

Message from the President

Challenges

We remain firmly committed to the realization of Vision2030 despite rapid and unpredictable environmental changes.

Yoshihide Hata

President and Representative Director

Question 1 |

The NH Foods Group has reached the 80th anniversary of its founding. What are your thoughts about the future in this milestone year?

Our challenges in this time of unprecedented environmental change

In March 2022 the NH Foods Group marked the 80th anniversary of its founding. In retrospect, our history can be seen as a series of successes resulting from our determination to overcome adversity and crises. Our key focus in this time of dramatic change in the world and society is sustainability. We see contribution to the solution of social and environmental issues through business as the key to maintaining support for the NH Foods Group.

Food is essential to human life. The NH Foods Group is a key player in the food industry and will continue to provide the *Joy of Eating* by unleashing new potentials for protein as we take up new challenges on our path to becoming a sustainable company through the realization of Vision2030. We will continue our efforts to raise awareness of this commitment through corporate messaging centered on the words “Unleash new potentials for protein”.

An event that we must never forget as we work to move forward and achieve further growth is the beef mislabeling scandal that erupted in 2002. Officers and employees who directly experienced this scandal, which happened 20 years ago, today make up only about 20% of our work force. To achieve meaningful successes as we face the challenges of the future, I believe we must first share the lessons of the past. To ensure that we never again betray the trust of our stakeholders, we have made commitments to being number one in quality and maintaining effective corporate governance the cornerstones

of our management. These commitments encompass not only product quality, but also the enhancement of our systems and structures, including our compliance structures.

In fiscal 2021, food production and procurement problems emerged as a result of the combined impact of the COVID-19 pandemic and the Ukraine crisis. In the future, population growth and climate change are expected to cause shortages of food and protein. This situation has given us a renewed awareness of the importance of our role as a corporate group responsible for food supply infrastructure in ensuring stable procurement and supplies of food. Russia is the world’s fourth largest producer of grain for livestock feed, while Ukraine is ranked ninth. The full consequences of the present situation have not yet emerged, and the improvement of our access to supplies will become increasingly important as we work to ensure the availability of food for consumers by strengthening our procurement capabilities.

The path to the realization of our Vision2030 is likely to be a steep one in the present environment. However, provided that all employees continue to improve their skills and remain focused on our goals, the NH Foods Group will be able to realize its corporate philosophy as a place where employees can feel truly happy and fulfilled. We face great challenges, but we will move forward with renewed determination to overcome those challenges.

The Philosophy and Mission of the NH Foods Group

Corporate Philosophies

1. Under the basic theme of *Joy of Eating* our company creates a culture that marks an epoch and contributes to society.
2. Our company is a place where employees can feel truly happy and fulfilled.

Management Principles

1. Act with noble ideals and the determination to achieve them.
2. Learn from others, teach others, and be willing to be taught by others.
3. Create the times by meeting the needs of the times.
4. Expand relationships through quality and service, and take responsibility for all people with whom we have relationships.
5. Strive for a highly functional organization.

Vision2030

 Unleash new potentials for protein
NH Foods Group Vision 2030

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Question 2 |

What are your priorities under the new plan and vision launched in fiscal 2021?

Fostering shared awareness within the company, building understanding and resonance through dialogue

Since announcing Vision2030—Unleashing new potentials for protein—our Medium-Term Management Plans for 2023 and 2026, and the Five Materialities in 2021, we have worked to raise awareness of our Vision and Five Materialities among our employees. I have also engaged in continual dialogue with employees and other stakeholders.

My impression from this dialogue is that our investors and business partners now have a better understanding of our strategic direction and policies. However, I feel that we need to work harder to share this information with consumers. We want as many people as possible to prefer our products. To achieve that, we need to earn understanding of and recognition for our efforts to overcome the protein crisis, solve social and environmental problems, and support diverse and healthy lifestyles. Going forward, we will use every possible opportunity to enhance our information-sharing activities.

We also prioritize information sharing and the achievement of resonance in our dialogue with employees.

