risks and opportunities that are relevant to the Company and formulate potential scenarios	<ul style="list-style-type: none"> Director in charge of sustainability Officers in charge of overall management at each business division Heads of departments and sections, and employees with relevant responsibilities 	4 times / year

Main discussions by the Sustainability Committee (fiscal 2021)

Topic	Details
Information disclosure based on TCFD recommendations	Information disclosure based on TCFD recommendations was discussed from various perspectives, including scenario analysis and evaluations of the impact on businesses. There was also discussion regarding the identification of risks and opportunities, assessment of the importance of these, and future formulation of relevant measures.
Progress on medium-term environmental targets	There was discussion of progress management and issues concerning specific measures for achieving environmental targets, based on reports of efforts up to fiscal 2020. There was also discussion regarding setting environmental targets and disclosing results for Group companies overseas.
Status regarding human rights	The committee learned about social issues and current trends related to human rights and discussed the building of a human rights due diligence process for the Group and its supply chains, covering from the identification of human rights risks through to the implementation of human rights risks through to the implementation of countermeasures. The scope and schedule of assessments were also discussed.

Contributing to a sustainable environment

Medium- to long-term targets for 2030

When we formulated Vision2030 and our Five Materialities, we formulated them together with medium- to long-term environmental targets to be achieved by 2030, which falls under the materiality of "contributing to a sustainable environment." We have made addressing climate change, resource saving and recycling, and tackling the biodiversity issue into priority issues and have set targets for each one.

We are working to reduce CO₂ emissions by switching to fuels that produce relatively low CO₂ emissions at our plants, such as natural gas, and by promoting the use of renewable energy (such as solar power and boilers that use animal and plant-derived oil as fuel) at our plants.

We are reducing the amount of discharge we produce by advancing initiatives that target sources of waste in each process, from production and manufacturing through to

logistics and marketing, and we are working to increase the proportion of plastic waste that is recycled.

We are reducing water consumption by decreasing the amount of water used in manufacturing processes through methods such as reviewing washing methods, and we are also considering measures such as reusing water.

We are also working to tackle the biodiversity issue by promoting sustainable resource procurement in order to conserve biodiversity. We have switched to RSPO certified products for palm oil, and we are working to expand the number of certified seafood products we handle.

Additionally, the targets we have set for reducing CO₂ emissions, reducing waste discharge, raising waste recycling rates, and reducing water consumption are for Japan only. For overseas business locations, we will gather further data for each location and consider how to respond.

Medium- to long-term environmental targets (to fiscal 2030)

Priority issue	Target	Scope
Responding to climate change	Reduce fossil fuel-derived CO ₂ emissions by more than 46% compared to FY2013 levels (FY2013: 550,518 t-CO ₂ → FY2030: 297,279 t-CO₂)	All business sites in Japan
	Reduce fossil fuel-derived CO ₂ emissions by more than 24% compared to FY2021 levels (FY2021: 143,340 t-CO ₂ → FY2030: 108,938 t-CO₂)	Overseas
	Strive to create innovative technologies by advancing and supporting research and development aimed at reducing livestock-derived greenhouse gas emissions	—
Saving and recycling resources	Reduce waste discharge per production unit by 5% compared to FY2019 levels (FY2019: 134.6 kg/t → FY2030: 127.9 kg/t)	All processing and production sites in Japan (55 sites)
	Increase the waste recycling rate to more than 92% (FY2019 rate: 84.1%)	All business sites in Japan
Addressing biodiversity	Reduce water consumption per production unit by 5% compared to FY2019 levels (FY2019: 15.2 m ³ /t → FY2030: 14.4 m³/t)	All processing and production sites in Japan (55 sites)
	Reduce water consumption per production unit by 5% compared to FY2021 levels (FY2021: 14.7 m ³ /t → FY2030: 14.1 m³/t)	Overseas
Addressing biodiversity	Action on water risk	Identify which of our business sites in both Japan and overseas are in regions with high levels of water risk, take action to lower this risk in accordance with the situation in each region, and use water resources in a sustainable manner
	Expanding the handling of certified goods	Realize sustainable resource procurement by handling certified products <ul style="list-style-type: none"> • Ensure that 100% of palm oil used is RSPO certified (including book & claim) • Increase the number of seafood products that are certified (MSC/ASC)

Contributing to a sustainable environment

Materiality initiatives and indicators, and fiscal 2021 results

Social issue	Initiatives	Indicators	FY2021 results
Responding to climate change	Reduce fossil fuel-derived CO ₂ emissions	[Japan] Reduction of more than 46% compared to FY2013 levels by FY2030 FY2030 reduction target amount: 253,239 t-CO ₂ Reference value: 550,518 t-CO ₂	Reduction: 70,453 t-CO ₂ Progress rate: 27.8%
		[Overseas] Reduction of more than 24% compared to FY2021 levels by FY2030 FY2030 reduction target amount: 34,402 t-CO ₂ Reference value: 143,340 t-CO ₂	—
Saving and recycling resources	Reducing waste discharge	[Japan] Reduction of 5% compared to FY2019 levels by FY2030 (per production unit) FY2030 reduction target amount: 6.7 kg/t Reference value: 134.6 kg/t	Reduction: 9.9 kg/t Progress rate: 147.8%
	Increasing the waste recycling rate	[Japan] Increase to more than 92% by FY2030	Recycling rate: 93.0%
	Reduce water consumption	[Japan] Reduction of 5% compared to FY2019 levels by FY2030 (per production unit) FY2030 reduction target amount: 0.8 m ³ /t Reference value: 15.2 m ³ /t	Reduction: 0.2 m ³ /t Progress rate: 25.0%
		[Overseas] Reduction of 5% compared to FY2021 levels by FY2030 (per production unit) FY2030 reduction target amount: 0.6 m ³ /t Reference value: 14.7 m ³ /t	—
Use environmentally friendly materials (recycled materials, biomass materials, etc.) and reduce the amount of packaging materials used	*Currently being formulated	Results currently being compiled	
Addressing biodiversity	Switch to certified palm oil	[Japan] Ratio of total palm oil used that is RSPO certified 100% (including book & claim) by FY2030	Locations and products for usage currently under consideration

Reducing greenhouse gas emissions

We are working to reduce greenhouse gas emissions through initiatives such as switching to energy-saving equipment and facilities and LED lighting, and installing fluorocarbon-free refrigeration units, solar panels, and waste oil boilers that help to reduce heavy fuel oil and natural gas consumption. We are also reducing logistics-related emissions by integrating logistics

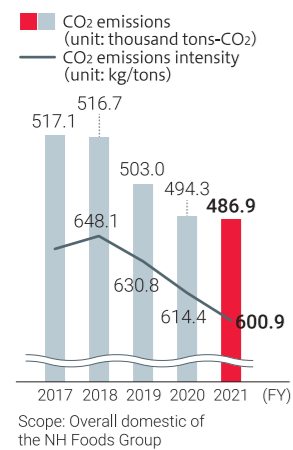


Nippon Logistics Center, Inc.'s Tokyo Center

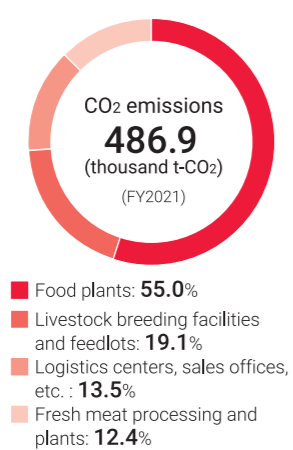


Fluorocarbon-free refrigeration units at Nippon Daily Net Co., Ltd.'s Nagoya 2nd Center

CO₂ emissions and intensity



CO₂ emissions breakdown



operations and implementing joint deliveries on a Group-wide basis, which is reducing the total number of truck journeys.

We are promoting specific measures to reduce greenhouse gas emissions from livestock.

In the Australian cattle business, we will verify the use of feed additives to control digestive-tract methane fermentation. In Japan, we have initiatives for using the biogas generated in treatment processes for manure and wastewater in pig farms as an energy source, and we are advancing a collaborative business-academia research program focused on reducing manure methane emissions. In the chicken business, we are working on power generation using chicken manure as biomass fuel (a joint investment project with agricultural association corporations and enterprises).

Reducing food loss

According to Japan's Ministry of Agriculture, Forestry and Fisheries, out of the 5.7 million tons of food loss recorded in fiscal 2019, 46% was discarded by households. Therefore, creating products that will reduce household food loss is an important undertaking for food companies. We are working to expand our lineup of products that can be stored for long periods at room temperature. In addition to being environmentally friendly, these products are also useful as emergency food during times of disaster. Going forward, we will continue to carry out research on multiple fronts to further extend the shelf-life of these products.

We are also working to reduce the amount of both fresh meat and processed meat that is lost during manufacturing processes. In addition to enhancing production plans and making inspections more precise in order to eliminate waste, we are also reusing the end piece of sliced ham, which cannot be sliced, as a different grade of product.

Responding to climate change

Responding to climate change risk

Climate change-related measures have become increasingly important following the Paris Agreement in 2015, the 1.5°C Special Report from the Intergovernmental Panel on Climate Change (IPCC) in 2018, and the Glasgow Climate Pact concluded at COP26 in 2021.

In recognition of this situation, we joined the Japan Climate Initiative*¹ in 2018, and in June 2020, we endorsed the proposal presented by the Task Force on Climate-related Financial Disclosures*² (TCFD) and became a member of TCFD Consortium*³.



*¹ Japan Climate Initiative: A network that aims to strengthen the distribution and exchange of information among companies, local governments, NGOs, and others in Japan in order to achieve a low-carbon society. CDP Worldwide-Japan, WWF Japan, and the Renewable Energy Institute serve as the secretariat.

*² Task Force on Climate-related Financial Disclosures: A task force established in 2015 by the Financial Stability Board (FSB), an international organization in which central banks and financial regulators from major countries participate. In June 2017, the final report released recommendations on voluntary disclosure with the aim of encouraging companies and other organizations to identify and disclose the financial impacts of climate change risks and opportunities.

*³ TCFD Consortium: The consortium was established to discuss measures by companies and financial institutions that endorse the TCFD to effectively disclose information and use disclosed information to make appropriate investment decisions by financial institutions and other entities.

Information disclosure based on the TCFD framework

Governance

The NH Foods Group holds meetings of the Board of Directors to discuss and make decisions on important matters, such as sustainability policies and identifying materialities, including climate change. Prior to these meetings, discussions are held by the Sustainability Committee (an advisory body to the Board of Directors), chaired by the president and representative director and composed of directors and business division general managers. The Sustainability Committee meets four times a year to discuss a wide range of topics including global trends, based on the opinions of outside directors and outside experts.

We established the TCFD Task Council in May 2021 to address climate change related risks and opportunities, which are among the materialities. It is subordinate to the Sustainability Committee and consists of the director in charge of sustainability, the corporate officer in charge of the Business Division Administration Management Division, and the personnel in charge of the Corporate Planning Division, the Corporate Staff Department, and the Research and Development Center. The

council identifies risks and opportunities, conducts scenario analysis, and examines business impacts and countermeasures on a Group-wide basis.

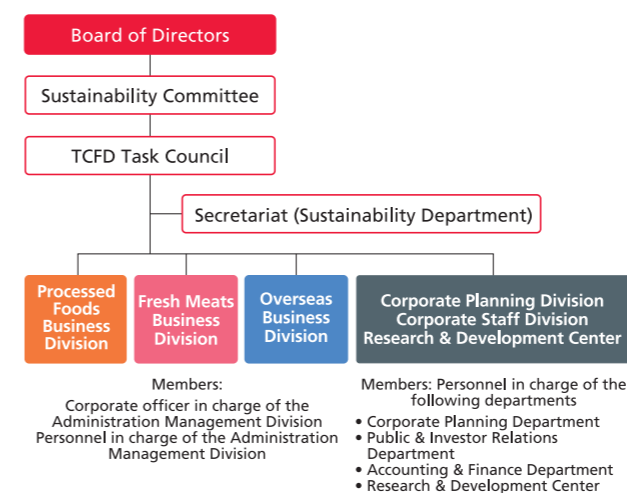
The Sustainability Department (established within the Corporate Planning Division in April 2021) serves as secretariat for the administration of the organization, and a member of the Board of Directors oversees sustainability matters as the General Manager of the Corporate Planning Division.

In fiscal 2022 and beyond, this organization will continue to analyze risks and opportunities related to climate change, and to review and promote measures to address identified risks and opportunities.

