

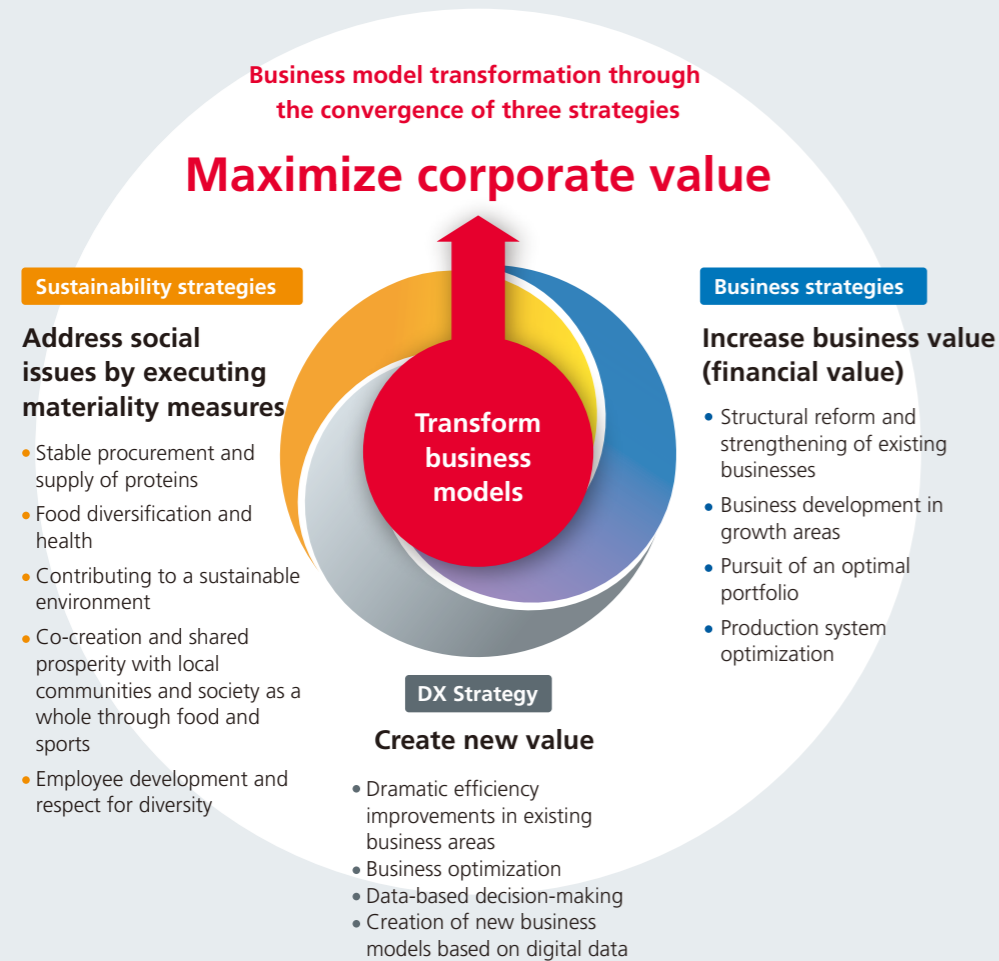
Road to 2030

Road to 2030

Our corporate ideal under Vision2030 is to “Unleash new potentials for protein.” We aim to maximize corporate value by using our business activities to provide solutions for social issues. Our challenge under Vision2030 is to contribute to the realization of a sustainable society while achieving growth and success as a group by integrating our business strategies and initiatives based on our materiality.

Under Medium-Term Management Plan 2023 and 2026, which we formulated by backcasting from Vision2030, we plan to raise ROIC through “structural reform and strengthening of existing businesses,” “business development in growth areas,” and “pursuit of an optimal portfolio,” and “establishment of an optimal production system. We also aim to expand our ROIC spread by addressing social issues through materiality-based initiatives while also working toward the future growth and success of the NH Foods Group.