We selected “employee development and respect for diversity” as one of our Five Materialities because we see efforts in these areas as directly relevant to the realization of

our Vision2030 and the achievement of targets. In fiscal 2021, we held 22 meetings to inform all employees throughout Japan and engage in discussions about our vision and materialities, and to share the background factors and ideas that led to their development, including the goals that we aim to achieve through our business activities, and the type of organization, company, and workplace that we want the NH Foods Group to be. At each meeting I engaged in dialogue with around 10 employees. These events were valuable as opportunities to talk freely about their opinions and ideas. We will continue to hold town hall meetings.

We have also created new systems to support efforts toward the realization of Vision2030. Our vision of “unleashing new potentials for protein” cannot be achieved without the freedom to express ideas and take up new challenges. We have therefore included challenge items in our new management by objectives system. Other new systems created for this purpose include programs to encourage employees to contribute product development ideas and new business ideas. We have also established an awards system for positive initiatives that contribute to the realization of Vision2030.

Question 3 |

How would you assess progress under Medium-Term Management Plan 2023? What are the challenges?

First-year results largely on-target

Going forward, we will take a more flexible approach and step up the pace of our initiatives

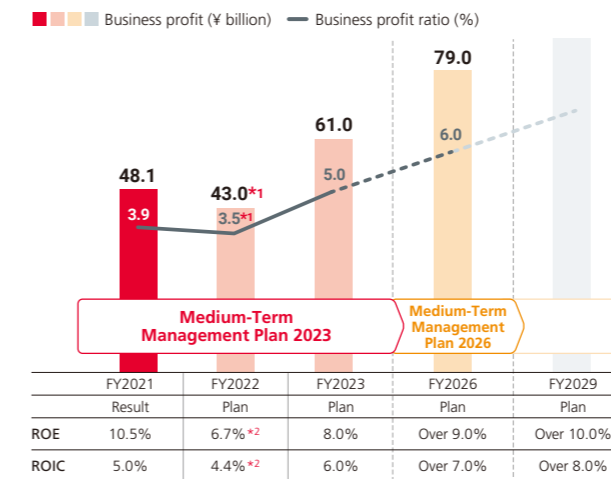
In fiscal 2021, the first year of the plan, we faced soaring raw material prices and higher procurement and production costs. However, the financial results were generally in line with our targets, thanks to price revisions, efficiency improvements, and the pursuit of brand and channel strategies. Consolidated net sales increased 6.1% year on year to ¥1,174,389 million, while business profit decreased 8.2% to ¥48,116 million. Profit before tax increased 7.9% to ¥51,366 million, and profit attributable to owners of the parent increased 47.3% to ¥48,049 million. ROE reached 10.5% and ROIC 5.0%. Unfortunately, our business profit ratio was only 3.9%, compared with a target of 4.1%.

Our business environment has changed dramatically over the past year, resulting in increased uncertainty. However, our goals and strategic direction remain unchanged. While adapting to these unprecedented shifts in the external environment, we

will increase the flexibility of our strategies and tactics and step up the pace of initiatives to transform our business structure and enhance our profitability.

As the largest supplier of protein in Japan, the NH Foods Group plays a vital role in meeting Japan’s food needs. One of the management strategies in our management plan calls for a shift to a sustainable business model with profitability. As part of our efforts to realize that shift, we aim to strengthen our meat procurement capability. We see that as our most important priority for both the short-, medium-, and long-term future. We will need to focus in particular on initiatives relating to imported meats, including the development of closer relationships with existing suppliers, and the discovery of new suppliers in new source countries. To improve profitability, we will need to enhance our sales capabilities, restructure our production operations, and use technology

Outlook for the Medium-Term Management Plan 2023/2026



*1 Revised in August 2022 *2 Revised in May 2022

from our processing business to develop new products. In fiscal 2021, we enhanced our ability to respond to customer needs by shifting from a function-based divisional system to one based on value chains for each livestock category. We also began to build a leaner structure by consolidating our production and processing operations. We plan to reduce the number of production sites for fresh meats and processed products by 20% by 2030. In the processed food segment, we are currently restructuring the Nippon Food Packer Group. Nippon Food Packer Shikoku, Inc. will be absorbed by Nippon Food Packer, Inc. in October 2022, while operations at Nippon