Meetings of organizations and main content

Time	Organization	Main content
February 2021	Sustainability Committee	Reviewed future plans and schedules
May	TCFD Task Council	Shared awareness of TCFD initiatives
	Sustainability Committee	Outline of the TCFD Task Council, reporting of selected members
June	TCFD Task Council	Shared the TCFD outline and schedules
August	TCFD Task Council	Shared and reviewed the risks and opportunities identified by business divisions
	Sustainability Committee	Finalized the analyzed areas and reviewed the draft interim report
September	Board of Directors	Assessed the importance of risks and opportunities
	TCFD Task Council	Reviewed scenarios (compiled an image of the society of 2050)
October		(Disclosed the interim report)
November	TCFD Task Council	Shared the status of impact assessments (1)
	Sustainability Committee	Reported and reviewed the details of scenario analysis, and reported the background of impact assessment
December	TCFD Task Council	Shared the status of impact assessments (2)
January 2022	Board of Directors	Reported the scenario analysis results and impact assessment
	TCFD Task Council	Organized risk measures
February	Sustainability Committee	Reviewed the overview of the disclosed information
	TCFD Task Council	Reviewed the disclosure details (1)
March	Board of Directors	Reviewed the disclosure details
	TCFD Task Council	Reviewed the disclosure details (2), and shared future issues
April	Board of Directors	Confirmed and revised the proposed disclosure amendments
	Board of Directors	Approved the proposed disclosure

TCFD Task Council implementation framework



Responding to climate change

Strategy

We conducted scenario analysis on climate change-related risks and opportunities for key businesses in the Group, taking into account the 2015 Paris Agreement and the 2018 1.5°C Special Report from the IPCC.

As an important physical risk, we identified the possibility that rising temperatures may have a major impact on feed grain yield and livestock raising over the medium to long term. To address this, we will improve feed conversion ratios (the amount of feed required for weight gain) based on our accumulated knowledge and we will also improve technologies for controlling breeding environments, including temperature and humidity control for livestock housing. To counter disasters and water stress, we will establish a supply system that will remain stable even in a disaster.

We identified increased energy costs if a carbon tax is introduced as an important transition risk. In order to realize a low-carbon/decarbonized society in the future, we will strive to achieve our medium- to long-term environmental targets and review raising these targets. We also recognize that reducing greenhouse gas emissions from livestock is an important issue for the livestock industry. To reduce emissions, we will promote research and development in collaboration with external research institutions. Measures that are confirmed to be effective will be implemented on our own farms.

We have identified the market growth of next-generation proteins as an important business opportunity. This growth is driven by an increase in demand for protein due to the growing global population, as well as changes in consumer awareness and technological innovations accompanying the transition to a decarbonized society. The NH Foods Group positions this as one of our medium- to long-term strategic opportunities, and we will verify the potential of applications for next-generation proteins in food, including cultured meat produced with mass-cultivated livestock cells and those derived from microorganisms, in addition to soy and other plant-based proteins.

Going forward, we will closely review the above strategies internally and reflect the results in the materialities and medium-term management plan.

Risk management

In the fiscal 2021 evaluation of effectiveness, the Board of Directors defined "sharing social issues that need to be resolved for the SDGs and issues that need to be addressed for sustainability, and formulating and implementing medium- to long-term strategies in relation to the Five Materialities" as a priority topic and sustainability was discussed in detail by the Board.

Risk management related to climate change is one of the initiatives aligned with "understanding the risks to the NH Foods Group as a whole and continually enhancing discussions on risks that the Board of Directors need to understand," which is another priority topic. It is also

reviewed by the Sustainability Committee, an advisory body to the Board of Directors, before it is discussed and finalized by the Board of Directors.

In order to identify and assess climate change-related risks and opportunities, the TCFD Task Council collects information from the departments concerned, comprehensively selects climate change-related risk and opportunity scenarios, and analyzes and reviews them before the results are studied in detail by the Sustainability Committee.

The responses that are determined for climate change related risks and opportunities are managed by the Sustainability Committee.

Indicators and targets

In order to realize the initiative of "contributing to a sustainable global environment," which is one of the materialities, we have set up medium- to long-term environmental targets to be achieved in fiscal 2030, defined a management policy of "shifting to a sustainable business model with profitability" in the Medium-Term Management Plan 2023, and we are working on initiatives to this end.

In regard to CO₂ emissions derived from fossil fuels, we will raise our targets for greenhouse gas reduction among the medium- to long-term environmental targets for future decarbonization and we will promote low-carbon/ decarbonization initiatives.

As one of the largest protein suppliers in Japan*, we consider it our mission to pursue a more environmentally friendly livestock industry. We strive to visualize the amount of greenhouse gas emissions from livestock in our overseas operations, in addition to our domestic operations, for which information is already disclosed.

*Estimated from internal weight data and external data.

Indicator	Fiscal 2030 target (scope of target)
Fossil fuel-derived CO ₂ emissions (t-CO ₂)	Reduction of 46% compared to FY2013 levels (All business sites in Japan) Reduction of 24% compared to FY2021 levels (overseas)
Discharged waste intensity (kg/t)	Reduction of 5% compared to FY2019 levels (55 processing and production sites in Japan)
Waste recycling rate	At least 92% (All business sites in Japan)
Water consumption intensity (m ³ /t)	Reduction of 5% compared to FY2019 levels (55 processing and production sites in Japan) Reduction of 5% compared to FY2021 levels (Overseas)

Scenario analysis

The sources of the NH Foods Group's business are the gifts of the earth and its expansive natural environment as well as the vast bounty of nature, so climate change may impact us in any number of ways.

We conducted analysis based on two climate change scenarios: a 1.5°C/2°C warming scenario, in which the trend of decarbonization gains strength and the impact of transition risks and opportunities is intensified, and a 4°C warming scenario, in which climate change progresses significantly and the physical risks are intensified. Specifically, when the 1.5°C target was announced at COP26 in November 2021, we immediately reviewed it company-wide and incorporated it into the 2°C warming scenario that was already set up for analysis.

The analysis was conducted in reference to the Representative Concentration Pathway (RCP) 2.6 scenario (less than 2°C) and the RCP8.5 scenario (4°C) from the Intergovernmental Panel on Climate Change (IPCC), and the Net Zero by 2050 scenario (1.5°C) from the International Energy Agency (IEA).

For scenario analysis, we collected information about climate change related risks and opportunities from business divisions and made a comprehensive list. We then sorted and narrowed down such risks and opportunities based on their degree of impact on business and identified the climate change risks and opportunities that are critical to the business of the NH Foods Group. These are as follows.

Major risks and opportunities attributable to climate change		Expected impact	Measures
Physical risks	Increased and destabilized feed prices	Large	<ul style="list-style-type: none"> Improve feed conversion ratios Improve feed through in-house formulations and by enhancing collaboration and feed companies Review new meat procurement sources from low-risk areas Enhance facilities against flooding Enhance product supply systems against disasters Use water resources efficiently at sites with high water stress risk
	Impact of rising temperatures on livestock growth	Medium	
	Higher risk of disasters at sites	Small	
	Greater water stress at sites	Minor	
Transition risks	Higher energy costs due to the introduction of carbon taxes	Large	<ul style="list-style-type: none"> Make energy use and fuel conversion in the processing and manufacturing processes efficient Expand use of renewable energy Reduce emissions in logistics by switching to low-emission vehicles and improving logistics efficiency
Opportunities	Increase in environmentally conscious consumption	Medium	<ul style="list-style-type: none"> Develop products with high sustainability value Advance product development with next-generation proteins Advance research and development of next-generation proteins
	Growth of the market for next-generation proteins	Large	

Physical risk | 1 Increased and destabilized feed prices

Risk investigation and analysis results	(1) Investigation into price fluctuations of corn, which accounts for the largest share of feedstock for livestock		Corn prices will likely increase up to about twofold in 2050 compared with 2010
	(2) Water stress analysis of the U.S. and Brazil, which are home to the majority of Japan's feed corn suppliers	U.S.	Water stress is forecast to deteriorate in major feed producing states The U.S. is also a major supplier of beef and pork, and meat supply may be affected increasingly in the future by failures of feed grain crops due to water stress in the country.
Brazil		Water stress should be at low levels both now and in the future	

Measures

- Continue development of technologies to enhance feed conversion ratios (the amount of feed required for livestock weight gain)
- Lower feed costs and build stable supply structures by enhancing collaboration with feed companies and by focusing on revising and standardizing feed formulations
- Incorporate a climate change perspective into the review of our livestock meat suppliers to reduce risks by expanding and diversifying suppliers over new regions

Responding to climate change

Physical risk | 2 Impact of rising temperatures on livestock growth

Risk investigation and analysis results

(1) Analysis of regions in which the Group has production and breeding sites	It is possible there will be a summertime deterioration in daily weight gain of several percent in Japan, Australia, and Turkey due to rising temperatures caused by climate change At farms in Japan (Interfarm, Nippon White Farm) and chicken farms in Turkey, we have already introduced cooling facilities in livestock housing so the impact will be minimal. However, it is possible that production efficiency will deteriorate at cattle farms in Australia, and we recognize the need to take measures to mitigate the impact
(2) Analysis of major suppliers of imported fresh meat	There may be a summertime deterioration in daily weight gain of several percent in the following regions that are major meat suppliers of the NH Foods Group: the U.S. (beef and pork), Brazil (chicken), and Thailand (chicken)

Measures

- (1) Install cooling facilities that have already been installed in some animal houses at other sites
- (2) Review developing technologies for maintaining production efficiency in hot environments
- (3) In regard to external procurement, advance a similar response to the one for “increase and instability in feed costs”

Physical risk | 3 Higher risk of disasters at sites

Risk investigation and analysis results

Evaluation of flood risk at 233 of the Group’s farms, processing and production plants, and logistics centers (208 in Japan and 25 overseas) Sites in Japan: Official hazard maps used as references Overseas sites: The World Resources Institute’s Aqueduct tool (flood risk) used as a reference	Japan	Two sites	Considered to have minimal risk from the viewpoint of asset value and operational scale
	Six sites are situated in regions with high risk of water crises	Four sites	Business continuity plans have been prepared, including systems to receive supplies of major products from neighboring sites in an emergency. They also have insurance to cover damages caused by water crises, and so the risk is considered to be minimal even in the event of a disaster
	Overseas	Two sites	Anti-flooding equipment has been installed in response to damage caused by disasters in the past, that reduces the risk to minimal
	Nine sites are situated in regions with high risk of water crises	Seven sites	We examined the past disaster conditions and collected information locally to study the risks in detail, which led us to understand that the risk of flood damage is minimal at all sites

It is also expected that the impacts of a flood, if any, on the entire Group will be minimal due to the scale of operations at these sites.

Measures

Although the risks are expected to be minimal as stated above, we will continue to monitor risks and enhance our supply system against disaster (for example, measures for product supplies in case major road networks are cut off).

Physical risk | 4 Greater water stress at sites

Risk investigation and analysis results

Primary evaluation of water stress at 233 of the Group’s farms, processing and production plants, and logistics centers (208 in Japan and 25 overseas) Indicator: The World Resources Institute’s Aqueduct Water Stress Index tool	Japan	The risk of impact from water stress is low for all sites
Overseas Initial evaluations identified ten sites at high risk from water stress under the 1.5/2°C scenario and nine sites under the 4°C scenario	Overseas	At six of the ten sites at high risk from water stress under the 1.5/2°C scenario and five of the nine sites under the 4°C scenario, the risk is minimal from the viewpoint of operational scale At the remaining four sites for both scenarios, we examined the past impacts of water stress and collected information locally to study the risks in detail, which led us to understand that the risk of flood damage is minimal at all sites

Measures

- (1) Filter effluent water from pig farms to remove impurities so it can be reused
- (2) Reuse coolant water in chicken processing

The majority of Whyalla Beef sites, in the cattle fattening business in Australia, have never before been affected by water stress. Aqueduct categorizes water stress risk according to five levels: 1) low, 2) low-medium, 3) medium-high, 4) high, and 5) extremely high. Risk at Whyalla Beef’s sites has been categorized as medium-high. There are also ongoing initiatives in place to improve efficient water usage with measures like rainwater storage. Although we believe that the possibility of a significant, urgent risk manifesting in the immediate future is minimal, we are monitoring the conditions in case a risk arises.