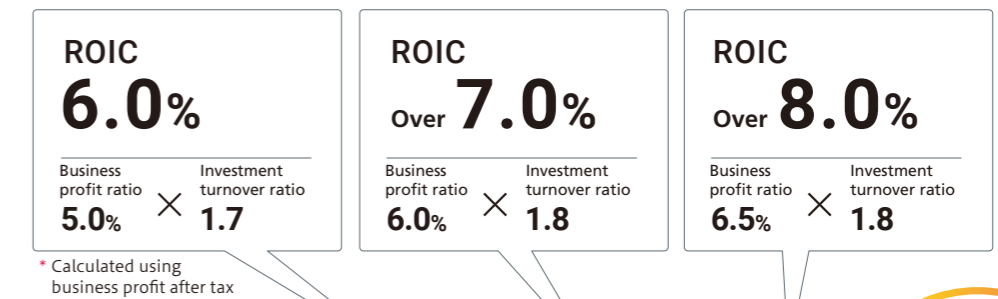
Medium-term Management Plan 2023 and 2026—Grand Design



Increasing business value

Production structure and portfolio optimization

Financial targets (ROIC)



Our ideals for 2030
Vision2030
Unleash new potentials for protein

Production system optimization

Domestic Optimization of business site portfolio

Operations terminated at three sites

Reduction of domestic production sites by around 20%

Optimization of resource allocations

Concentration of resources toward priority businesses

Optimization of resource allocations

Sale of The Marine Foods shares

Domestic Implement a cross-segment restructuring of domestic manufacturing structures (integration in site/area units)

Pursuit of an optimal portfolio

Domestic **Overseas** Review of low-profit businesses

Domestic **Overseas** Concentration of management resources in priority areas/growth areas

Business development in growth areas

Domestic Creating value in new areas

Overseas Expansion of processed food businesses in North America and ASEAN

Overseas Stabilization of earnings through the expansion of the branded beef business

Establishing growth models for Overseas Business

Increasing business value

ROIC management policies

ROIC tree trends

Policies for the fiscal year ended March 2022



Risks and opportunities

Main risks and opportunities affecting business operations

Risks and background factors

| | | |
|---------------------|---|---|
| Consumer trends | Changes in food demand due to Japan's falling birthrate and demographic aging | By 2030 Japan's population will decline by 5.3% from the 2019 level to 119.12 million.*1 |
| Price trends | Changes in the supply-demand balance for food driven by global population growth | By 2030, world population will increase by 10.4% over the 2019 level to 8.5 billion.*2 By 2030, world demand for animal protein will be 1.5 times higher than the 2000 level.*3 |
| | Intensification of competition with other companies as trade agreements come into force | Impact of fluctuations in livestock prices, feed prices, and the oil price on sales prices and procurement prices Establishment of safeguards against livestock diseases |
| Environment-related | Environmental risks, including climate change risks and water risks | Livestock responsible for 14.5% of greenhouse gas emissions *4 Call for 46% reduction at a summit conference hosted by the United States (compared to FY 2013) 55% increase in world water demand by 2050 compared with the 2000 level *5 |
| Quality-related | Food safety risks | Product recall costs, claims for damages, suspension of business operations due to product quality or safety problems caused by contamination or incorrect labeling |

Opportunities and background factors

| | | |
|---------------------------------|--|--|
| Consumer trends | Diversification of food needs due to lifestyle diversification | Increasing health awareness, increased demand for convenient and time-saving products, spread of new value systems, such as Veganism, focus on eating as an experience |
| Production and breeding-related | Decrease in the number of domestic livestock farmers*6 | Cattle Change from 2020: -4.1% (42,100 households) Pigs Change from 2020: -10.9% (3,850 households) Broilers Change from 2020: -4.0% (2,160 households) |
| Employees | Increasing focus on work style modification | Enactment of Work Style Reform Bill in 2018 |

*1 National Institute of Population and Social Security Research, Nihon no shorai suikei jinko shusseki chui (Estimates of Japan's future population and average birthrate) (2017 estimates)
 *2 United Nations, World Population Prospects 2019
 *3 Planbureau voor de Leefomgeving (PBL), The Protein Puzzle
 *4 Food and Agriculture Organization of the United Nations, Tackling Climate Change through Livestock (2005 estimates)
 *5 OECD statistics, OECD Environmental Outlook to 2050
 *6 Ministry of Agriculture, Forestry and Fisheries, Chikusan tokei (Livestock statistics as of February 1, 2021)