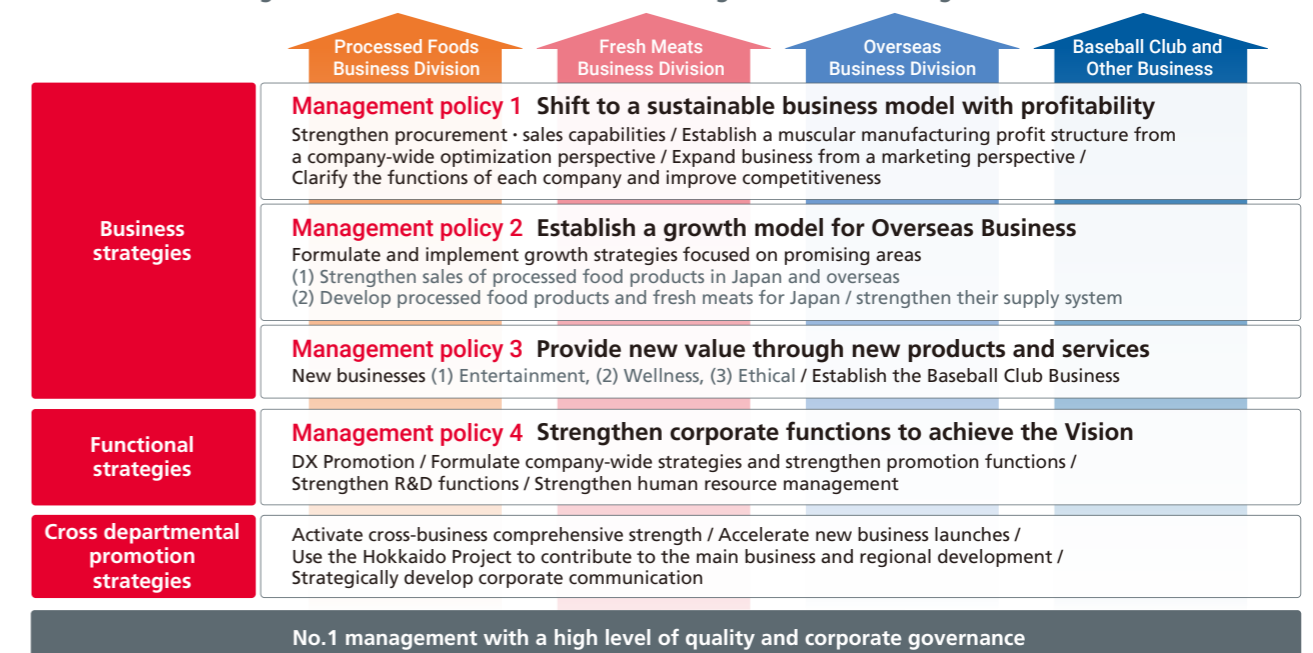
Food Packer Kagoshima, Inc. and Nippon Food Packer Tsugaru Co., Ltd. will cease in March 2023 and March 2024 respectively. The Kagoshima Plant of Nippon Pure Food, Inc. will also close as a result of these moves.

In fiscal 2022 we will commence a new initiative based on “co-creation” with other companies. We aim to overcome these challenges by building a co-creation network with companies in a number of fields, including machinery, livestock feed, and IT.

We received numerous questions following the announcement of the sale of Marine Foods Corporation to Sojitz Corporation, a general trading company. Marine Foods still has significant growth potential, as demonstrated by the fact that it achieved record profit in the fiscal year ended March 2022. We have invested considerable management resources, including capital expenditure, in the company. However, to achieve further growth and development, it will need to strengthen its upstream operations, including aquaculture. The decision to sell the company was also influenced by our desire to optimize our group portfolio.

Our second management policy focuses on our overseas business. In Australia we will strengthen our marketing capabilities for branded beef, including grain-fed beef. In Uruguay we will strengthen the branding of high-added value meats. We will also optimize our production operations to reflect market prices. In North America, we will further expand our processed food initiatives. Day-Lee Foods, which is based in Los Angeles, will increase production capacity for its flagship Mandarin Orange Chicken range and develop plant-based

Medium-Term Management Plan 2023, Three Business Strategies and Four Management Policies



Message from the President Challenges

products. Additionally, it will establish a research and development unit to utilize Japanese food processing expertise. We will also prepare for growth in demand for gluten-free rice flour bread, which is already on the market.