Transitional risk | Increased costs due to carbon taxes

Risk investigation and analysis results

Calculation of the business impact of the introduction of a carbon tax covering fossil fuel-derived CO₂ emissions generated by the Group’s business sites

- Emissions were calculated based on two assumptions: Emissions in FY2020, and emissions for FY2030 with the reduction targets achieved
- Carbon tax prices were calculated assuming USD 130/t-CO₂ for 2030 and USD 250/t-CO₂ for 2050 in accordance with the Net Zero by 2050 scenario of the IEA’s World Energy Outlook 2021 (equivalent to the 1.5°C target)


The introduction of carbon taxes in line with the 1.5°C scenario may have a significant financial impact

Scenario	Item	2030	2050
Calculation based on FY2020 emissions	Carbon tax impact (¥100 million)	89	172
	Emissions (1,000 t-CO ₂)	624	624
	Carbon tax rate (USD/t-CO ₂)	130	250
Calculation based on FY2030 emissions with the reduction targets achieved (Values unchanged from FY2030 onward)	Carbon tax impact (¥100 million)	58	111
	Emissions (1,000 t-CO ₂)	405	405
	Carbon tax rate (USD/t-CO ₂)	130	250


Measures

(1) Reduce fossil fuel-derived CO₂ emissions


Replace equipment with energy-saving equipment, including updating aging equipment




Increase renewable energy use and install solar panels at Group facilities



Promote the use of heat pumps and other waste heat recovery systems



Use biofuels generated in manufacturing processes



To develop our initiatives to a higher level, we will also review raising our greenhouse gas reduction targets toward future decarbonization


(2) Reduce livestock-derived greenhouse gas emissions

In the Australian cattle rearing business, verify the use of feed additives to control digestive-tract methane fermentation


In the domestic pig rearing business, use the biogases generated in the treatment process for manure and wastewater as an energy source and advance collaborative business-academic research program on reducing manure methane emissions

In the chicken business, use chicken manure as a biomass fuel for power generation (a joint investment project with agricultural association corporations and enterprises)


Cyclical ecosystems (biomass power generation)




Chicken manure



Power generation



Incineration ash



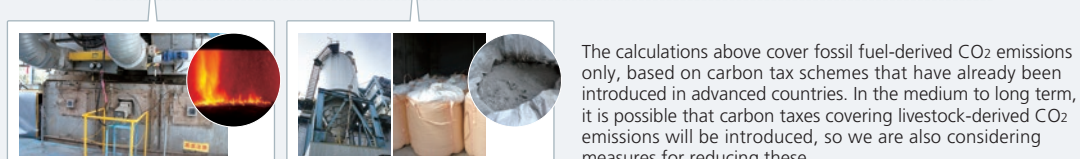
Fertilizer

Agricultural land

Crops

Feed

Production, livestock raising



The calculations above cover fossil fuel-derived CO₂ emissions only, based on carbon tax schemes that have already been introduced in advanced countries. In the medium to long term, it is possible that carbon taxes covering livestock-derived CO₂ emissions will be introduced, so we are also considering measures for reducing these.

67

NH Foods Group | Integrated Report 2022

NH Foods Group | Integrated Report 2022

68

Responding to climate change

Stable procurement and supply of proteins

Opportunity | 1 Increase in environmentally conscious consumption

Background
In a society with advanced decarbonization efforts, people will most likely select companies and products that are environmentally friendly because of the growing awareness of climate change. We recognize that it will become increasingly important to realize sustainability value and to communicate with consumers.

Measures

Reduce the use of plastic in product packaging
We are upgrading product packaging, with new packaging for *Schau Essen* to replace the conventional drawstring pouch packaging, new packaging for *Eco Tenderloin Ham*, and new paper trays replacing the plastic trays used for *Kanade* chilled pizzas.



Schau Essen
New packaging
Eco-Pirotape packaging
(Reduces plastic packaging weight by 28%*)

Reduce food loss by enhancing our lineup of products that can be stored at room temperature for long periods
We are developing products such as the *Ajiwai Range* and the *Hoguseru Oniku*.



Ajiwai Renji Beef Stew
Hoguseru Oniku Pulled Pork

* Comparison between a *Schau Essen* double pack with drawstring and a 127g double pack with the new packaging (comparison of film weight)

Opportunity | 2 Growth of the market for next-generation proteins

Background
As the global population increases, the demand for proteins will increase in the long term, and the protein market is expected to grow, including the next-generation protein market, as well as the livestock meat market. The next-generation protein market in particular is expected to grow significantly due to changes in consumer awareness and the introduction of technological innovations accompanying the transition to a decarbonized society. While estimates released by external organizations of the future market size for next-generation proteins vary, it is expected to be worth tens of trillions of yen globally as of 2050 under a scenario where the transition toward decarbonization progresses, and we understand that there will be significant business opportunities in the medium to long term.

Measures

Next-generation proteins
Expand sales of the *NatuMeat* series of plant-based products for both individual consumers and sales of next-generation protein products for the food service and logistics industries



Advance research and development with a view to utilizing various proteins in addition to soy and other plant-based proteins

Cultured meat
Advance research aimed at future product development, such as joint research with IntegriCulture Inc.



We are also verifying the potential of applying next-generation proteins to foods, including microorganism-derived proteins. We will expand the potential of next-generation and other proteins, based on a foundation of proteins derived from livestock meat, in order to provide a stable supply of protein and a variety of dietary options.

Materiality initiatives and indicators, and fiscal 2021 results

Social issue	Initiatives	Indicators	FY2021 results
Stable procurement and supply of proteins	Promote CSR procurement	<ul style="list-style-type: none"> Inform important primary suppliers of policies and implement self-assessment questionnaires (SAQ) by 2030. Target: 100% Disseminate policies to important secondary suppliers and implement SAQ by FY2030 	<ul style="list-style-type: none"> SAQ implementation rate among important primary suppliers: 99.4% *Scope: NH Foods Ltd., Nippon Luna, Inc., The Hoko Co., Ltd., Marine Foods Corporation Efforts to inform important overseas primary suppliers of policies are currently underway
	Promote initiatives that take animal welfare into consideration	<ul style="list-style-type: none"> Eliminate gestation crates at all farms in Japan (by the end of fiscal 2030) Install drinking water facilities in pig and cattle lairage pens at all processing facilities in Japan (by the end of fiscal 2023) Install environmental quality monitoring cameras at all farms and processing facilities in Japan (by the end of fiscal 2023) *Scope: Companies in which the NH Foods Group has a stake of at least 50% 	<ul style="list-style-type: none"> Established the NH Foods Group Animal Welfare Core Values and Animal Welfare Code of Conduct Eliminate gestation crates at all farms in Japan Progress rate: 9.5% *Percentage of total mother pigs being reared Installation of drinking water facilities in pig and cattle lairage pens at all processing facilities in Japan Progress rates: 50.0% (cattle), 62.5% (pigs) *Percentage of total number of facilities Installation of environmental quality monitoring cameras at all farms and processing facilities in Japan Business sites that will have cameras installed are currently being selected
Expansion of protein options	Grow sales and expand lineup of plant-based protein products	FY2030 shipment amount: ¥10.0 billion	Shipment amount: ¥230 million (+128.1% YoY)
Food safety and reliability	Promote acquisition of third-party certification (FSSC 22000, SQF, BRC, JFS, etc.)	*Measures currently being formulated	• Third-party certifications: 142
	Develop human resources through specialized technical certification and other training	<ul style="list-style-type: none"> Employees who e-learning participants: 67,000 Employees who completed basic technical training: 2,400 Employees who acquired expert technician certification: 90 Employees who passed the food labelling examination (Intermediate/Advanced): 900 	<ul style="list-style-type: none"> Employees who completed e-learning: 3,753 Employees who completed basic technical training: 70 Employees who acquired expert technician certification: 4 Employees who passed the food labelling examination (Intermediate/Advanced): 78

Promoting CSR procurement

We practice responsible procurement in accordance with the NH Foods Group CSR Procurement Policy and the NH Foods Group CSR Procurement Guidelines (both formulated in April 2017). In addition to visiting important suppliers directly to explain our policy and gain their understanding and cooperation, we also share questionnaire-based self-assessments covering topics such as human rights, labor, environment, and corruption prevention.

In fiscal 2021, we worked to further strengthen our partnerships with suppliers by creating a code of conduct for suppliers and making revisions to the questionnaires. In fiscal 2022, we will start implementing this initiative on a Group-wide basis.

Practicing human rights due diligence

In December 2012, we formulated the NH Foods Group Human Rights Policy which is based on the Guiding Principles on Business and Human Rights decided by the United Nations Human Rights Council. This policy includes a commitment to “develop and implement a human rights due diligence system.”

In fiscal 2021, we appointed a director responsible for human rights who has been coordinating with relevant departments to build a structure for practicing human rights due diligence. From fiscal 2022, we will work to strengthen engagement with suppliers.

Animal welfare initiatives

In November 2021, we formulated the NH Foods Group Animal Welfare Core Values, which promotes the Five Freedoms that are the fundamental principles of international animal welfare efforts, alongside a code of conduct. Accordingly, we also set the quantitative target of eliminating gestation crates at our pig farms by the end of fiscal 2030.

Other targets to be achieved by the end of fiscal 2023 include installing drinking water facilities in pig and cattle lairage pens at all meat processing facilities and installing cameras that monitor rearing environments at all farms and meat processing facilities.

Expanding our lineup of plant-derived protein products

Since March 2020, NH Foods Ltd. has been selling *NatuMeat*, which is made from plant-derived ingredients such as soybeans instead of meat. Since then, we have made improvements in area such as texture and flavor and continuously expanded the lineup, so as of September 2022, we offer 11 products. We are also developing soy meat products for our major brands such as *Chuka Meisai* and *Kiwami-yaki*. In March 2022, we also launched the *Meat x Soy Mince Mix* series made from a mincemeat mix that includes soy meat.

Food diversification and health

Co-creation and shared prosperity with local communities and society as a whole through food and sports

Materiality initiatives and indicators, and fiscal 2021 results			
Social issue	Initiatives	Indicators	FY2021 results
Food allergy support	Expand our lineup of food allergy-related products and raise awareness of food allergies	FY2030 shipment amount: ¥4.0 billion	<ul style="list-style-type: none"> Shipment amount: ¥1.1 billion Launched the Table for All service, a comprehensive food allergy care platform
Health promotion	Research and commercialize new ingredients for improving cognitive function	Supply the equivalent of 3 million meals per year by FY2026	<ul style="list-style-type: none"> Launched <i>IMIDEA</i>, a food with functional claims that helps lessen muscle fatigue and maintain memory functions (from December 1, 2021)
	Develop products that contribute to health	*Measures currently being formulated	<ul style="list-style-type: none"> Products targeting health-conscious consumers: 64

Food allergy initiatives

We are advancing research and development of products that do not contain seven specific allergens (egg, cow's milk, wheat, buckwheat, peanut, shrimp, and crab) and we have been selling allergen-free food products since 1997. We have also been working to develop food allergen testing kits and share information for many years. In February 2022, we further enhanced our services that support people suffering from food allergies by establishing Table for All Food Allergy Care, a comprehensive food allergy care platform.

We are also participating in Project A, a collaborative project among five food manufacturers* which involves promoting allergy-friendly products, jointly developing recipes, sharing food allergy information, and raising awareness concerning food allergies. Furthermore, through the Nipponham Foundation for the Future of Food, we grant around ¥60 million a year to researchers who are focusing on food allergies and have advanced initiatives that increase understanding about food allergies in society, such as publishing booklets and holding seminars and cooking contests.

* Otafuku Sauce Co., Ltd., Kenmin Foods Co., Ltd., Nagatanien Co., Ltd., House Foods Corp. and NH Foods Ltd.



The Minna-no-Shokutaku series of allergen-free products

Providing products and information connected to health

We have been focusing on incorporating factors such as health into product development and as of fiscal 2021, our lineup includes 64 health-conscious items. In recent years, we have conducting joint tests with the Kansai Medical University's School of Sanitation and Public Health to address the decline in bodily functions due to aging and to extend people's healthy lives, including by preventing frailty. We aim to realize enriching diets and extend healthy lifespans by providing the *Joy of Eating* and delicious protein. As part of this approach, in July 2022, we launched *Tender Sirloin Steak*, which is a beef sirloin steak,

a red meat containing lots of protein, that has been vacuum cooked to make it soft and easy to eat.

Information sharing efforts included the launching of Tanpaku, a website containing menu plans and recipes created based on protein knowledge to help people get their protein intake in a delicious way, as well as content such as introductions to NH Food Group initiatives presented in an easy-to-understand manner. We also released a PR video featuring the Nippon-Ham Fighters baseball team's manager Tsuyoshi Shinjo.

Developing foods that facilitate the intake of protein and other nutrients

In Japan and overseas, we offer a wide range of brands. These provide consumers with choices, such as the high protein non-fat *Isey SKYR*, and the *Chuka Meisai* series, and the *NatuMeat* series of plant-based protein products, which make it easier to eat vegetables and meat.

Developing health-conscious foods

We are developing products such as the *Healthy Kitchen* series, including sugar-free and reduced salt roast ham and bacon, and *IMIDEA*, a food with functional claims that contains 500 milligrams of imidazole dipeptides, a component derived from chicken that is the culmination of many years of research.

Responding to diverse food needs

We are developing and selling products that are halal (adheres to the requirements of the Muslim faith) and kosher (adheres to the requirements of the Jewish faith). We are also responding to diverse needs such as the need for foods that are free from additives and antibiotics. For example, in the *Schau Essen* series, we have established a freshness management structure that enables us to maintain quality without using preservatives. We are also producing raised without antibiotics (RWA) pork in Canada by refraining from the use of antibiotics throughout the pig's entire lifespan. This pork is highly regarded in terms of distribution that addresses the SDGs.