Increasing social value

Progress on materialities






Medium-Term Management Plan 2023
2021 →

2022 →

Medium-Term Management Plan 2026

Medium-Term Management Plan 2029

Our ideals for 2030
Vision2030
Unleash new potentials for protein

| Materialities | Philosophy/Social issues | Medium-term targets |
|--|---|--|
|  <p>Stable procurement and supply of proteins</p> <p>2 Stable Procurement and Supply of Proteins, 9 Better Business Practices, 12 Sustainable Consumption and Production, 17 Partnerships for the Goals</p> | <p>The NH Foods Group aims to ensure the stable procurement and supply of proteins despite the increasing difficulty of this task due to global population growth, climate change, and other factors. In addition to existing quality-related safety and reliability initiatives, we will advance efforts to supply diverse proteins while also considering the environment and social aspects, such as human rights and animal welfare, in our supply chains.</p> <ul style="list-style-type: none"> Stable procurement and supply of proteins Greater choice of proteins Food safety and reliability | <ul style="list-style-type: none"> Formulating animal welfare policies and guidelines. → Installation of drinking water facilities (for cattle and pigs at all pens located at processing plants). → Installation of environmental quality monitoring cameras at all farms and processing plants. → Elimination of gestation crates (pigs) from all farms CSR-based procurement Implementation of supplier surveys. → Implementation of human rights due diligence and engagement with suppliers through supplier surveys. → Informing important primary and secondary suppliers about our policies. → Implementation of SAQs Smart pig farming. → Implementation of PIG LABO (smart pig farming) Development of plant-derived protein products (NatuMeat). → Expansion of sales of plant-derived protein products (shipment value: to ¥10 billion). → Development of plant-derived protein products Research into new proteins (cultured meat, meat alternatives). |
|  <p>Food diversity and health</p> <p>9 Good Health and Well-being, 17 Partnerships for the Goals</p> | <p>Lifestyle changes and other factors are creating a need for diverse solutions. This is also true in relation to food. The NH Foods Group will contribute to a happy and healthy life by developing products and providing services that meet diverse needs.</p> <ul style="list-style-type: none"> Food allergy support Health promotion Food diversification | <ul style="list-style-type: none"> Development of foods with functional claims. → Expansion of the allergy care platform, implementation of educational activities. → Development of food allergy-related products (shipment value: ¥4 billion) and implementation of educational activities. Commitments made at the Tokyo Nutrition for Growth Summit 2021 Launch of a food allergy care platform. → Food allergy prevention research e-commerce site for food allergy-related products. → Expansion into the aged care business and family food (pet food) business. → Development of cognitive function improvement products (number of meals: 3 million per year). |
|  <p>Contributing to a sustainable environment</p> <p>6 Clean Water and Sanitation, 7 Affordable and Clean Energy, 12 Responsible Consumption and Production, 13 Climate Action, 14 Life Below Water, 17 Partnerships for the Goals</p> | <p>We face various environmental issues such as climate change, food loss, and marine plastic litter. Through the business activities of the NH Foods Group, we bring our customers the bounty of nature, and we are determined to contribute to the solution of issues, such as greenhouse gases, food loss, and plastics, throughout our value chains.</p> <ul style="list-style-type: none"> Resource saving and recycling Addressing biodiversity Responding to climate change | <ul style="list-style-type: none"> Setting medium-term environmental targets. → Exploration of initiatives towards the achievement of carbon neutrality. → Joint research into the reduction and recovery of livestock-related GHGs. → Reduction of fossil fuel-derived CO₂ emissions in Japan by at least 46% (compared with the 2013 level). → Reduction of fossil fuel-derived CO₂ emissions overseas by at least 24% (compared with the 2021 level). → Reduction of waste emissions per unit of production in Japan by 5% (compared with the 2019 level). → Achievement of a waste recycling ratio of 92% or higher in Japan. → Reduction of water use per unit of production in Japan by 5% (compared with the 2019 level). → Reduction of overseas water use by 5% (compared with the 2021 level). → Achievement of an RSPO-certified palm oil utilization ratio of 100% (including book and claim utilization)*. * Target year: fiscal 2030 Analysis of TCFD scenarios. → Disclosure of TCFD information under the framework Setting CO₂ reduction targets (Japan). → Exploration of ways to use renewable energy, including the use of waste-oil boilers and solar power, and fuel conversion. → Establishing carbon-neutral farms. Reducing packaging materials. → Change in the materials used for <i>Ishigama Kobo</i> pizza products (paper trays). → Use of plant-derived biomass packaging for <i>Sakurahime</i> chicken farm packs |
