

# NH Foods Group Integrated Report 2022



Unleash new potentials for protein  
NH Foods Group Vision 2030



<https://www.nipponham.co.jp/eng/>

## NH Foods Group will unleash new ideas beyond existing domains to expand new potentials for protein as the power of life.

Throughout its history, the NH Foods Group has helped people everywhere to experience the real *Joy of Eating* through its role as a food supplier, while also addressing social issues. With protein supply problems looming on the horizon, the NH Foods Group is already working to ensure reliable supplies in ways that are environmentally and socially responsible, while responding to diversifying lifestyles and food needs. To achieve these goals, we have started to take up new challenges that go beyond existing concepts and norms.

# Unleash new potentials for protein

Proof-of-concept trial of a system combining protein intake and exercise to prevent frailty syndrome in the elderly

Using customer feedback to enhance product development and design

Formulation of animal welfare policy guidelines

Discovery of an egg white fraction that prevents the onset of chicken egg allergies and reduces the risk of skin inflammation

Introduction of plant-based meats in overseas markets

Development of PIG LABO, a complete support system for pig farming

Launch of *Table for All* as the food industry's first comprehensive platform for food allergy care

Transition to a sustainable meat business model through the development of a co-creation network

Eco-Pirottype packaging for the *Schau Essen* brand  
This new packaging reduces plastic packaging weight by 28.1%\*<sup>1</sup>, cutting annual CO<sub>2</sub> emissions by approximately 4,000 tons\*<sup>2</sup>.

Creation of the *Meatful* direct-to-consumer (D2C) meat entertainment website

Expansion of procurement sources for beef, pork, and chicken

Development and release of *IMIDEA*, a food with functional claims containing the chicken meat extract imidazole dipeptide, which is believed to enhance memory accuracy

\*<sup>1</sup> Comparison between a *Schau Essen* double pack with drawstring and a 127g double pack with the new packaging (comparison of film weight)  
\*<sup>2</sup> Value as of January 20, 2022, calculated using shipment quantities in fiscal 2020 (based on research by NH Foods Group)

# NH Foods Group Integrated Report 2022

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### Editorial policy

Integrated Report 2022 was published with the aim of informing shareholders, investors, and other stakeholders about the annual results of the NH Foods Group, as well as the Group's value creation potential, the challenges that we have taken up as we work toward the realization of Vision2030, our progress under the Medium-Term Management Plan, and practical initiatives relating to our Materialities. We hope that stakeholders will use this report to expand their understanding as the basis for a further deepening of dialogue. When compiling this report, we referred to the Integrated Reporting Framework issued by the Value Reporting Foundation (VRF).

### Coverage

NH Foods Ltd. and its 72 consolidated subsidiaries in Japan and overseas (as of March 31, 2022)

### Period covered

April 1, 2021–March 31, 2022. Some of the information contained in this report refers to times before or after this period.

### Notes concerning accounting standards

In the fiscal year ended March 2022, we sold our entire shareholding in Marine Foods Corporation, a consolidated subsidiary. As result, Marine Foods Corporation and its subsidiaries, etc., are now classified as non-continuous businesses. Figures for non-continuous businesses have been excluded from net sales and profit for the period before income taxes, etc., for the fiscal year ended March 2022 and the fiscal year ended March 2021.

NH Foods Ltd. voluntarily applied International Financial Reporting Standards (IFRS) beginning with its Consolidated Financial Statements for the First Quarter of the fiscal year ended March 31, 2019.

Starting in the first quarter of fiscal year ended March 2022, the NH Foods Ltd. will disclose information about the baseball club business, new businesses, and other activities under the "Others" category. The purpose of this change is to prepare for expansion into new business fields. Since the first quarter of the fiscal year ended March 2022, we have changed the method used to calculate net sales in order to provide a more appropriate representation of performance in our reporting segments. Figures for the previous fiscal year and earlier have been adjusted to reflect these changes. However, we have not yet completed our analysis of figures for the fiscal year ended March 2020 and earlier years.

### Forward-looking statements

This integrated report includes forecasts regarding targets, strategies, and earnings. These forecasts are based on information available at the current time and contain certain assumptions about the future. They are subject to numerous external uncertainties in areas such as the economic environment, market trends, and exchange rates. Actual performance may differ significantly from the targets in this presentation, and investment decisions should not be based exclusively on them.

### Information disclosure structure and the positioning of the Integrated Report

PDF				WEB (HTML)
<b>Integrated Report</b> 	<b>Annual Financial Report</b> 	<b>Brief Statement of Accounts</b> 	<b>Medium-Term Management Plan 2023</b> 	<b>Investor</b> 
<b>Sustainability Report</b> 	<b>Data Book</b> 	<b>Corporate Governance Report</b> 		<b>Sustainability</b> 

# Overview

## Processed Foods Business Division



The Processed Foods Business Division develops, manufactures, and sells ham, sausages, processed foods, dairy products, seafood, and extract seasonings. It uses its advanced product development capabilities to contribute to the enjoyment of food in many areas through the development of long-selling products that have achieved top market shares, including *Schau Essen*, *Chuka Meisai*, and *Vanilla Yogurt*.