Materiality initiatives and indicators, and fiscal 2021 results			
Social issue	Initiatives	Indicators	FY2021 results
Local community development	Promote activities for co-creation with local communities through sports (new Hokkaido Ballpark, sports/food education classes, etc.)	*Measures currently being formulated	Activities held: 198 Participants: 38,336 Cost of activities: ¥439,457,000
	Promote community contribution activities, including cultural activities (cooperation and clean-up activities for local events, etc.)	*Measures currently being formulated	Activities held: 246 Participants: 1,742 Cost of activities: ¥186,994,000
	Promote social welfare activities through food (supplying food to food banks and "Kodomo Shokudo," which are initiatives that provide meals to children in need, etc.)	*Measures currently being formulated	Activities held: 145 Cost of activities: ¥21,490,000
	Support the development of the next generation through food and dietary education, etc. (in-class lessons, career development support, hands-on cooking classes, etc.)	*Measures currently being formulated	Activities held: 60 Participants: 10,602 Cost of activities: ¥4,915,000

Contributing to communities through the Hokkaido Project

The NH Foods Group has many business locations in Hokkaido Prefecture and in April 2021, it launched the Hokkaido Project to promote community engagement activities under the Hokkaido Nippon-Ham Fighters brand.

In fiscal 2022, we established the Hokkaido Project Promotion Department to strengthen communication regarding activities in Hokkaido Prefecture. It will contribute to regions by deepening exchange with communities and local governments and generate an economic contribution as a business by strengthening sales of Hokkaido-produced agricultural and livestock products both inside and outside the prefecture (including overseas). In August 2022, we supported the Hokkaido Marathon as a partner.

Establishing a hot spring facility and food hall within TOWER 11, ES CON FIELD HOKKAIDO's landmark structure

Fighters Sports & Entertainment Co., Ltd. will operate the world's first natural hot springs, sauna, and accommodation facilities to be located within a ballpark. The facilities will occupy some floors of TOWER 11, which is being built in the left stand of the new ES CON FIELD HOKKAIDO ballpark. We aim to create a new spectator experience that embodies the TOWER 11 concept of "breaking through stereotypes, innovation and forward thinking." NH Foods Ltd. is also developing a restaurant business for the food hall that will be operated in the same area.

Support the development of the next generation through food and dietary education, etc.

We operate sausage making pavilions at KidZania Tokyo and KidZania Koshien, which are facilities that enable children to experience work and social participation, as an official sponsor. At KidZania Fukuoka, the third KidZania location in Japan which opened in July 2022, we are operating a sausage

factory. It provides a practical sausage making experience that teaches children how to make delicious sausages, as well as the importance of proper hygiene management when handling foods. We think this activity provides a valuable educational opportunity to not only cultivate an interest in how food is created and an appreciation for the effort that goes into making food delicious, but also to foster feelings of gratitude for the gift of life.



KidZania Fukuoka's Sausage Factory

Launching a development project that incorporates Generation Z perspectives

Generation Z comprises people who are currently between the age of 10 and 20 and this age group is generally highly conscious of the global environment and social issues, including the SDGs. We are working to develop products in a way that incorporates Generation Z perspectives by launching a collaborative project with the Tokyo Communication Arts College (a member of the Jikei Group of Colleges) to develop consumer products under Hoko Co., Ltd.'s *Rolf* brand of cheeses.

Donating Thai Nippon Foods products and water to households impacted by flooding

In October 2021, heavy rains in Thailand caused flooding, leading to huge amounts of damage. Thai Nippon Foods has been donating its products and stockpiles of water to approximately 2,000 households in the Bang Ban and Bang Pa-in districts of Ayutthaya province. This is about 60% of the households that were impacted by the flooding in these districts. It has also provided employees living in affected areas with daily necessities such as water and rice.

Employee development and respect for diversity

Materiality initiatives and indicators, and fiscal 2021 results, and 2030 targets				
Social issue	Initiatives	Main Indicators	FY2021 results	2030 target
An empowering corporate culture	<ul style="list-style-type: none"> Support job satisfaction Foster a corporate culture that encourages employees to take on challenges 	Percentage of women in supervisory positions	8.5%	At least 20%
		Employment rate of people with disabilities	2.7%	At least 2.3%
Employee development	<ul style="list-style-type: none"> Carry out initiatives for fair evaluation and compensation Improve expertise and management capabilities through education and training Support career autonomy 	Total working hours	2,005	1,870
		Hours of overtime work	252	200
		Rate of follow-up action after physical examinations	86.9%	100%
Respect for diversity	<ul style="list-style-type: none"> Promote active participation by women Reduce total working hours Support physical and mental health Address respect for human rights 	Ratio of smokers	24.9%	12%
		Stress check examination rate	92.8%	100%

KPI management of Group-wide initiatives

NH Foods Ltd. sets each of the key performance indicators (KPI) for Group-wide human resources initiatives and regularly manages progress, including whether each Group company is implementing its own action plan on schedule. The status and challenges of each company are shared, and examples of good practice are picked up and implemented on a Group-wide basis.

Employee development and fostering of a corporate culture that supports the pursuit of challenges

As an initiative to improve employee engagement, in fiscal 2021 we reformed human resources systems based on the three key phrases of “pursuing challenges and a sense of growth,” “compensation commensurate with abilities and duties,” and “self-directed careers.”

Within these, realizing the pursuit of challenges and a sense of growth requires that employees fully understand our management strategy, particularly the corporate philosophy and Vision2030’s “Unleash new potentials for protein,” and then take the initiative to act. Therefore, we have reformed management by objective systems so that these can be set as “challenge item” objectives. This will encourage employees to adopt “Unleash new potentials for protein” as their personal duty and to consider how to achieve it in their daily work. Going forward, we will work persistently and continue considering effective measures to raise awareness and understanding.

Reforming training curriculums to encourage self-directed career development

NH Foods Ltd. is holding career boost seminars for employees at the ages of 29, 39, 49, and 54, that involve considering the future of their careers. Individuals in each age group are encouraged to take control of their own career development by thinking about their own vision and direction. They are made aware of changes in what is expected of them by their organization and encouraged to work on improving themselves in a way that fits both the

individual and the organization, leading to higher motivation and career building.

Promote diverse working styles

We respect diversity and aim to build an environment where all employees can fully participate, including employees with various limitations.

Changing workstyles

We aim to shrink the total number of hours worked by employees by reducing overtime work and encouraging the use of annual paid leave, while at the same time increasing flexibility in regard to the locations and hours in which work is done.

For example, in addition to systems such as shortened working hours and flextime, NH Foods Ltd. formulated rules for working from home in fiscal 2019 and introduced a system for taking paid leave in hourly units for employees with childcare and nursing care responsibilities in fiscal 2021. In order to accelerate reforms, we are monitoring the labor-management situation and implementing measures to correct overlong working hours. Additionally, we will also focus on further promoting flexible workstyles and encouraging men to take childcare leave to correct the way gender roles are perceived.

Taking work-life balance into account

The number of male Group employees taking childcare leave is increasing. To realize a healthy balance between work and childcare and nursing care responsibilities, it is important that systems can be used easily. Therefore, we have formulated a childcare guidebook to increase understanding among employees in supervisory positions and we hold nursing care seminars to provide employees with basic knowledge regarding nursing care and to inform them of our in-house systems. In fiscal 2021, NH Foods Ltd. launched trials of an external consultation service which employees can consult about their nursing care concerns.

Raising the percentage of women in management and supervisory positions

We will work to achieve our 2030 targets by nurturing a pool of female management and supervisory position candidates. We will identify and organize challenges faced by each business division and formulate measures to train and engage female employees so that they can demonstrate their capabilities.

Percentage of women in supervisory positions (NH Foods Ltd.)

FY2017	FY2018	FY2019	FY2020	FY2021
3.3	3.8	4.6	6.5	8.5

Gender pay gap

Looking at NH Foods Ltd.’s annual average salaries for fiscal 2021, although there was no salary difference at the time of hiring, the average number of years spent at the Group was shorter for female employees and the retention rate of new graduate recruits was lower. This and other factors are the reason for the figure shown below. Going forward, we will continue working to promote women into management positions and to improve retention rates so that we can close this pay gap.

Wage gap between men and women

	Total	Men	Women	Ratio
General staff				
Average annual income (yen)	6,052,194	6,324,900	5,453,152	86.2%
Average age	38.5	40.0	35.3	—
Average length of service (year)	15.1	16.7	11.5	—
Management				
Average annual income (yen)	11,667,651	11,738,018	10,912,500	93.0%
Average age	49.9	50.2	47.1	—
Average length of service (year)	26.8	27.1	23.9	—

Recruiting and promoting the participation of people with disabilities

In fiscal 2021, NH Foods Ltd.’s employment rate of people with disabilities was 2.7%.

At the Osaka office of Nipponham Career Consulting Ltd., a special-purpose subsidiary of NH Foods Ltd., all employees are able to demonstrate their abilities in a way that takes into account individual requirements related to disabilities, with duties including sorting, delivery, and collection at the mail center, preparing business cards and other printed materials, and data entry.

Promoting health and productivity management

We are advancing measures to support physical and mental health based on the Health and Safety Declaration made by upper management. At NH Foods Ltd., measures to support physical health include recommending follow-up action

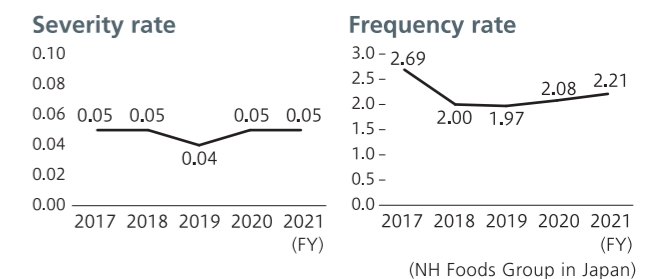
based on physical examination results and preventing conditions from becoming more severe by expanding the scope of employees who are eligible for various types of health guidance. It is also striving to prevent mental health issues through measures such as making improvements to workplaces based on group analysis of stress check results.

Furthermore, it is working to increase the effectiveness of these measures by raising health literacy through activities such as information sharing and employee education.

Strengthening occupational safety

We have built a database containing the occurrence of occupational accidents and countermeasures that can be implemented Group-wide to prevent similar accidents from happening. We also regularly hold study sessions and lectures, especially for employees responsible for safety, in order to build knowledge and strengthen coordination.

We are working to establish and maintain safe working environments at Group production plants by introducing occupational health and safety management systems and implementing PDCA cycles. In regard to safety efforts concerning machinery, for which the potential for serious accidents is particularly high, in addition to taking engineering-based safety measures, we also focus on thorough employee education.



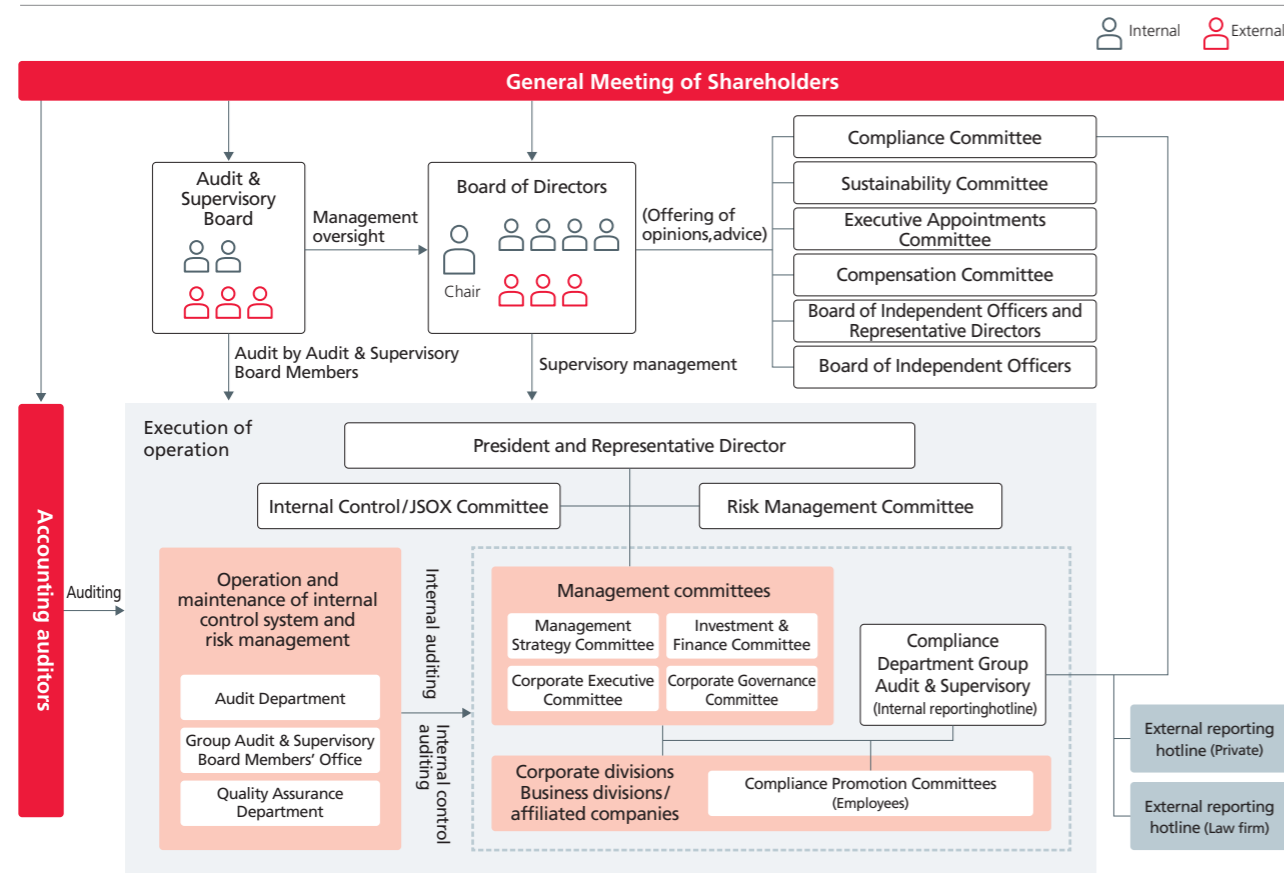
Respect for human rights

Based on the belief that our employees are the “precious assets” of NH Foods Group, we see our employees as “human resources” and are well aware that respecting fundamental human rights is one of our main social responsibilities. We are practicing respect for human rights on a Group-wide basis in accordance with the NH Foods Group Human Rights Policy, which was formulated in December 2020. In regard to the implementation structure, in fiscal 2021, we appointed a director responsible for human rights who has been coordinating with relevant departments to build a structure for practicing human rights due diligence. Also, the ES (Environment/Social) Section Meeting, which comprises the heads of business divisions, the Human Resources Department, and the Sustainability Department, addresses matters such as monitoring risk and considering response measures, and also carries out human rights education.