Under our third management policy, which focuses on the provision of new value through new products and services, we have moved forward on schedule with the launch of the Wellness Business and Entertainment Business. For the Wellness Business, we created the “Table for All” website as a comprehensive platform for allergy-related products and information. For the Entertainment Business we established the “Meatful” website to provide new food experiences and value. The “Meatful” site resulted from an idea submitted by an employee through one of the suggestion systems outlined earlier in this message. Our business operations have traditionally centered on mass markets. The new “Table for All” and “Meatful” channels will allow us to work directly with consumers as we work to expand the scope of our DtoC business. We are currently preparing for the launch of the Ethical Business in fiscal 2022. These new businesses, together with the Baseball Club Business and the Health Support Business of the Research and Development Center, are included in the “Baseball Team and Others” business segment. We are determined to maximize business profit from these activities.

Our fourth management policy relates to digital

Question 4 |

What progress have you made on the Materialities, and what issues have arisen?

Making steady progress while tackling difficult issues head-on

We are making steady progress on the Five Materialities.

As noted earlier in this message, the employee-related materiality focuses on employee growth and respect for diversity. We are working under this materiality to enhance motivation by encouraging individuals to take up challenges, and by providing appropriate recognition of their efforts. We believe that both individuals and organizations grow in a culture



Attendees listen to a presentation at the Tokyo Nutrition for Growth Summit 2021

transformation (DX) initiatives. We aim to use digital technology to rebuild our core systems, optimize operations, create new business, and enhance our management systems. We are starting to make significant progress toward the use of AI in supply-demand and production adjustment processes, which have hitherto depended on experience. We also believe that AI can be an effective tool for solving the problems faced by livestock farmers. In fiscal 2021 we began to develop a smart pig farming package, and we have already completed trademark registration for the “PIG LABO” package. We expect this product to drive business innovation in the NH Foods Group.

Our cross-departmental promotion strategies address the need for major improvements, especially in the logistics area. There is significant scope for rationalization from a company-wide perspective, and we are steadily implementing individual measures to enhance our capacity to cope with the “2024 problem,” which is expected to affect the logistics industry following the passage of workstyle reform legislation in that year.

The NH Foods Group will continue to implement structural reforms while vigorously pursuing growth strategies, including the expansion of new areas within existing business domains, the expansion of overseas processing operations, and the creation of new businesses.

in which challenges can be taken up without fear of failure.

A broader analysis from a talent management perspective indicates that we have a skill diversity issue. I believe that we need to take urgent action to train and utilize people with digital skills and the ability to work overseas. The parent company has made considerable progress on career development for women, but we recognize that further effort is needed at the group level. We will implement effective measures to ensure that we can realize benefits from our investment in human resources. We will also ensure that employees receive proper recognition for their efforts.

Our efforts to stable procurement and supply of proteins have also brought progress in relation to animal welfare. We formulated a policy and guidelines in fiscal 2021, and we adopted a target of eliminating gestation crates for sows by 2030.

We are making significant progress in the area of food diversification and health. At the Tokyo Nutrition for Growth

Summit 2021 in September 2021, we made a commitment to develop foods that would contribute to the extension of healthy lifespans. One such product that we have already released is *IMIDEA*, a food with functional claims containing a patented substance that affects cognitive functions. In addition, in June 2022 we launched a range of delicious, *Tender Sirloin Steak* developed using expertise developed for our commercial products. We believe that these products will help to prevent motor function deterioration caused by a lack of protein in the diet. One of our new business initiatives is the “Table for All” website outlined in the section on new businesses. We are developing this website into a comprehensive resource for people with allergy problems, including a newly established helpdesk through which users can obtain free advice about diet-based allergy management.