**Products handled**



**No.1** Products with No. 1 market share  
Note: SCI Data

### Our advantages in each value chain

<b>1. Procurement of raw materials</b> Domestic and overseas procurement networks to ensure reliable supplies	<b>2. Product development</b> Development of products to meet customer needs through the use of our unique consumer monitoring systems and advanced R&D capabilities	<b>3. Manufacturing</b> Highly effective quality control capabilities, use of advanced mass production technology to create delicious flavors
<b>4. Logistics</b> Logistics networks with nationwide delivery capabilities	<b>5. Sales</b> Diversified sales channels, proposal, sales, and marketing capabilities designed to enhance customer satisfaction	<b>6. External customers</b> Mass retailers, department stores, convenience stores, drugstores, restaurants, food manufacturers, butcher shops

## Fresh Meats Business Division



The Fresh Meats Business Division has built an vertical integration system covering all stages from the production of fresh meats through to sales, together with fresh meat procurement networks and food company sales networks in Japan and overseas. We currently handle approximately one-fifth of all meat sold in Japan in volume terms.

<b>Domestic fresh meat brands</b>	 <i>Shimabara-Wagyu</i> domestically produced beef from Nagasaki Prefecture	 <i>Genmai-gyu</i> Domestically produced beef	 <i>Mugikomachi</i> Domestically produced pork	 <i>Sakurahime</i> Domestically produced chicken
<b>Imported fresh meat brands</b>	 <i>Australian Omugi-gyu</i>	 <i>Chile-produced Andes Kogen Buta</i> (pork)	 <i>Thai-produced Herb Soiku Chicken</i>	 <i>Australian Suffolk-Cross Lamb</i>

### Our advantages in each value chain

<b>1. Production and breeding</b> Reliable supply capacity backed by our own quality-controlled farms located mainly in Japan and Australia	<b>2. Packing and processing</b> Capacity to respond to customer needs by supplying extremely fresh meat processed for various purposes in our own facilities	<b>3. Consignment</b> Reliable procurement and supply-demand balancing capabilities for various livestock types from a variety of sources in Japan and overseas
<b>4. Logistics</b> Development of “just-in-time” delivery capabilities backed by some of the biggest meat logistics facilities in Japan	<b>5. Marketing</b> Nationwide sales network with marketing capabilities tailored to customer needs	<b>6. External customers</b> Mass retailers, food stores, butcher shops, meat wholesalers, restaurants, food manufacturers

## Overseas Business Division



The activities of the Overseas Business Division include cattle and chicken breeding and production, trading of various meat types, and the manufacture and sales of processed products in Asia, Europe, the Americas, Australia, and other regions. In addition to local and third-country sales and exports to Japan, it also offers products and services to match diverse local dietary culture and values in various countries and regions.

**Overseas bases / Brands handled**



## Baseball Club and Other Business



### Baseball Club Business

One of our Five Materialities calls for “co-creation and shared prosperity with local communities and society as a whole through food and sports.” In addition to our role in the management of the Hokkaido Nippon Ham Fighters, a professional baseball team, we are also working toward this goal through the Hokkaido Ballpark F Village scheme. The centerpiece of the scheme is ES CON FIELD HOKKAIDO, a new ballpark scheduled to open in March 2023.

### Other Businesses

We are developing D2C activities in the new Entertainment, Wellness, and Ethical business areas. For the Entertainment Business, we have established the “Meatful” website, which is based on the concept of expanding the potential of meat in response to dietary diversification, through the development of products and services inspired by cooking experiences, and through food culture diversification. For the Wellness Business, we have launched the “Table for All” site as a comprehensive support platform for allergy-related products and information, based on the concept of responding to everyone’s food preferences. Our concept for the Ethical Business is to use proteins to create the future. In addition to pursuing new horizons in flavor with new ingredients and technologies, we will also take up the challenge of creating sustainable business models.



# History

## Innovative products and services

### 1968

Entry into the farming business, full-scale launch of the fresh meats business



Fresh Meats

Our vertical integration system is the key to the NH Foods Group's ability to supply safe, high-quality meats reliably. The farming business, in which we have been involved on a significant scale since 1968, forms the upstream part of this system. We continued to expand the scale of this business until the 1990s, and today our chicken production company Nippon White Farm and our pork producer Interfarm both boast the highest production volumes in Japan.

### 1977

Start of overseas business expansion



Overseas

In 1977, we commenced our overseas business expansion with the acquisition of the North American company Day-Lee Meats, Inc\*. This company now plays an important role that encompasses local sales of processed meats, procurement of fresh meat for export to Japan, and exports to third countries. In 1987, we expanded into processing plant operation under a strategy that anticipated the liberalization of beef imports, and in 1988, we acquired Whyalla Feedlot in Australia, paving the way for the creation of an integration system for beef.

\* Now Day-Lee Foods, Inc.

### 1985

Launch of *Schau Essen* coarse-ground pork wieners for authentic sausage aficionados



Processed Foods

*Schau Essen* pork wieners were developed in response to demand from consumers seeking authentic gourmet sausages. Using a German manufacturing method, we made the sausages by filling sheep casings with coarse-ground pork, which at the time was new to most Japanese consumers, and then smoking them. This totally new product became a major hit thanks to its unique crisp texture and soon claimed the biggest share of the market as a flagship brand for NH Foods Ltd.

### 1997

Launch of the *Apilight* range of allergen-free products



Processed Foods

In 1996 we began to research food allergies, and in 1997 we launched the *Apilight* range of allergen-free products. The creation of these products was inspired by comments received by our consumer support desk from people pleading with us to develop foods that could be given safely to children with food allergies. While expanding the product range, we have also developed test kits and continued to disseminate information.

### 2002

Launch of the *Sakurahime* Japanese chicken brand, expansion of brand meats business



Fresh Meats

With its translucent pink color, *Sakurahime* chicken contains over three times more vitamin E\* and has a much fainter odor than standard chicken. Developed in 2002 under our vertical integration system, it has become a flagship brand for the NH Foods Group. We have continued to introduce our own meat brands, including *Mugikomachi* domestic pork.