Corporate governance

The NH Foods Group is working to fulfill its social responsibilities as a company and achieve the Group Corporate Philosophies by building the most appropriate governance structure for the Group based on the NH Foods Group Fundamental Policy on Corporate Governance. The application of this structure aims to enhance management transparency and efficiency across the entire Group, to ensure timely and proper decision making as well as appropriate business operations, to enable proactive and courageous business judgments, and to clarify responsibilities.

Corporate governance system



Corporate governance system overview

Body (No. of meetings in FY2021)	No. of members (male/female)	Chair	Objective and other details
Directors and the Board of Directors (18)	8 • 5 inside officers (5/0) • 3 outside officers (2/1)	President and Representative Director	We have set the number of directors to at least three but no more than 12 to ensure prompt and proper decision making in consideration of the scope of liability of that body. We also appoint more than one outside director to ensure transparency. It meets once a month and makes decisions on matters set forth in laws, regulations, and the Articles of Incorporation, as well as other important matters.
Audit & Supervisory Board (18)	5 • 2 inside officers (2/0) • 3 outside officers (3/0)	—	We have set the number of members to at least three but no more than five to enable it to fully perform its supervisory function toward the Board of Directors and half of the members should be outside Audit & Supervisory Board members. There should also be at least one member who has appropriate knowledge of finance and accounting in particular. It meets at least once a month and discusses important matters concerning auditing.
Compliance Committee (4)	10 • 8 inside officers (8/0) • 2 outside officers (1/1)	President and Representative Director	To ensure thorough compliance and raise society's trust in the Group by comprehensively confirming and reviewing Groupwide compliance and making proposals to the Board of Directors and management committees.
Sustainability Committee (4)	13 • 7 inside officers (7/0) • 6 outside officers (4/2)	President and Representative Director	To comprehensively review the sustainability initiatives of the Group, and report and make proposals to the Board of Directors.
Executive Appointments Committee (7)	4 outside officers (3/1)	Outside director	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions on the selection of candidates for the positions of representative director, director, and Audit & Supervisory Board member, as well as discussions regarding the dismissal and/or removal of the President and Representative Director and other management members (executive directors and executive officers).
Compensation Committee (3)	4 • 1 inside officer (1/0) • 3 outside officers (2/1)	Outside director	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions regarding compensation for corporate officers (including executive officer)
Board of Independent Officers and Representative Directors (2)	9 • 3 inside officers (3/0) • 6 outside officers (5/1)	—	To facilitate exchanges of opinion among independent officers and representative directors as a forum for making proposals regarding improvements to the Group's corporate value and reforms to corporate culture.
Board of Independent Outside Officers (2)	6 outside officers (5/1)	Outside director	To facilitate discussions between independent directors and Audit & Supervisory Board members as a forum for exchanging information and sharing understandings from an independent and objective perspective.
Internal Control/JSOX Committee (3)	19 • 19 inside officers (19/0)	Officer appointed by the President and Representative Director	To evaluate the effectiveness of internal controls at all Group companies and internal controls concerning business processes, as well as to report the results of these evaluations to the Board of Directors and members of management as a basis for manager evaluations
Risk Management Committee (4)	13 • 13 inside officers (13/0)	Officer appointed by the President and Representative Director	To discuss issues and measures concerning risk management (risk prevention and rapid response to business emergencies) and to report matters under consideration by the Committee and the results of discussions to the Board of Directors or at Management Strategy Committee with the aim of contributing to the management of the Group

Achievements in the reinforcement of corporate governance

Fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Medium-term management plan	New Medium-Term Management Plan Part 1			New Medium-Term Management Plan Part 2			New Medium-Term Management Plan Part 3			New Medium-Term Management Plan Part 4			New Medium-Term Management Plan Part 5			Medium-Term Management Plan 2020			Medium-Term Management Plan 2023		
Number of directors*1 (Outside directors)	11 (2)	10 (2)	11 (2)	10 (2)	10 (2)	10 (2)	10 (1)	12 (2)	12 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	9 (3)	8 (3)	8 (3)	8 (3)	—
Number of Audit & Supervisory Board members*1 (Outside Audit & Supervisory Board members)	5 (4)	5 (4)	5 (4)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	—
Main efforts to strengthen corporate governance	2003 • Established the Management Strategy Committee, Investment and Finance Committee, and Corporate Executive Committee • Established the Compliance Committee, Compensation System Committee (now Compensation Committee), and Crisis Management Committee (now Risk Management Committee) 2004 • Established the Corporate Governance Committee			2006 • Established the Corporate Value Evaluation Committee*2 2008 • Established the JSOX Committee (now Internal Control / JSOX Committee)			2011 • Established the Executive Appointments Committee						2016 • Established the Board of Independent Officers and Representative Directors, and Board of Independent Officers			2018 • Established the CSR Promotion Committee*2 2020 • Established the Sustainability Committee*2 • Introduced the Performance-Based Stock Compensation Plan			2021 • Established the Group Audit & Supervisory Board Members' Office • Revised the Fundamental Policy on Cross-Shareholdings		

*1 Number after the Ordinary General Meeting of Shareholders

*2 The Corporate Value Evaluation Committee was renamed as the Corporate Value Enhancement Committee in 2015. In 2020, the Corporate Value Enhancement Committee and CSR Promotion Committee were merged to form the Sustainability Committee.

Corporate governance

(As of June 25, 2022)



Directors	① Yoshihide Hata	President and Representative Director President and CEO	Mr. Yoshihide Hata joined the Company in 1981. He took office as Director in 2011, and as Director and General Manager of the Corporate Management Division in 2012, leading the Accounting & Finance Department and Group management as a whole. In 2018, he took office as President and Representative Director.
	② Tetsuhiro Kito	Representative Director and Executive Vice President General Manager of Fresh Meats Business Division and in charge of cross-business strategy	Mr. Tetsuhiro Kito joined the Company in 1982. He took office as Director and General Manager of the Sales & Marketing Division, Processed Foods Business Division in 2015. In 2019, he was appointed as General Manager of the Overseas Business Division. He took office as Representative Director and Executive Vice President, and General Manager of the Fresh Meats Business Division, and Officer in charge of cross-business strategy promotion in April 2021.
	③ Nobuhisa Ikawa	Representative Director and Executive Vice President General Manager of Corporate Planning Division; in charge of Research & Development Center; in charge of new business development; in charge of Hokkaido project	Mr. Nobuhisa Ikawa joined the Company in 1985. He took office as Director and General Manager of the Processed Foods Business Division in 2018 and has led the processed foods business as a whole. He took office as Representative Director and Executive Vice President, and General Manager of the Corporate Planning Division and officer in charge of the Research & Development Center, new business development, and the Hokkaido Project in April 2022.
	④ Fumio Maeda	Director and Managing Executive Officer General Manager of Processed Foods Business Division	Mr. Fumio Maeda joined the Company in 1988. He has primarily been engaged in the fresh meats and processed foods businesses. He took office as a Director and Managing Executive Officer and General Manager of the Processed Foods Business Division in April 2022.
	⑤ Masahito Kataoka	Director and Executive Officer In charge of Accounting & Finance Department, Quality Assurance Department, Customer Service Department and Lifestyle Research Office and General Manager of Tokyo Branch Office	Mr. Masahito Kataoka joined the Company in 1985. He has primarily been engaged operations in related to accounting and finance, as well as public and investor relations. Since April 2021, he has been leading business operations as Director in charge of the Accounting & Finance Department, Quality Assurance Department, Customer Service Department, and Lifestyle Research Office and as General Manager of Tokyo Branch Office. He took office as Director in June 2021.
	⑥ Yasuko Kono	Outside Director	Ms. Yasuko Kono took office as Outside Director in June 2018. She has extensive knowledge and experience concerning consumer issues.
	⑦ Hideo Arase	Outside Director	Mr. Hideo Arase took office as Outside Director in June 2019. He was in charge of overseas business at a major manufacturer of medical equipment and has abundant experience of and deep insight into global-scale corporate management.
	⑧ Tokushi Yamasaki	Outside Director	Mr. Tokushi Yamasaki took office as Outside Director in June 2022. From June 2019 to May 2022, he served as an Outside Audit & Supervisory Board Member. He has also served as a securities analyst in the food sector for a major securities company, and possesses professional knowledge and abundant experience of food companies in general.

Audit & Supervisory Board Members	⑨ Sadanori Miyagai	Audit & Supervisory Board Member (full-time)	Mr. Sadanori Miyagai joined the Company in 1982. From June 2019 to March 2021, he served as Director and Managing Executive Officer in charge of the Quality Assurance Department and Sustainability Department, and he has extensive work experience and knowledge concerning quality and environmental auditing.	
	⑩ Nobuyuki Tazawa	Audit & Supervisory Board Member (full-time)	Mr. Nobuyuki Tazawa joined the Company in 1984. From April 2017 to March 2019, he led business administration leveraging his rich work experience and knowledge as Executive Officer and General Manager of the Administrative Division, Processed Foods Business Division.	
	⑪ Akihiko Shiba	Outside Audit & Supervisory Board Member	Mr. Akihiko Shiba took office as Outside Audit & Supervisory Board Member in 2015. As an attorney at law, he has a professional standpoint and abundant experience related to risk, crisis response, and compliance.	
	⑫ Masayuki Kitaguchi	Outside Audit & Supervisory Board Member	Mr. Masayuki Kitaguchi took office as Outside Audit & Supervisory Board Member in 2019. He has professional knowledge and abundant experience as a certified public accountant and as an attorney at law who handles a wide range of legal matters.	
	⑬ Shigeru Nishiyama	Outside Audit & Supervisory Board Member	Mr. Shigeru Nishiyama took office as Outside Audit & Supervisory Board Member in June 2022. He is able to provide advice related to sustainability based on his professional knowledge and abundant experience as a certified public accountant and a professor of a graduate school.	
Managing Executive Officers	Keiji Maeda	General Manager of Sales Management Division, Processed Foods Business Division	Nobuo Oda	General Manager of Overseas Business Division and Operation Management Division
Executive Officers	Kohei Akiyama	In charge of Human Resources Department, Legal Affairs Department, Public & Investor Relations Department, Secretarial Office, Audit Department and Compliance Department; General Manager of Group Audit & Supervisory Board Members' Office; in charge of corporate communications	Hideki Fujii	In charge of Americas of Operations Management Division, Overseas Business Division; President and Director of Day-Lee Foods, Inc.
	Tadaaki Ito	General Manager of Administrative Division, Overseas Business Division	Shuichi Toda	General Manager of Imported Fresh Meats Sales Division, Fresh Meats Business Division
	Takao Seki	General Manager of Sales Management Division, Fresh Meats Business Division	Shuichi Narumi	General Manager of Domestic Red Meat Division, Fresh Meats Business Division
	Hiroyuki Tsukuda	General Manager of Administrative Division, Fresh Meats Business Division	Hirohide Fujiwara	General Manager of Corporate Planning Department, Corporate Planning Division; in charge of DX Promotion Department, IT Strategy Department, and Sports & Group Business Promotion Department
			Akio Wakita	General Manager of Administrative Division, Processed Foods Business Division
			Yukihiro Matsumoto	General Manager of Product Management Division, General Manager of Dairy & Marine Products Division, Processed Foods Business Division
		Yoshitaka Hasegawa	General Manager of Accounting & Finance Department and in charge of General Affairs Department	
		Toyotake Imon	General Manager of Domestic White Meat Division, Fresh Meats Business Division	

Note: See our website for bios, positions, responsibilities, and important concurrent positions in our Notice of the 77th Ordinary General Meeting of Shareholders

WEB NH Foods Notice of the 77th Ordinary General Meeting of Shareholders
<https://www.nipponham.co.jp/eng/ir/events/generalmeeting/>

Corporate governance

Skills, attendance, and reason for election of directors (FY2021)

Attendance is based on the number of relevant meetings attended in fiscal 2021, while the positions shown are positions held from June 2022 onward.