We place particular importance on climate change in our efforts to contribute to a sustainable environment. In Japan, the incidence of concentrated intense rainfall events has increased 2.2 times over the past 45 years. We aim to reduce the NH Foods Group’s emissions of fossil fuel-derived CO₂ by 46% by 2030, and we are currently implementing measures that will enable us to achieve carbon neutrality.

A particular challenge for the NH Foods Group is the reduction of GHG emissions from livestock. The livestock

Question 5 |

What message would you like to convey to stakeholders?

We will continue to fulfill our mission as a food manufacturer and supplier by bringing new ideas and initiatives to the creation of new value.

Medium-Term Management Plan 2023/2026 addresses issues encountered under the previous Medium-term Management Plan and changes in the external environment over a six-year time frame. Our goal under this plan is the optimization of our business portfolio from an ROIC perspective through KPI management and DX-based restructuring of existing businesses. By linking our business strategies to our materialities, we aim to achieve growth and development for the NH Foods Group while contributing to the solution of social issues.

On many occasions I have seen clear evidence of the NH Foods Group’s tenacity in adversity. I would like to take this opportunity to reaffirm our commitment to the generation of new value through the combined efforts of all members of our organization, as well as co-creation with outside partners, in order to fulfill our mission as a food manufacturer by freely taking up the challenge of new ideas.

We look forward to the continuing support of our shareholders and investors as we move forward with new challenges for the future.

industry accounts for around 14% of world CO₂ emissions, and we also need to address the problem of livestock-related emissions of methane, which is 25 times more potent than CO₂ as a greenhouse gas. We regard methane emissions from livestock, especially cattle, as a major problem, and we are working with various institutes and universities in Japan and Australia to modify animal feed and develop methane recovery systems. We are also engaged in collaborative industry-academia research relating to pigs.

On May 13, 2022, we disclosed information about these initiatives in accordance with the TCFD recommendations. We have developed simulations based on 1.5°C/2°C and 4°C scenarios, and we are determined to take effective action. In fiscal 2021 we modified the packaging for *Schau Essen* brand products, resulting in a 28% reduction in the amount of plastic used and a 30% reduction in CO₂ emissions. This initiative has become an impetus for industry-wide changes.

Another of our materialities calls for co-creation and shared prosperity with local communities and society as a whole through food and sports. The opening of our new Hokkaido Ballpark F Village is now less than a year away. We aim to work with a variety of stakeholders to provide totally new value to the community through this project.



Yoshihide Hata
President and Representative Director

Message from the General Manager of Corporate Planning Division

We aim to achieve sustainable improvement in corporate value through the convergence of three strategies from a group-wide perspective.

Nobuhisa Ikawa

Representative Director and Executive Vice President
Executive Vice President
General Manager of Corporate Planning Division



Pursuing overall optimization through a group-wide approach

The Corporate Planning Division is responsible for the planning and implementation of strategies and policies, including DX and technology strategies, affecting the entire NH Foods Group, including the formulation of visions and Medium-Term Management Plans, and business portfolio optimization. Management planning must always be focused on the identification of issues from a cross-organizational perspective encompassing the entire NH Foods Group, and the pursuit of overall optimization.

As indicated in Medium-Term Management Plan 2023, which we launched in fiscal 2021, we aim to maximize our corporate value by transforming our business models through the convergence of our business strategy, sustainability strategy, and DX strategy. My mission as General Manager of the Corporate Planning Division is to implement effective policies developed through an exhaustive exploration of ways to improve our corporate value sustainably by harmonizing social priorities with economic priorities, while maintaining a balance between the centrifugal force of our business entities and the centripetal force of our governance structure.

Raising sustainability awareness in frontline operations

I believe that our most important priorities as we work to integrate our sustainability strategy and business strategy are to reflect sustainability perspectives in our business growth strategies, and to raise sustainability awareness in our frontline operations. For example, in February 2022 we ran a commercial campaign for *Schau Essen* sausages showing how the amount of packaging had been reduced by cutting off material at the top of the package. While the purpose of the campaign was to raise public awareness of the introduction of environment-friendly packaging for the products, I believe that the commercials helped to inform not only consumers, but also our frontline workers. We will continue to roll out many initiatives of this type for the purpose of motivating people within the company to work toward sustainability.