\* Based on a comparison with the 2015 value in the Standard Tables of Food Composition in Japan

### 2020-

Responding to expanding demand for meat substitutes



Processed Foods

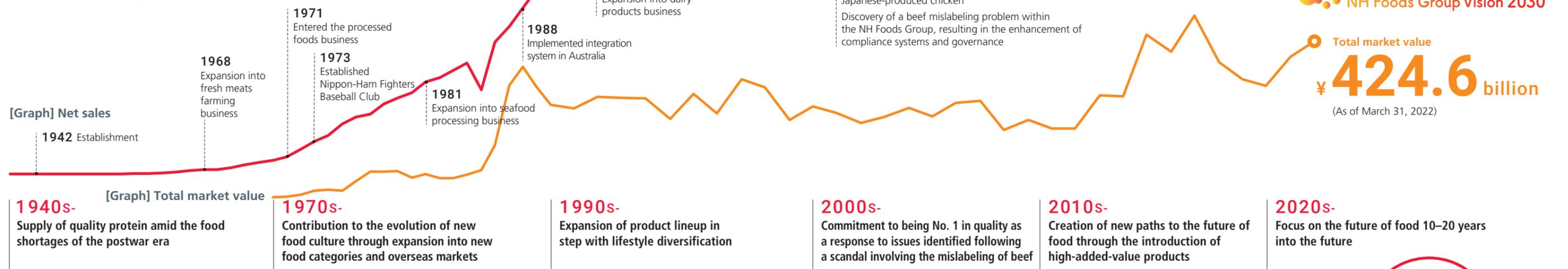
Demand for meat substitutes is expanding for a variety of reasons, including concerns about food shortages, environmental awareness, and health consciousness. In 2020, the NH Foods Group launched a number of plant-based products under the *NatuMeat* brand. Made from soybeans and konjak instead of meat, the range includes sausages, ham, and hamburgers. We are also engaged in research and development in preparation of the future introduction of cultured meats.

# History

## Providing Value to Meet Changing Needs

In March 2022, the NH Foods Group marked the 80<sup>th</sup> anniversary of its founding in 1942 as the Tokushima Meat Processing Plant. During this 80-year history, the NH Foods Group has expanded into a wide variety of categories, including fresh meats, processed foods, dairy products, seafood, and extract seasonings.

By responding to changing food needs and issues, the NH Foods Group has continued to achieve growth in each successive era.



No.1 quality / safety and security

Delivery of “great tastes” to the dinner table

A stable supply of protein that makes up the body

Corporate philosophies  
**Joy of Eating**

- |                    |  |  |   |   |  |   |   |
|--------------------|--|--|---|---|--|---|---|
| Social environment | <ul style="list-style-type: none"> <li>• Rapid economic growth</li> <li>• Westernization of the Japanese diet</li> </ul> | <ul style="list-style-type: none"> <li>• Shift to nuclear family lifestyle</li> <li>• Growth of the restaurant industry</li> </ul> | <ul style="list-style-type: none"> <li>• Liberalization of pork imports</li> <li>• Shift of women into the paid work force</li> </ul> | <ul style="list-style-type: none"> <li>• Liberalization of imports of beef and oranges</li> <li>• Growth of the ready-made meal market</li> </ul> | <ul style="list-style-type: none"> <li>• Growing consumer pressure for improved food safety and reliability</li> <li>• Japan's first BSE outbreak</li> </ul> | <ul style="list-style-type: none"> <li>• UN Sustainable Development Summit</li> <li>• Signing of the Paris Agreement</li> </ul> | <ul style="list-style-type: none"> <li>• COVID-19 pandemic</li> </ul> |
|--------------------|--|--|---|---|--|---|---|

Value creation process

# VALUE CREATION

Sharing the *Joy of Eating* through the pursuit of improvement in social value and business value

- Changes in food demand due to Japan's falling birthrate and demographic aging  
→ Japan's population of children aged under 15 has been falling continuously for **41 years**.<sup>\*1</sup>  
\*1 Based on a May 2022 press release by the Ministry of Internal Affairs and Communications

- Changes in the supply-demand balance for food driven by global population growth  
→ World population: **7.954 billion**  
Increase of **79 million** compared with 2021<sup>\*2</sup>  
\*2 From *The State of World Population* (2022)

- Intensification of competition with other companies as trade agreements come into force