Name	Reason for election	Areas of experience and expertise						Committees serving on ● Committee chairperson ○ Committee member * Independent officers									
		Corporate management	International experience	Global environment/ Sustainability	Consumer perspective / Marketing / R&D	Finance / Accounting	Legal affairs / Quality management / Risk management	Board of Directors	Audit & Supervisory Board	Management Strategy Committee	Compliance Committee	Sustainability Committee	Executive Appointments Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Outside Officers	
Yoshihide Hata	Mr. Yoshihide Hata, since taking office as a Director of NH Foods Ltd., has led accounting and finance as well as group management, and since January 2018, has led business operations as President and Representative Director. He has contributed to the further development of the Group through the implementation of various measures of Medium-Term Management Plan 2023, which was formulated based on a backcasting perspective toward the realization of the NH Foods Group Vision2030, and has fulfilled his role as a Director.	○				○	○	● 18/18 (100%)	—	● 24/24 (100%)	● 4/4 (100%)	● 4/4 (100%)	—	○ 3/3 (100%)	○ 2/2 (100%)	—	
Tetsuhiro Kito	Mr. Tetsuhiro Kito, since taking office as a Director of NH Foods Ltd., has been in charge of the Processed Foods Business, group sales management and the Group Sales Planning Department and has served as General Manager of the Overseas Business Division. Since April 2021, he has led business operations as Vice President and Representative Director, General Manager of the Fresh Meats Business Division and officer in charge of cross-business strategy, and has fulfilled his role as a Director.	○	○		○			○ 18/18 (100%)	—	○ 24/24 (100%)	○ 4/4 (100%)	○ 4/4 (100%)	—	—	○ 2/2 (100%)	—	
Nobuhisa Ikawa	Mr. Nobuhisa Ikawa, since taking office as a Director of NH Foods Ltd., has served as General Manager of the Processed Foods Business Division, and since April 2022, has led business operations as Vice President and Representative Director, General Manager of the Corporate Planning Division and officer in charge of the Research & Development Center, new business development, and the Hokkaido Project, and has fulfilled his role as a Director.	○			○			○ 18/18 (100%)	—	○ 24/24 (100%)	○ 4/4 (100%)	○ 4/4 (100%)	—	—	○ 2/2 (100%)	—	
Fumio Maeda	Mr. Fumio Maeda, since taking office as a Director of NH Foods Ltd., has served as General Manager of the Corporate Planning Division, and has been in charge of the Research & Development Center and the Hokkaido Project. In addition to the above roles, since April 2022, he has led business operations as General Manager of the Processed Foods Business Division, and has fulfilled his role as a Director.	○		○	○			○ 18/18 (100%)	—	○ 24/24 (100%)	○ 4/4 (100%)	○ 4/4 (100%)	—	—	—	—	
Masahito Kataoka	Mr. Masahito Kataoka, since taking office as a Director of NH Foods Ltd., has led business operations as Executive Officer in charge of the Accounting & Finance Department, Quality Assurance Department, Customer Service Department and Lifestyle Research Office, and has fulfilled his role as a Director.					○	○	○ 13/13 (100%)	—	○ 24/24 (100%)	—	○ 4/4 (100%)	—	—	—	—	
Yasuko Kono Outside	Since Ms. Yasuko Kono has rich experience and knowledge concerning consumer issues, she is able to provide us with valuable suggestions regarding promotion and implementation of the NH Foods Group's Five Materialities, which we have identified as social issues to be addressed toward the realization of the NH Foods Group Vision2030, which was established as a milestone for achieving the Group's corporate philosophy, as well as management in general.			○	○			○ 18/18 (100%)	—	—	○ 4/4 (100%)	○ 4/4 (100%)	● 7/7 (100%)	○ 3/3 (100%)	○ 2/2 (100%)	● 2/2 (100%)	
Hideo Arase Outside	Mr. Hideo Arase has served as a director in charge of overseas business at a major manufacturer of medical equipment, and possesses abundant experience and deep insight of global-scale corporate management that can adapt to change. Therefore, he is able to provide us with valuable advice regarding the establishment of a growth model for the Overseas Business, one of the management policies of Medium-Term Management Plan 2023, a plan formulated from a backcasting perspective toward the realization of the NH Foods Group "Vision2030," which was established as a milestone for achieving the Group's corporate philosophy, as well as management in general.	○	○					○ 18/18 (100%)	—	—	—	○ 4/4 (100%)	○ 7/7 (100%)	● 3/3 (100%)	○ 2/2 (100%)	○ 2/2 (100%)	
Tokushi Yamasaki Outside New appointment	Mr. Tokushi Yamasaki has a proven track record and experience as an Audit & Supervisory Board Member and observer of the Sustainability Committee, as well as professional knowledge as a security analyst in the foods sector. Therefore, he is able to provide us with valuable advice regarding a shift to a sustainable business model with profitability, one of the management policies of the Medium-Term Management Plan 2023, a plan formulated from a backcasting perspective toward the realization of the NH Foods Group Vision2030, which was established as a milestone for achieving the corporate philosophy, as well as management in general.			○		○		○	18/18* (100%)	—	—	○	○	○	○ 2/2* (100%)	○ 2/2* (100%)	

* Served as a member of the Audit & Supervisory Board in fiscal 2021

Corporate governance

Reasons for election and attendance of Audit & Supervisory Board members (FY2021)

Attendance is based on the number of relevant meetings attended in fiscal 2021, while the positions shown are positions held from June 2022 onward.

Name	Reason for election	Committees serving on ● Committee chairperson ○ Committee member * Independent officers								
		Board of Directors	Audit & Supervisory Board	Management Strategy Committee	Compliance Committee	Sustainability Committee	Executive Appointments Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Outside Officers
Sadanori Miyagai	Mr. Sadanori Miyagai served as a Director and Managing Executive Officer in charge of the Quality Assurance Department and Sustainability Department of NH Foods Ltd. from June 2019 to March 2021, and has rich work experience and knowledge concerning quality and environmental audits.	○ 18/18 (100%)	● 18/18 (100%)	observer	—	—	—	—	—	—
Nobuyuki Tazawa	Mr. Nobuyuki Tazawa has mainly been engaged in operations related to the Processed Foods Business Division and corporate planning, and possesses rich work experience and knowledge concerning business administration as an Executive Officer and General Manager of the Administrative Division and Processed Foods Business Division of NH Foods Ltd. from April 2017 to March 2019. He has also served as chair of the Audit & Supervisory Board.	○ 18/18 (100%)	○ 18/18 (100%)	observer	—	—	—	—	—	—
Akihiko Shiba Outside	Akihiko Shiba provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as an attorney-at-law. He has also served as a member of the Executive Appointments Committee.	○ 18/18 (100%)	○ 18/18 (100%)	—	—	—	○ 7/7 (100%)	—	○ 2/2 (100%)	○ 2/2 (100%)
Masayuki Kitaguchi Outside	Masayuki Kitaguchi provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as an attorney-at-law and certified public accountant. He has also served as an observer at meetings of the Compliance Committee.	○ 18/18 (100%)	○ 18/18 (100%)	—	observer	—	—	—	○ 2/2 (100%)	○ 2/2 (100%)
Shigeru Nishiyama Outside New appointment	Shigeru Nishiyama provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as a certified public accountant and a graduate school professor. He has also served as a member of the Sustainability Committee.	○	○	—	—	observer	—	—	○	○

Internal audits and group governance

Internal audits and audits by Audit & Supervisory Board members

The implementation of internal audits has been assigned to 20 employees of the Audit Department and is carried out in coordination with Audit & Supervisory Board members and accounting auditors. These audits include site visits to plants, business offices, and other facilities, as well as at both domestic and overseas subsidiaries, to evaluate their accounting and business operations. The results of internal audits are reported to the Board of Directors. Accounting auditors evaluate the effectiveness of internal controls by holding discussions with the Audit Department to gauge the status of internal audits. They also exchange information concerning audit results.

With regard to audits by Audit & Supervisory Board members, members attend meetings of the Board of Directors, Management Strategy Committee, and other boards and committees in order to confirm business execution by directors. Each quarter, Audit & Supervisory Board members also exchange opinions and proposals with the President and Representative Director, and exchange opinions with outside directors.

Also, in order to monitor the status of business execution, in principle, at least one full-time Audit & Supervisory Board member and one outside Audit & Supervisory Board member participate in interviews with directors twice per year, and executive officers and the heads of major departments and divisions once per year, in order to confirm the situation regarding matters such as business execution, governance and compliance

initiatives, workstyle reform, and human resources development.

Audits of domestic and overseas Group companies are conducted annually at key business sites mainly selected based on an audit plan formulated at the beginning of each fiscal year, and biannually at other sites. During these audits, interviews are held regarding matters such as the progress of business execution, response to material risks, compliance initiatives, progress on workstyle reform, and requests for the Group. Audit & Supervisory Board members receive a report from internal audit departments once per month with the accounting auditor and the internal audit departments, and observe audits by the internal audit departments and audits by the accounting auditor (including the year-end inventory audit).

The Group Audit & Supervisory Board Members' Office was established in April 2021 to strengthen the Group's auditing and internal control functions by facilitating audits of Boards of Directors at subsidiaries by said subsidiary's Audit & Supervisory Boards and strengthening coordination with relevant departments. It aims to establish an appropriate overall audit framework at each subsidiary and cultivate human resources for building the organizational bodies needed to implement audits. The office coordinates with the Audit Department and Audit & Supervisory Board members to conduct preparatory training for newly appointed Audit & Supervisory Board members at Group companies and support the development of new auditing tools, as well as to facilitate information sharing aimed at improving the quality and effectiveness of audits.

Main roles and duties of the Audit & Supervisory Board and its members

Item/audit target	Details	Full-time	Outside
Oversight and auditing of the Board of Directors	Attended Board of Directors meetings (18 times)	○	○
Auditing of business execution by directors	Interviewed the President and Representative Director (4 times, 2 hours each time)	○	○
	Exchanged opinions with outside directors (4 times, 2 hours each time)	○	○
	Interviewed executive directors, executive officers, and general managers of major divisions, excluding the above (33 times)	○	○
Important meetings other than Board of Directors meetings	Full-time Audit & Supervisory Board members attended and shared opinions at meetings	○	—
Various Committees	Audit & Supervisory Board members attended meetings of committees and other bodies they are responsible for	○	○
Internal audit departments	Received audit reports (12 times)	○	○
Accounting and finance departments	Quarterly financial results, accounting auditor activities reports, etc. (7 times)	○	○
Accounting auditor	Received accounting audit plans, accounting audit reports, reviews of quarterly financial results, etc. (12 times)	○	○
Group companies	Interviewed representatives of Group companies and thoroughly reviewed documents based on an audit plan as an audit of the Group of companies (40 business locations, including companies that only submitted documents)	○	○
	Held meetings to exchange opinions with the Group Audit & Supervisory Board Members' Office and full-time Audit & Supervisory Board members of Group companies (3 times)	○	—
	Held liaison meetings for the Audit & Supervisory Boards of Group companies (2 times)	○	○

Accounting audits

The Company has concluded an auditing contract with Deloitte Touche Tohmatsu LLC, to carry out audits in accordance with the Companies Act of Japan and the Financial Instruments and Exchange Act. In addition, the department in charge of accounting holds discussions with accounting auditors as necessary with the aim of improving the transparency and correctness of accounting procedures.

Names of CPAs who performed audits	Name of Auditing Firm
Koichi Sekiguchi	Deloitte Touche Tohmatsu LLC
Takashige Ikeda	Deloitte Touche Tohmatsu LLC
Shunsuke Matsumoto	Deloitte Touche Tohmatsu LLC

Notes: Assistants who helped with accounting audits included 20 CPAs, 16 CPA-certified individuals, and 37 other individuals.

Corporate governance

Evaluation of effectiveness of the Board of Directors

The Company has conducted analysis and evaluations of the effectiveness of the Board of Directors in accordance with the NH Foods Group Fundamental Policy on Corporate Governance since FY2015 with the aim of improving the effectiveness of the Board by identifying issues concerning its structure and operation.