When we look at the unique divisional structure adopted by the NH Foods Group from a broader perspective, we see many areas in which energy is being wasted through the duplication of tasks and other issues. For example, there are cases in which trucks belonging to the Fresh Meats Business and trucks belonging to the Processed Foods Business deliver products to the same locations at the same times of day. By combining these shipments, we would be able to reduce both improvement initiatives by identifying issues such as this from a company-wide perspective.

Using DX to achieve real productivity improvements

Our core goal in combining our business strategy and DX strategy is to raise corporate value by using digital technology to improve the efficiency of essential business processes. Our biggest initiative in this area is the *Connect Project* launched in 2020 with the aim of updating our company-wide core systems. Through this project, we will create company-wide ICT infrastructure by integrating the individual core systems that were previously administered separately by individual business divisions. This plan to create an integrated core system is proceeding on schedule, but the really important question is whether it will contribute to the improvement of business profitability. For that reason, our work on the creation of the system has been paralleled by preparation for simulations designed to measure improvements in frontline business process efficiency, and the extent to which this will translate in improved productivity and profitability.

Innovations resulting from the use of digital technology are not limited to these improvements in our core system. For example, the PIG LABO smart pig farming system that is currently being developed by the Research and Development Center will dramatically reduce the pig farming workload by using monitoring cameras and AI to manage the estrus-pregnancy-farrowing cycle, which is currently an extremely time-consuming task. Trials have been carried out with the cooperation of farmers, and the system is on track for practical implementation. Our sales organization is also implementing a project to introduce digital marketing systems that will contribute to new product development and the reduction of the amounts of raw materials used.

We will continue to move forward with company-wide DX initiatives with a sense of urgency, while also monitoring opportunities to use DX at the frontline operations level.

Contributing to global environmental sustainability

We will also provide support from a company-wide perspective for initiatives by business divisions in relation to the Five Materialities, which we revised in fiscal 2020. Initiatives focused on these materialities, which include “stable procurement and supply of proteins” and “food diversification and health”, are basically led by individual business divisions. Activities, including the development of new products, are approached from a medium- to long-term perspective. We will meanwhile work alongside the Research and Development Center on initiatives that are beyond the capabilities of individual business units, such as the development of processed foods to offset future shortages of animal protein.

It is especially important for the Corporate Planning Division to play a central role in our efforts to contribute to a sustainable environment. By fiscal 2030, the NH Foods Group aims to reduce its emissions of fossil fuel-derived CO₂ in Japan by at least 46% compared with the fiscal 2013 level. In addition to the company-wide expansion of initiatives like the

aforementioned advertising campaign for *Schau Essen* sausages, we will also work to reduce environmental loads linked to our business activities.

For example, as a food manufacturer that it is also involved in the livestock industry, we are working with universities and other organizations on research activities targeting the reduction of livestock-derived emissions of methane, which is a greenhouse gas. The Engineering Department, which is responsible for the construction, installation, and maintenance of production facilities and equipment, was merged with the Sustainability Department of the Corporate Planning Division in April 2022. In addition to building expansion projects and the replacement of equipment, it will also prioritize the construction, installation, and development of environment-friendly facilities and equipment, such as solar panels, and boilers that use waste oil to generate heat.

Community contribution through the Hokkaido Project

Another of the five materialities that requires company-wide leadership by the Corporate Planning Division is “co-creation and shared prosperity with local communities and society as a whole through food and sports.” A new initiative linked to this materiality is the Hokkaido Project Office in Sapporo, Hokkaido.

The Hokkaido Nippon-Ham Fighters baseball team, which is based in Sapporo, is a well-known sports-related business in the NH Foods Group. In fact, around 20% of our group business sites, especially companies affiliated to business divisions, are located in Hokkaido. However, the lack of parent company offices in Hokkaido has made it difficult to build a profile for the NH Foods Group in the Hokkaido community. Going forward, the Hokkaido Project Promotion Office will play a central role in our efforts to inform local residents about the policies of the NH Foods Group and demonstrate our gratitude for their support. After the opening of the new ballpark, which will be named “HOKKAIDO BALLPARK F VILLAGE,” next year, we will explore new business opportunities and contribute to the global promotion of the regional image of Hokkaido as an internationally popular region.