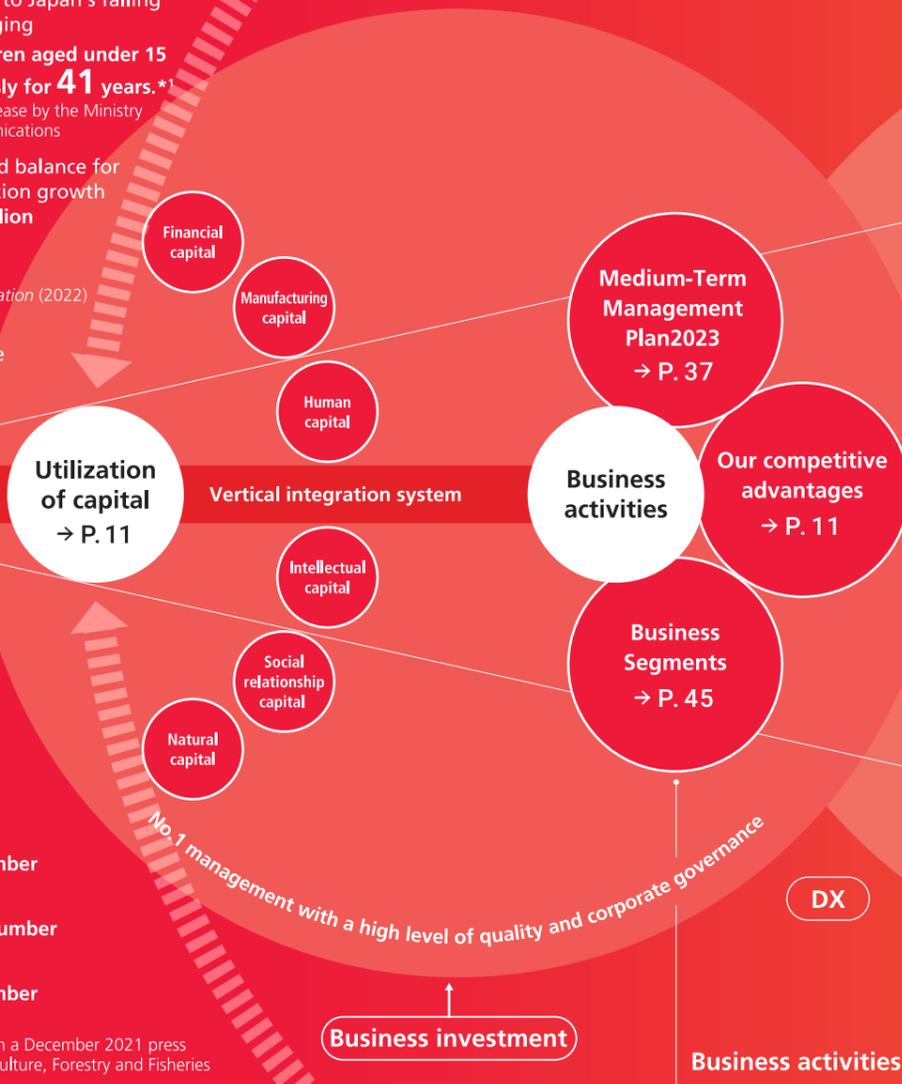
External environment (risks and opportunities)  
→ P. 32

- Environmental risks, including climate change risks and water risks
- Food safety risks
- Diversification of food needs due to lifestyle diversification
- Decrease in the number of domestic livestock farmers<sup>\*3</sup>

- **4.1%** decline in the number of cattle farmers
- **10.9%** decline in the number of pig farmers
- **4.0%** decline in the number of broiler chicken farmers

\*3 Compared with 2020, based on a December 2021 press release by the Ministry of Agriculture, Forestry and Fisheries

- Soaring resource prices (grain, crude oil, etc.)
- Changes in consumer behavior due to the global pandemic
- Increasing focus on work style modification



Defining Our Five Materialities

After reviewing issues in the social environment, the NH Foods Group defined the Five Materialities in April 2021 as a framework for our efforts to realize our Medium-Term Management Plan and reach our medium- to long-term targets for 2030.

The NH Foods Group will continue to contribute to the creation of a sustainable society through efforts focused on the Five Materialities.

Link for more details:

<https://www.nipponham.co.jp/eng/csr/nhgroup/process/>

Our Five Materialities

- Stable procurement and supply of proteins
- Food diversification and health
- Contributing to a sustainable environment
- Co-creation and shared prosperity with local communities and society as a whole through food and sports
- Employee development and respect for diversity

Gaining new strengths and value  
**Increase business value**

**Vision2030**

Corporate philosophy  
**Joy of Eating**

Solution of social issues  
**Increase social value**

Solve social issues  
→ P. 61

ESG investment

Business activities

Medium-Term Management Plan 2023 Management Policies

- Shift to a sustainable business model with profitability
- Establish a growth model for Overseas Business
- Provide new value through new products and services
- Strengthen corporate functions to achieve the Vision

Our competitive advantages

1. Procurement and production networks that support safe, secure, and reliable supply
2. Developing products from a customer perspective
3. Nationwide sales and distribution network
4. Strong supply capacity and advanced processing technology re-ected in high market share
5. Management commitment to leadership in quality backed by highly effective quality assurance structures

Business Segments

- Processed Foods Business Division
- Fresh Meats Business Division
- Overseas Business Division
- Baseball Club and Other Business



# Using and enhancing six types of capital to support value creation

## The unique value chains of the NH Foods Group



Protein provides the energy for life, and value chains that reliably supply protein are key to the value creation capacity of the NH Foods Group. We are able to supply safe, dependable products reliably thanks to our global procurement and production structures, our nationwide sales and distribution network, and our quality assurance systems. In the area of processed foods, our advanced product development systems and processing technologies enable us to create delicious new products, while our vertical integration system for fresh meats provides a framework for dependable and highly efficient production structures. These systems and structures allow us to reliably supply high-value-added products that match market needs, while also eliminating disease risks and other risk factors.

### Manufacturing capital

#### Strong supply capacity and advanced processing technology reflected in high market share

The NH Foods Group manufactures ham, sausages, processed foods, processed seafood products, lactic acid probiotic beverages, dairy products, and other items at 92 production facilities in Japan and overseas. In the fresh meats category, our involvement in the breeding and production of pork and chicken in Japan, together with reliable access to supplies from our partners in Japan and overseas, enables us to supply high-quality branded meats and other products reliably, and we have built a market share of around 20%. Many of our processed foods are number one in their categories thanks to our nation-wide supply structures.