Evaluation process

Each year, we carry out a questionnaire survey of all directors and Audit & Supervisory Board members. Also, in order to ensure that officers can be honest with their opinions and to realize objective analysis, responses are delivered directly to a third-party evaluation organization without passing through an internal secretariat. We also conduct interviews with a number of directors.

At a meeting of the Board of Directors on April 28, 2022, there was an exchange of opinions based on a report containing the objective analysis and assessment of the third-party evaluation organization. Analysis and assessment of the Board of Directors was conducted at the Board meetings held on May 6, June 10, and June 24 using the results of the exchange of opinions as a reference.

Response to issues identified in the previous fiscal year

- (1) Members and operation of the Board of Directors
- (2) Management strategy and business strategy
- (3) Corporate ethics and risk management
- (4) Evaluation and compensation of the members of management
- (5) Communication with shareholders

Issues in FY2021 and measures to solve these	<p>FY2021 issues</p> <ol style="list-style-type: none"> (1) Continuously strengthen discussion of risks that the Board should be aware of based on Group-wide identification and organization of risk. (2) Share social issues that need to be solved to achieve the SDGs and issues that should be addressed from a sustainability perspective to formulate and execute medium- to long-term strategies connected to the five materialities. (3) Have the Executive Appointments Committee reassess and revise measures related to the Plan for the Development of Next-Generation Executives, such as the selection, training, and transfer program, and then report to the Board of Directors. 	<p>Initiatives to solve these issues</p> <ol style="list-style-type: none"> (1) Identify and organize risks on a Group-wide basis and continuously discuss which risks the Board should be aware of. (2) Check progress on medium- to long-term strategies connected to the five materialities. (3) Receive and discuss reports from the Executive Appointments Committee regarding the reassessment and revision of measures related to the Plan for the Development of Next-Generation Executives, such as the selection, training, and transfer program.
FY2021 results	<p>The results of analysis by the Board of Directors confirmed that the Board is being operated with appropriate effectiveness. It also confirmed that appropriate internal controls systems have been established and are functioning, that incentive-based compensations systems are objective and transparent, and other matters. It also checked that verifications aimed at shrinking cross-shareholdings, which were an issue in the previous fiscal year, are being carried out. Furthermore, it worked to further increase effectiveness by discussing matters to be addressed in FY2022, based on the classification and organization of issues identified in the analysis.</p>	
	<p>Main topics discussed by directors</p> <ul style="list-style-type: none"> • Declaration of commitment to the Tokyo Nutrition for Growth Summit 2021 and partial revisions to materiality disclosure classifications • Partial amendments to the NH Foods Group Fundamental Policy on Corporate Governance and corporate governance reports • Release of the TCFD interim report, report on the progress of DX initiatives, and animal welfare (core values and code of conduct) • Creation and disclosure of a skills matrix • Report on the third meeting of the Risk Management Committee, update of capital-related measures 	
Priority themes for FY2022	<p>In order to further increase the effectiveness of the Board of Directors, we will strengthen initiatives under the following three themes.</p> <ol style="list-style-type: none"> (1) Optimizing the Group's business portfolio and appropriately allocating management resources (2) Responding to sustainability-related risk by recognizing that in addition to minimizing risks, turning these risks into profit opportunities is an important management challenge and by actively tackling this challenge with a view to raising medium- to long-term corporate value (3) Identifying Group-wide risks and evaluating them in terms of importance and order of priority, and then overseeing the implementation of countermeasures for risks identified as high priority <p>Furthermore, we will also ensure appropriate monitoring of the status of human resources strategy, strengthen governance, and expand discussion related to management succession planning. We will also discuss the possible causes of the significant disparity in the evaluation of inside and outside officers.</p>	

Cross-shareholdings

In principle, the Company does not hold shares in cross-shareholdings. However, we may hold shares in cross-shareholdings in cases where it is recognized that cross-shareholding is essential to the sustainable growth of the Group or to improving corporate value, such as for reinforcing alliances in order to maintain business transactions and expand our business, and for smooth fund raising.

Once a year, we review all cross-held shares and closely examine whether factors such as the benefit of holding these shares, the risk of stock price fluctuations, and the credit risk of the issuing company are worth the capital cost, and then comprehensively determine whether holding such shares is

appropriate or not.

If we determine that holding certain shares has become less necessary, we will dispose of such shares in an appropriate manner, taking into consideration matters such as stock price and market trends. There are also cases where even though the holding of certain shares has been recognized as significant, they may be disposed of based upon an agreement with the issuing company. As of the end of March 2022, the total market value of our cross-shareholdings was approximately ¥30.3 billion. This amounts to around 3.3% of consolidated assets, which we recognize is not a large proportion, but we will continue to review and shrink all our current investments.

Officer compensation

Basic policy

The purpose of the officers compensation system at the Company is to further clarify the linkage between officers, compensation and Company's business performance/shareholder value and to provide an incentive for enhancing corporate value over the medium-to long-term with the aim of realizing the corporate philosophy. System development, compensation levels, system operation, etc., are to be deliberated on by the Compensation Committee, with an independent outside director acting as chairperson, and with the final decision to be made by the Board of Directors. Regarding compensation levels for each individual officer, the reasonableness of these levels is verified every year with reference to the investigation results, etc., of third-party organizations.

are also considered. Non-financial items linked to the environment, society, and the enhancement of governance are also included in the scope of evaluation. Out of the management issues that are factored into annual incentives based on the previous year's results (about 40%), non-financial evaluation items count for about 50%.

Performance-based stock compensation includes malus (reduction of an amount of rights granted but yet to be exercised) and clawback (return of an amount of rights that have been exercised) provisions. These provisions can be exercised in the event of one of the predetermined triggers that include certain wrongdoings, such as a serious breach of duties or material violation of the internal rules. The stock-based compensation subject to return under these provisions shall be the whole or a part of compensation for the fiscal year in which such wrongdoing takes place.

When introducing the plan, we adopted a board benefit trust system for officers in which a set amount of shares in the Company are acquired by a trust using monetary contributions from the Company, and these shares are delivered to recipients, such as directors who are in office during the eligibility period, through the trust.

Summary of director compensation

Compensation for directors (excluding outside directors) comprises monetary compensation (basic compensation and performance-based compensation) and performance-based stock compensation.

Performance-based compensation is not only determined by the fiscal year's business results. Evaluations of efforts and progress toward achieving tmaterialities linked to sustainability

Breakdown of officer compensation

	Basic Compensation 60%	Performance-Based Compensation 23%	Performance-Based Stock Compensation 17%
Positioning	Fixed compensation	Short-term incentive compensation	Long-term incentive compensation
Recipients	•Directors •Executive officers •Audit & supervisory board members	•Directors (excluding outside directors) •Executive officers	•Directors (excluding outside directors) •Executive officers
Delivery form	Money	Money	Stock (BIP Trust)
Evaluation indicators	—	Financial Annual performance: Group-wide performance and the performance of individual departments Non-financial Individually established management issues: Qualitative targets *About 50% are non-financial items related to the environment, society, and the enhancement of governance	Financial • Consolidated net sales • Consolidated business income • ROE
Delivery method	Payment of standard amounts established by position	If the standard performance achievement level is 100%, the payment will vary within the range from 0 to 200%, according to the level of achievement.	Points will be granted according to the level of achievement of the target values of the performance indicators set in the Medium-Term Management Plan. If the standard performance achievement level is 100%, the payment will vary within the range from 0 to 130%.

Corporate governance

Category	Number	Aggregate amount of compensation, etc. (millions of yen)	Amount of compensation, etc., by type (millions of yen)		
			Basic compensation	Appraisal compensation	Performance-based stock compensation
Directors (Outside Directors)	9 (3)	326 (39)	199 (39)	89 (—)	38 (—)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	6 (3)	90 (39)	90 (39)	— (—)	— (—)
Total (Outside Officers)	15 (6)	416 (78)	289 (78)	89 (—)	38 (—)

Point calculation formula

$$\text{Number of points granted}^{*1} = (\text{Base amount of stock-based compensation by position}^{*2} / \text{Share price for point calculation}^{*3}) \times \text{Performance-linked coefficient}^{*4}$$

*1 Rounded down to the nearest whole number.
 *2 The base amount of stock-based compensation by position is the amount of compensation set by the Company in advance as the base amount of stock-based compensation for each position.
 *3 The share price for point calculation is the average acquisition unit price (rounded off to the nearest whole number) of the shares of the Company acquired by the BIP Trust established under the Plan. If the trust period of the Trust is extended in order to continue the Plan, the price will be the average acquisition unit price (rounded off to the nearest whole number) of the shares of the Company that are newly acquired by the Trust after the extension.
 *4 The target values of each indicator used to measure the degree of achievement of the performance goal will be the quantitative target values for each business year that were announced at the time the Medium-Term Management Plan of the Company was formulated.
 *5 Targets are current as of the formulation of Medium-Term Management Plan 2023

Target values for the current Medium-Term Management Plan*5

Target Value	FY2022
Consolidated net sales	¥1,200.0 billion
Consolidated business income	¥52.0 billion
ROE	7.3%

Plan for the Development of Next-Generation Executives (selection, training, and transfer)

Human-resources characters required for executives

The Group is working to continuously enhance corporate value by establishing the Plan for the Development of the Next-Generation Executives and defining five "Human Resources Characteristic Required for Executives" (integrity, devotion, deliberation, endeavor, and empathy). The assessment of corporate officers involves executive officers creating a commitment sheet that incorporates these five requirements, followed by an interview with the President during which the setting and achievement of targets is confirmed. NH Foods Ltd. is also working to cultivate the next-generation of human resources who possess the five requirements by introducing programs such as a selection, training, and transfer program and an executive behavioral characteristic analysis program on a company-wide basis. First, we will enhance the pool of potential executives by revising human resources systems, to create more opportunities for potential next-generation leaders.

Developing next-generation executives

The Group implements next-generation executive planning initiatives in accordance with the process in the Guidelines for Strategic Development of Managerial Human Resources to Improve Corporate Value released by the Ministry of Economy, Trade and Industry. Our plan started in 2018 and as of May 2022, we are engaged in Phase 4 – "Evaluation of the results of

development, and reassessment and reevaluation of related measures." In fiscal 2021, our new executive officers participated in a young managers forum with a view to cultivating next generation executive experience and creating useful contacts outside of the Group.

As part of our newly established training programs for officers, we plan to hold talks on the latest trends in corporate governance at meetings of the Board of Directors and talks by executives at meetings of the Corporate Executive Committee. We are also introducing a voluntary program for officers run by an external educational institution so that officers can continue to improve their abilities after being appointed and can maintain and further develop the five requirements of our executives.

Additionally, NH Foods Ltd. is conducting 360-degree evaluation for employees who are the heads of major departments and divisions or above, which incorporates feedback from superiors, peers, and people working under them. These are useful for self-development.

We are carrying out succession planning for CEO and management positions through measures such as disclosing our requirements of executives, applying various external assessment systems, and carrying out education and training. Each year we make improvements, and the details of these improvements are discussed by the Executive Appointments Committee and confirmed by the Board of Directors.

Compliance

Compliance promotion framework

Important information concerning compliance is centrally managed by the Compliance Department which reports in real

time to directors, Audit & Supervisory Board members, executive officers, and the heads of relevant departments and divisions and also presents reports to the Board of Directors

and Compliance Committee.

Additionally, the Compliance Committee, which is responsible for verifying compliance status and considering compliance policies across the Group, the Compliance Promotion Committees, which advance compliance initiatives at each Group company and business division, and the Compliance Leader Conference, which comprises representatives from the Compliance Promotion Committee of each Group Company and considers specific measures, all coordinate to share the latest information and to work thoroughly toward better compliance management. In fiscal 2021, the Compliance Committee and Compliance Leader Conference met four times each.

Ensuring corruption prevention

We formulated the NH Foods Group Action Standards (Japan version) for Group companies in Japan and the NH Foods Group Overseas Governance Policy for Group companies overseas with a particular focus on preventing bribery. We also prohibit the provision of entertainment or gifts to public officials with the purpose of unjust profit, either directly or indirectly through agents or the like.

Identifying potential risks through regular visits to business sites

Members of the Compliance Department regularly visit our business sites and solicit feedback from employees. The goal is to identify potential risks, avoid them, take preventive measures, detect problems early, and solve them.

Employee awareness-raising activities

We work to entrench compliance awareness through the entire Group by leveraging various opportunities to carry out awareness-raising activities.

Compliance training is conducted for each level of employee and involves content such as learning about harassment issues and compliance violations and discussing case studies as a group.