Message from the CFO

We will continue to maintain an optimal debt-to-equity ratio to ensure preparedness for rapid changes in the business environment, and to support sustainable growth through the optimization of our business portfolio.



Masahito Kataoka
Director and Executive Officer

Financial overview of the first year of the Medium-Term Management Plan

The fiscal year ended March 2022 was the first year of the Group's Medium-Term Management Plan 2023. While the business environment remained extremely challenging due to the prolonged effects of the COVID-19 pandemic, as well as surging raw material costs, our FY2021 results were mostly in line with our targets for that year. Particularly significant is the fact our return on equity (ROE), which is considered a key indicator of capital efficiency, reached 10.5% in the first year of Medium-Term Management Plan 2023. This is substantially higher than our target figure of 8.0% for the final year of the plan.

However, we attribute this result primarily to extraordinary factors, including the sale of a business in March 2022, as well as strong performance by equity-method affiliates in the United States, which led to a significant increase in net profit. Based purely on business profit, which at ¥48.1 billion was very close to the target figure of ¥48.0 billion, we believe that our capital efficiency has not yet reached a level at which ROE can be reliably maintained at 8.0% or higher. We will therefore keep the Medium-Term Management Plan targets at their present levels and continue to work towards the achievement of a situation in which ROE can be consistently maintained at 8.0% or higher.

Another indicator of capital efficiency is ROIC. While our investment turnover rate was higher than the target figure,

the business profit margin was only 3.9%, which is slightly below our target of 4.1%, due to cost increases caused by soaring raw material and fuel costs. As a result, ROIC was slightly below the target figure of 5.1% at 5.0%.

At ¥33.4 billion, our operating cash flow was significantly lower than our initial target of ¥76.0 billion. This can be attributed to an increase in working capital due to cost increases, including soaring raw material prices. Despite this setback, we were still able to achieve free cash flow in line with our plans, thanks in part to proceeds from the sale of a business.

Approach to financial strategy

The current business environment is extremely challenging from a cost perspective due to factors that include soaring raw material and fuel prices, as well as a weaker yen. I therefore believe that for the time being we need to focus all of our efforts on securing profits by ensuring that price revisions permeate through the market, while also accelerating efficiency improvements. We have revised our management targets for fiscal 2022, but we have not modified our initial targets for fiscal 2023 onwards, since it is currently difficult to predict developments beyond that point.

Medium-Term Management Plan 2023 has a total capital investment budget of ¥248.0 billion for the three-year period. While maintaining financial discipline, we will move forward as planned with investments designed to ensure future business

sustainability and create new value, including investment by the Fresh Meats Business Division to enhance infrastructure for the farming business and production operations, as well as investment in the new stadium, and DX investment.

In fiscal 2022, we will take effective action to address surging costs. However, we expect the Group's business profit margin to decline. We also anticipate a decline in ROIC due to a lower investment turnover rate resulting from an increase in fixed assets, especially the new stadium. Our priorities now are to expand sales to match the level of invested capital, and to manage invested capital efficiently.

We anticipate that cash flows from operating activities will continue to be affected by working capital. In addition, fixed asset acquisitions will peak in fiscal 2022. We plan to address any shortage of funds by drawing on cash and deposits, and by procuring interest-bearing debt, including sustainability bond issues.

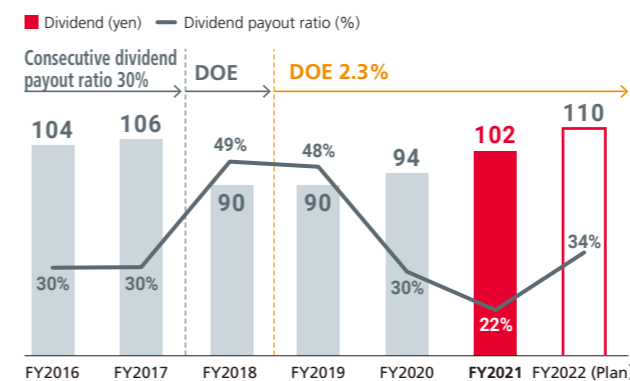
Shareholder returns and balance sheet management

We regard shareholder returns as a vital aspect of management policy and part of a capital policy designed to enhance our medium- to long-term corporate value by ensuring an optimal capital-liability structure.