One of our goals under Medium-Term Management Plan 2023 is to optimize our manufacturing base by reassessing its functionality and organization from an overall optimization perspective.

All NH Foods Group production facilities have obtained HACCP and ISO certification and maintain effective quality control regimes.



### Social relationship capital

#### Nationwide marketing and distribution networks, unique quality assurance structure

We have developed regional food infrastructure in the form of highly responsive supply structures with direct links to production facilities and a strong focus on the needs of customers in various industries. Our comprehensive strengths, including these extensive logistics and marketing structures, have further enhanced our market competitiveness through the development of stronger relationships with raw material suppliers. However, we also recognize the need to improve efficiency by resolving issues in our logistics operations, and we have already launched initiatives for this purpose.

We have created quality audit, safety assessment, and safety inspection systems to support our management commitment to being No. 1 in quality. The unique monitoring structure that we introduced in 1969 was updated in 2022 as the Consumer Delegate Committee. Input from various perspectives is used in product enhancement and development.



### Natural capital

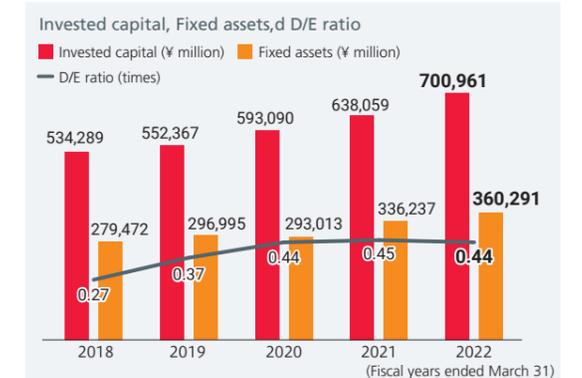
#### Production and breeding facilities—the source for reliable meat supplies in Japan and overseas

The NH Foods Group produces and breeds cattle, pigs and chickens mainly in Japan, but we also have cattle breeding operations in Australia and chicken production and breeding operations in Turkey. Our natural capital includes 128 company-owned farms in Japan and 23 overseas.

### Financial capital

#### Achieving a healthy balance between debt and equity while investing in growth

In the fiscal year ended March 2022, invested capital increased by ¥62.9 billion to ¥701.0 billion. This amount represents the difference between total assets of ¥909.2 billion and total interest-free debt of ¥208.2 billion. Fixed assets, including intangible fixed assets, which make up approximately 40% of total assets, increased by ¥24.1 billion year on year to ¥360.3 billion. Under Medium-Term Management Plan 2023, we will invest ¥248.0 billion in business infrastructure enhancement, the construction of a ballpark, DX initiatives, and other projects. The fixed asset balance is expected to increase further as this investment peaks in fiscal 2022. At the same time, we will take steps to improve the efficiency of our fixed assets, including the recycling of assets with profitability issues, and the improvement of profit margins. These measures will lead to the improvement of ROIC. The Group's debt-to-equity ratio, which we consider a primary financial indicator, reached 0.44 in fiscal 2021. This figure falls within the 0.4 to 0.5 range, which we see as indicative of a debt-equity structure that will enable us to minimize WACC.



### Human capital

#### Driving force for the realization of Vision2030

Our recognition that our employees are the driving force for these efforts is reflected in the adoption of "employee development and respect for diversity" as one of our Five Materialities. We will ensure that every individual employee can reach his or her full potential and achieve growth, by reforming our systems and improving working environments. We are also promoting health management under our Health and Safety Declaration.

We are training specialist personnel through training initiatives, including rank-based training programs designed to raise the overall level of IT literacy. We also provide advanced technical training with the aim of enhancing quality control in our manufacturing facilities. As of March 31, 2021, a total of 62 NH Foods Group employees had passed exams to qualify as specialist technicians.

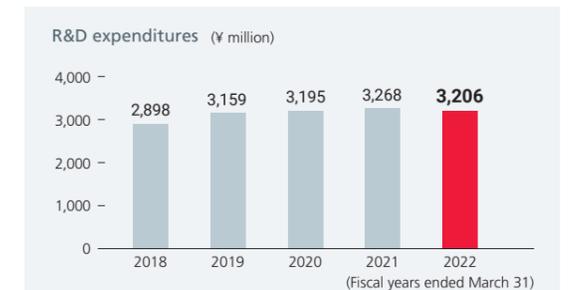


### Intellectual capital

#### R&D capabilities vital to business development and the solution of social issues

We engage in research and development from a number of perspectives, including the fulfillment of our long-term responsibilities as a supplier of animal protein, the future development of the livestock industry, health promotion and the mitigation of allergy problems, and responses to environmental problems.

Our R&D efforts in relation to the reliable supply of protein are focusing on development of new protein sources based on microorganisms, and the use of animal cells to produce cultured meat for use as food. In December 2021 we obtained a patent for our research concerning the use of imidazole dipeptide to alleviate cognitive impairment. This work also resulted in the development of *IMIDEA*, a food with functional claims, which contains imidazole dipeptide.