|  <p>Co-creation and shared prosperity with local communities and society as a whole through food and sports</p> <p>3 Good Health and Well-being, 4 Quality Education, 11 Sustainable Cities and Communities, 17 Partnerships for the Goals</p> | <p>As a good corporate citizen, the NH Foods Group aims to be an enterprise loved and trusted by local communities and society as a whole, as we walk and grow together, deepening ties formed through food and sports.</p> <ul style="list-style-type: none"> Local community development | <ul style="list-style-type: none"> Creating Hokkaido brands based on raw materials from Hokkaido. → Establishment of the Hokkaido Project Promotion Department. → Establishment of the Hokkaido Ballpark F Village Contributing to communities through sport (e.g. community contribution activities linked to financial results). → Support for the Hokkaido Marathon as a partner Implementation of food education activities and hand-made food classes. → Participation in the Sapporo Autumn Fest <p>Utilization of the Group's major production and sales sites and the Hokkaido Nippon-Ham Fighters baseball team as starting points for the promotion of harmonious coexistence with communities in Hokkaido</p> |
|  <p>Employee development and respect for diversity</p> <p>5 Gender Equality, 8 Decent Work and Economic Growth, 17 Partnerships for the Goals</p> | <p>The NH Foods Group aims to be a place where employees can feel truly happy and fulfilled. Based on a deep respect for individuals, we strive to create workplaces where employees can thrive and demonstrate their unique strengths.</p> <ul style="list-style-type: none"> Enhancing job satisfaction for employees Respect for diversity | <ul style="list-style-type: none"> Establishing and applying KPIs for priority items Creating systems to enable employees to engage actively and reach their full potential (improvement of work motivation, appropriate assessment and remuneration, objective promotion processes) Respect for diversity, creation of environments and systems to enable employees to engage actively and reach their full potential (improvement of work motivation, appropriate assessment and remuneration, objective promotion processes) <ul style="list-style-type: none"> Career development for women (percentage of female executives: 20% or higher) Promotion of employment for people with disabilities (percentage of workers with disabilities: 2.3% or higher) Reduction of total working hours (targets: 1,870 total working hours, 200 overtime hours) Support for physical and mental health (targets: 100% of employees to undergo follow-up health checks, 12% smoking ratio, 100% stress examination coverage) |

Road to 2030

Creating new value

IT/DX initiatives

The NH Foods Group is using digital technology to drive fundamental changes in its existing business processes and business models. We created a framework for these changes by declaring 2020 to be Year 1 of our digital transformation (DX) era, and by launching the *Connect* core system reform project. In each business area, systems and business processes geared toward localized optimization have been integrated from an overall optimization perspective to create digital infrastructure that will allow us to adapt flexibly to a changing external environment and achieve dramatic improvements in the efficiency of our existing businesses.

These digital infrastructure development initiatives have been paralleled by the use of DX to improve productivity. Supply chain operations involving a wide range of products lead to cost bloating and increased complexity. We will therefore target the optimization of operating costs, starting with the use of AI to automate demand forecasting and sales planning, while creating new business processes that will facilitate collaboration across business segments. Another initiative, based on the unique capabilities of the NS Foods Group, is the development of smart pig farming technology to assist farmers. We have also taken on the challenge of using DX to enhance business earnings in such areas as sales and logistics, by moving away from existing business models and capturing new customer bases.

We have prioritized the training of people to drive these initiatives. Training activities include DX training for selected personnel, and IT literacy programs based on voluntary participation.