Our basic policy on the distribution of the surplus calls for efforts to maintain steady, consistent dividend growth. Our guideline for dividends is a dividend-on-equity (DOE) ratio of 2.3%. In fiscal 2021, we increased the cash dividend by ¥8 over the previous year's level, resulting in a dividend of ¥102 per share. In fiscal 2022, we are planning to increase the dividend by another ¥8 to ¥110 per share. Our capital policy will include a flexible approach to share buybacks with the aim of achieving an optimal capital position.

Company policy calls for avoidance of cross-shareholdings in principle, and we are working to reduce the number of such shareholdings in line with this policy. Because of major changes in the external environment, we believe that

Changes in dividends and payout ratio



Note: Dividend amounts through the fiscal year ended March 31, 2018 have been retroactively adjusted to reflect the absorption-type stock split.

the environment now is conducive to further reductions, and we will accelerate our efforts in this area. We are working to reduce the level of invested capital through measures that include the appropriate management of cash and deposits.

One of the most important aspects of balance sheet management is the appropriate management of the ratio of interest-bearing debt to shareholders' equity at a level that minimizes WACC. As of March 2022, our debt-to-equity (D/E) ratio stood at 0.44, compared with our guideline of 0.4 to 0.5. We aim to maintain the D/E ratio at an appropriate level.

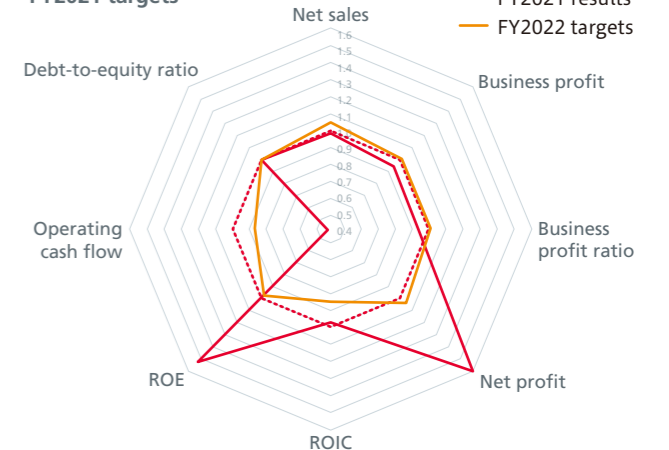
Reducing WACC and achieving sustainable growth

The reduction of WACC is essential for the achievement of continual improvement in corporate value. We are working toward this goal through long-term initiatives. We believe that the cost of shareholders' equity can be reduced by mitigating business risks, enhancing dialogue with investors, and steadily pursuing a sustainability strategy that includes measures to address climate change risks.

We envisaged Medium-Term Management Plan 2023 as a program for pursuing improvements in profitability and capital efficiency in order to build a solid foundation for our next phase. That commitment has not changed. We did not anticipate the current surge in costs. However, we will work steadily to address these cost increases and accelerate internal efficiency improvements. Ultimately, we will need to maintain a good balance among indicators in the five areas of growth potential, profitability, efficiency, cash flows, and optimal capital.

The NH Foods Group will continue to optimize its business portfolio through asset recycling, while steadily implementing measures that will lead to sustainable growth in our next phase of development.

Main indicators – comparison with FY2021 targets



Note: The business profit ratio for the fiscal year ended March 2022 was calculated using business profit after adjustment for non-continuous businesses. Business profit, the business profit ratio, net profit, and operating cash flow for the fiscal year ending March 2023 were adjusted in August 2022.

Messages from outside directors



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

Yasuko Kono Outside Director

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

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

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

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

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

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



Dissemination of Vision2030 was a focus in the previous year.

The priorities now are overseas business strategies and group governance.

Hideo Arase Outside Director

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

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

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

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

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

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



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

Tokushi Yamasaki Outside Director

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

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

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

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