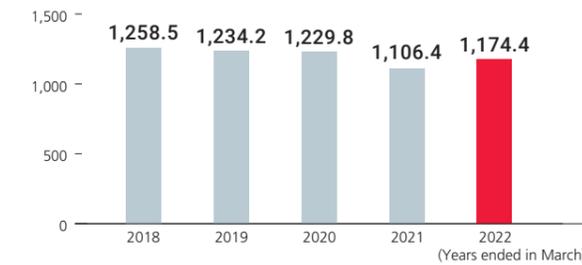
# Financial and non-financial highlights

In the fiscal year ended March 2022, we decided to sell our entire shareholding in Marine Foods Corporation, a consolidated subsidiary. As a result, Marine Foods Corporation and its subsidiaries, etc., are now classified as non-continuous businesses. Figures for non-continuous businesses have been excluded from net sales for the fiscal year ended March 2021.

■ Financial ■ Non-financial

## Net sales

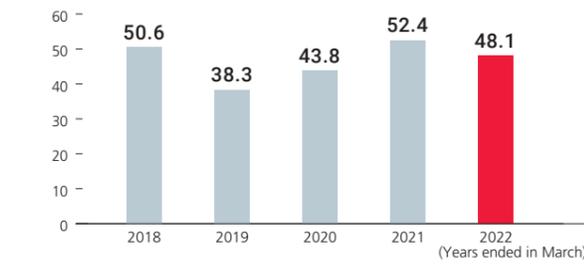
¥ **1,174.4** billion



Net sales benefited from a recovery in demand from commercial users and the restaurant business, thanks to the waning impact of COVID and changes in consumer behavior. There was an increase of 6%, resulting in part from price increases to pass on higher beef procurement costs.

## Business profit\*1

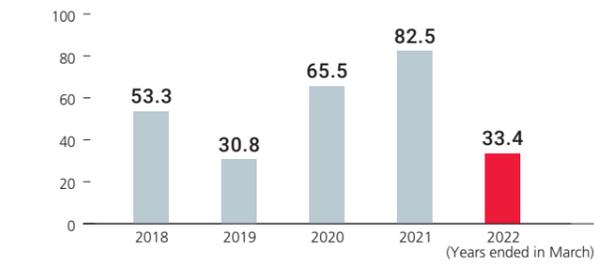
¥ **48.1** billion



Business profit declined by 8.2% due to a global surge in raw material and feed prices and rising procurement and production costs.

## Cash flows from operating activities

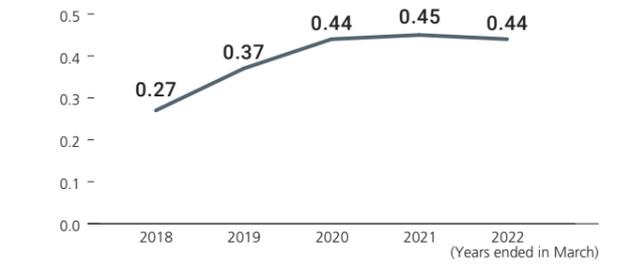
¥ **33.4** billion



Despite an increase in inventory assets and the payment of corporate income taxes, net profit before tax amounted to ¥51.4 billion, while depreciation and amortization totaled ¥36.5 billion, resulting in net cash from operating activities of ¥33.4 billion.

## Interest-bearing liabilities / Equity ratio

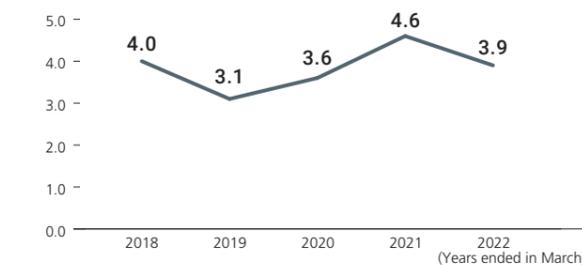
**0.44** times



We regard 0.4 to 0.5 as the level for an optimal capital structure. We maintained the ratio at an appropriate level.

## Business profit ratio\*2

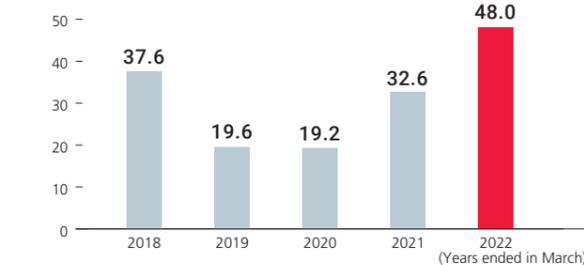
**3.9**%



Despite an improvement in our overseas performance thanks to increased earnings from the Australian beef business, the Processed Foods Business was impacted by surging raw material prices, and the Fresh Meats Business by sharply higher feed prices. These factors caused profit to decline, resulting in a lower business profit ratio.

## Profit attributable to owners of the parent

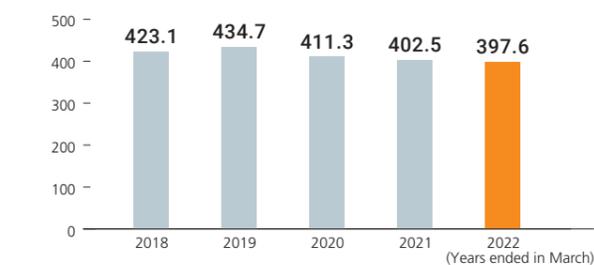
¥ **48.0** billion



There was a 47.3% increase in profit. Contributing factors included a gain on the sale of the seafood business Marine Foods Corporation, which was a consolidated subsidiary, and its subsidiaries, etc., and higher returns from overseas equity-method affiliates.