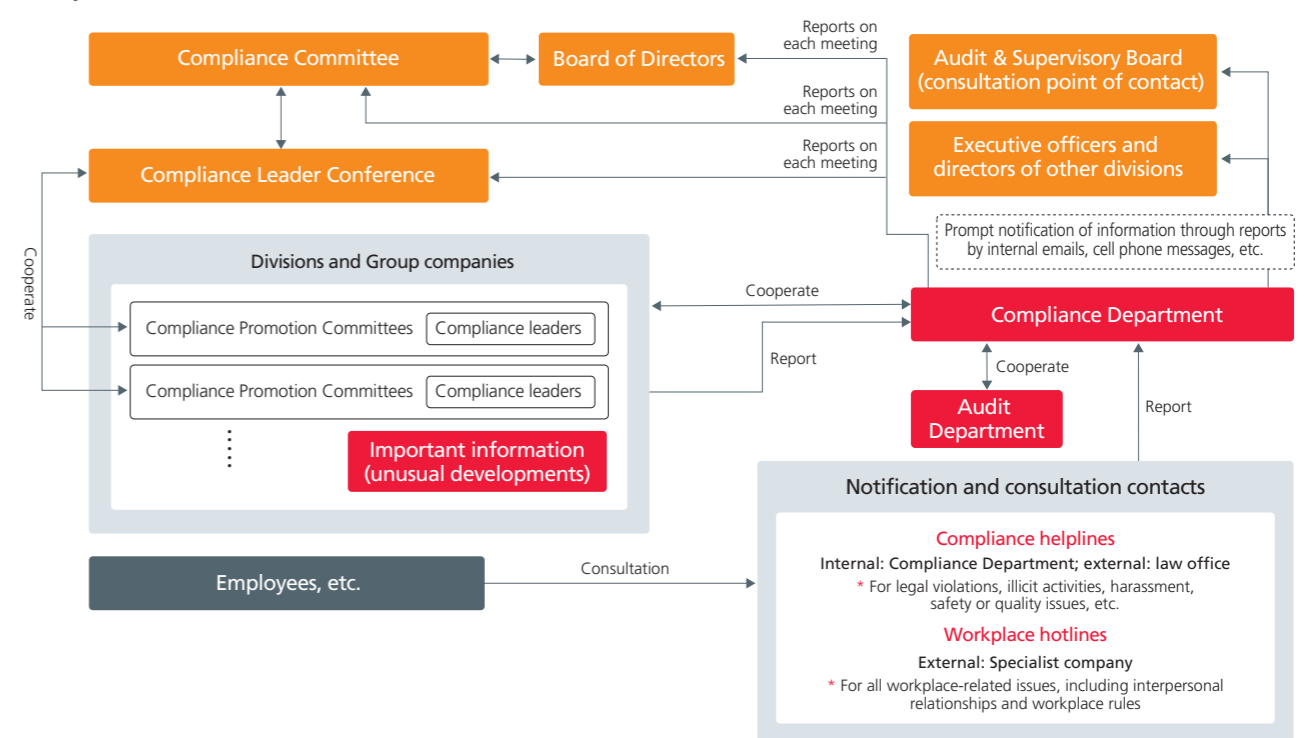
Also, all employees attend Compliance Competitions held at each business location and Group company, which include compliance study sessions and other events.

Additionally, each office holds office study groups to learn about harassment prevention and vitalizing workplace communication using video materials and case studies.

Establishing consultation channels

We have established consultation channels which all Group employees can access freely in order to share opinions, whistle blow, or seek advice about workplace issues. This includes one in-house channel and two external channels. In 2018, we also established the Auditor Consultation Channel to facilitate the reporting of illegal and illicit activities by Group officers. Additionally, the NH Foods Group Whistleblowing Rules clarify that the identity of whistleblowing individuals should be protected and that unfair treatment toward these individuals is strictly prohibited. All Group employees are made thoroughly aware of these regulations. Employees can also consult or make reports through these channels anonymously. (For details of issues raised, see p.16.)

Compliance framework



Corporate governance

Risk management system

Risk management system

The risk management systems adopted by the Company are based on the "Risk Management Rules" outlining basic policies and management systems concerning risk management, with the President and Representative Director as the highest management executive.

The Risk Management Committee established by the President and Representative Director is the central organization for Group-wide risk management. It works to identify and assess various risks, as well as specify priority risks, and consider countermeasures. Based on the policies of the Committee, individual business divisions and departments coordinate risks relating to their own particular business domains and functions. Results are reported to the Board of Directors through the Committee. The Board of Directors considers responses to important risks that the Committee thinks may have a significant impact on the Group's business activities. When an important risk is recognized to be manifesting, units for taking countermeasures tailored to the expected severity are organized, and prompt and appropriate action is undertaken.

In addition to the above, product market risks arising from daily business activities are handled by individual business divisions, and financial risks by the Accounting &

Finance Department and related business divisions.

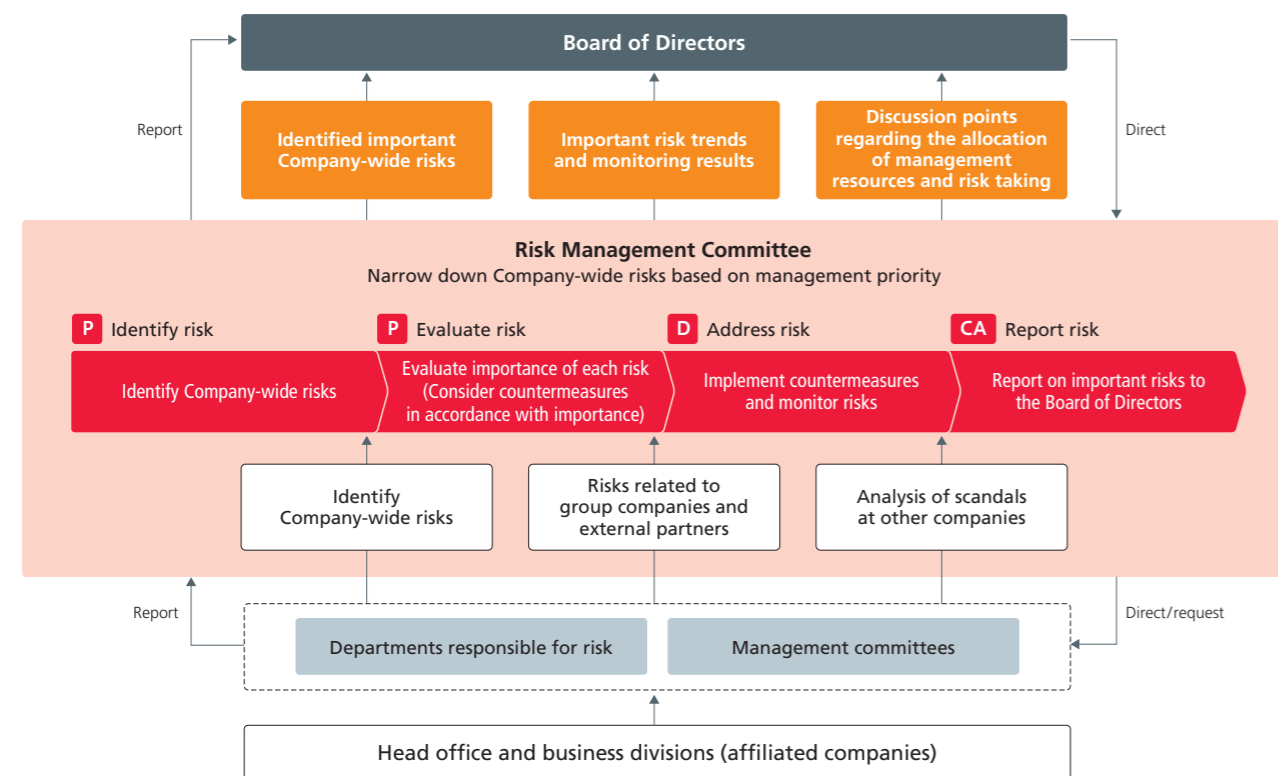
Accordingly, up to fiscal 2021, the Risk Management Committee was unable to centrally manage all risks affecting the Company, and insufficient evaluation of the importance of each risk and the order in which they should be addressed was an issue. In fiscal 2022, we strengthened coordination with other divisions and committees in order to identify risk from a Company-wide perspective and made the way identified risks are expressed more sophisticated. We are also planning to review the way risk is reported to the Board of Directors to facilitate discussion of important risks and their countermeasures at Board of Directors meetings.

Business continuity plan (BCP)

The Group periodically enhances and revises its disaster prevention and BCP manuals, and establishes measures to enable key operations to continue even in the event of a crisis, with employee safety as the highest priority.

Current BCP primarily anticipates the occurrence of large-scale natural disasters and pandemics, but we are building a framework that will facilitate steady recovery measures, including formulating scenarios that could have a big impact on our business, and preparing an initial response through the selection of priority business operations.

Functions and positioning of the Risk Management Committee



Information security measures

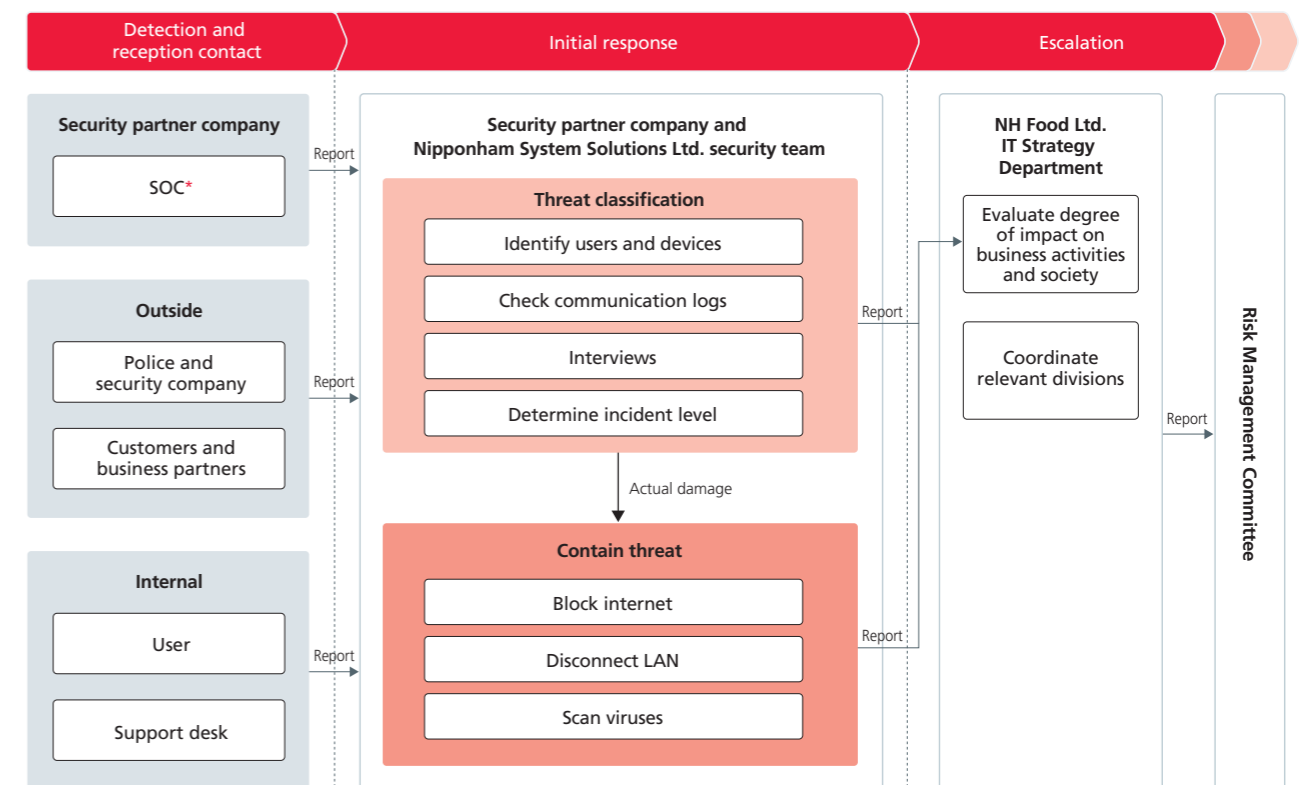
The Group recognizes that information security is a major issue affecting operations, conducts risk assessments for the Group as a whole, and implements appropriate information security measures in a deliberate manner.

In recent years cyberattacks targeting companies and organizations have become more sophisticated and diverse, and the threat to information security has increased. Use of smart devices and cloud services is also rising, meaning the scope of information security considerations has grown. As a result, comprehensive information security measures that covers an entire network, rather than partial security measures optimized for a specific section, are now essential.

From fiscal 2022, we are establishing a joint system with a security partner company that can provide comprehensive support covering every aspect of IT security and we will continue to strengthen information security.

Also, ransomware attacks in particular are spreading wildly across the globe and there have been many cases where this has caused damage and even halted business operations. It is difficult to prevent 100% of cyberattacks, so we need to take measures that assume our defenses have already been violated. In fiscal 2022, we will also strengthen security by building a framework to detect unauthorized access at an early stage and respond swiftly.

Basic flow of response to information security incident



* SOC (Security Operation Center) : An expert organization that detects and analyzes cyberattacks and provides advice on how to respond