## Waste volume

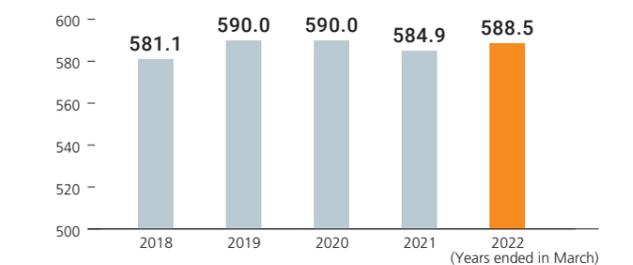
**397.6** (thousand t)



The NH Foods Group aims to reduce waste from business sites in Japan per unit of production by 5% compared with the fiscal 2019 level by fiscal 2030. We are working to reduce the amount of plastic used and address other issues, such as food losses.

## Electricity consumption

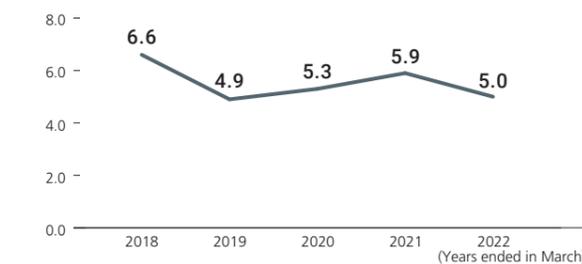
**588.5** million kWh



In addition to energy-saving activities, we installed solar power equipment in our plants.

## Return on invested capital (ROIC)

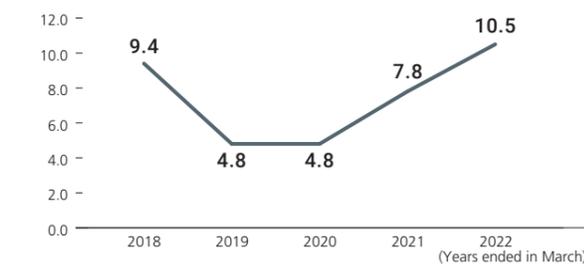
**5.0**%



An increase in invested capital resulted in a lower ratio of invested capital turnover to net sales, causing ROIC to decline to 5.0%.

## Return on equity (ROE)\*3

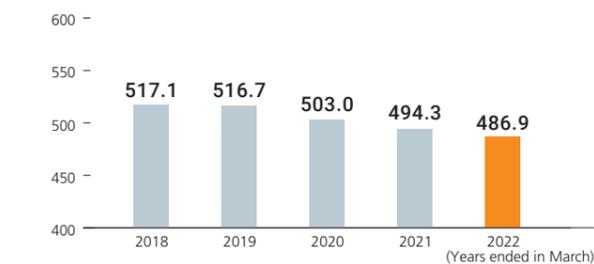
**10.5**%



Business profit reached the target level, and there was a substantial increase in profit attributable to owners of the parent, in part because of a gain on the sale of Marine Foods Corporation. The ratio increased by 2.7%.

## CO<sub>2</sub> emissions

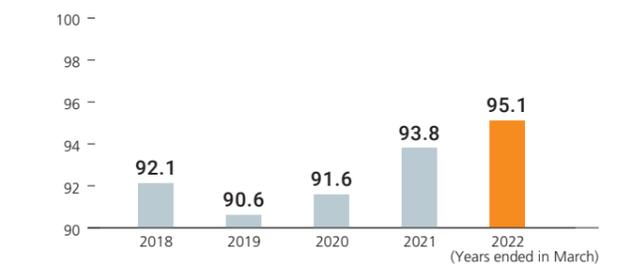
**486.9** (thousand t-CO<sub>2</sub>)



The NH Foods Group aims to reduce fossil fuel-derived CO<sub>2</sub> emissions by at least 46% (compared with the fiscal 2013 level) by fiscal 2030. We are working to reduce CO<sub>2</sub> emissions across our entire supply chains.

## Fuel consumption

**95.1** thousand kl



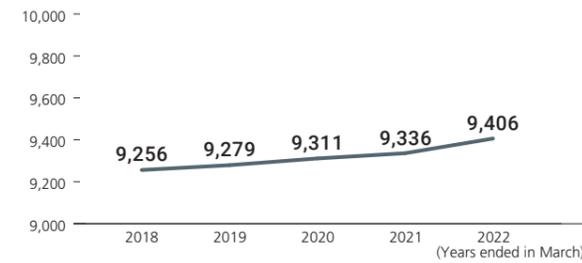
Initiatives include energy-saving activities, the installation of solar power equipment, and the use of waste-oil boilers and renewable energy, such as biomass power generation.

\*1 Business profit was calculated by subtracting the cost of sales and selling, general and administrative expenses from net sales and adjusting for exchange gains and losses, as determined by the NH Foods Group, adjusting to an IFRS basis, and adjusting for non-recurring items.

\*2 The ratio of business profit to net sales was calculated using business profit after adjustment for non-continuing businesses.  
\*3 ROE (%) = Profit attributable to owners of the parent / Average total equity attributable to owners of the parent × 100

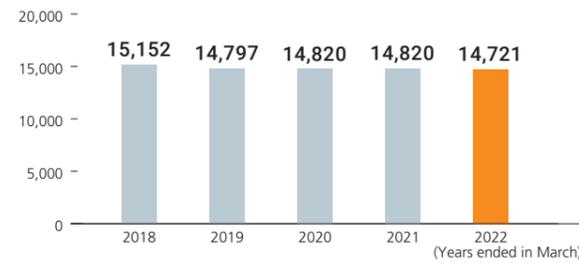
Financial and non-financial highlights

Energy use  
**9,406** TJ



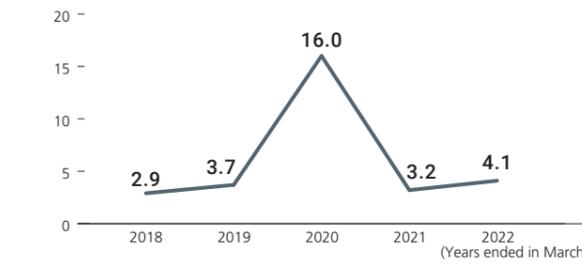
We are implementing resource conservation measures as part of our response to climate change. Initiatives include energy-saving activities, and the introduction and use of renewable energy.

Water consumption  
**14,721** (thousand m<sup>3</sup>)



The NH Foods Group aims to reduce its water consumption per unit of production by 5% (compared with the fiscal 2019 level) by fiscal 2030. In addition to initiatives to reduce the amount of water used in manufacturing processes, we have also implemented water recycling measures.

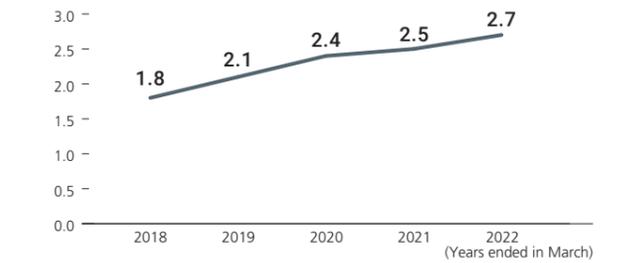
Turnover rate\*4, 5  
**4.1** %



In addition to initiatives to create a corporate culture and systems that support employee motivation and encourage people to take up new challenges, we are also implementing workstyle reforms and measures to develop good working environments.

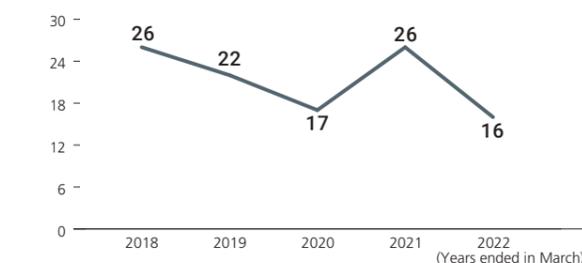
Note: In fiscal 2020, NH Foods Ltd. expanded the optional retirement system as a temporary measure.

Percentage of workers with disabilities\*4, 6, 7  
**2.7** %



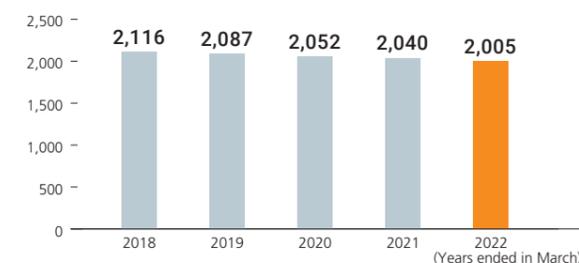
We help workers to develop careers that are appropriate for the nature of their disabilities. We are also working to create working environments in which diverse people can contribute and succeed. In fiscal 2021, the percentage of people with disabilities employed by NH Foods Ltd. was 2.7%, which is above the statutory ratio.

Mid-career hiring rate of workers\*4, 5  
**16** %



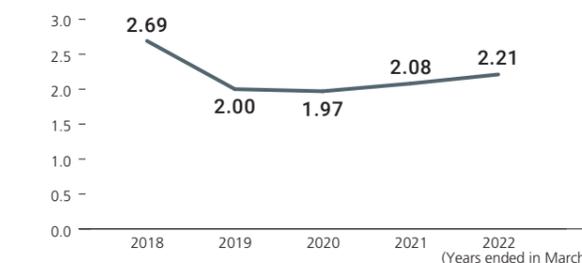
We engage in mid-career recruitment activities throughout the year with the aim of securing personnel with advanced specialist skills and wide-ranging experience. The ratio is based on the total number of new graduates and mid-career hires.

Annual actual working hours\*4  
**2,005** hours



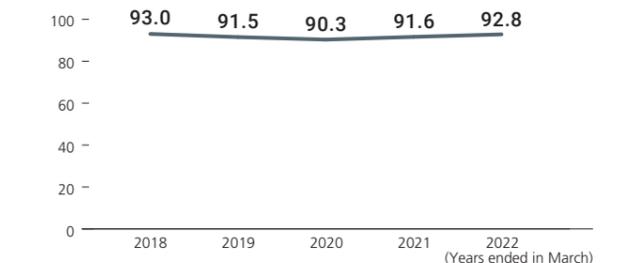
We have established a Working Hours Committee. Time management meetings are also held in individual divisions as part of efforts to reduce overtime hours. In addition, employees are encouraged to use their annual paid leave.

Frequency of occupational accidents  
**2.21**



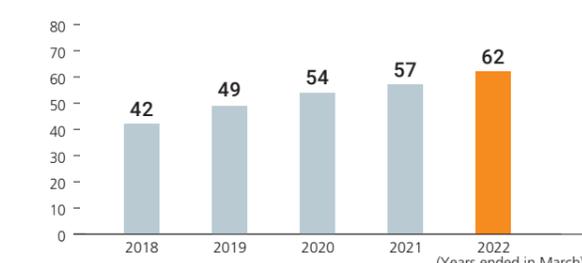
In addition to accident prevention initiatives, we have also established systems to support timely sharing of information about the circumstances of occupational accidents and the response actions taken. We regularly hold seminars and study sessions led by safety officers as part of our efforts to maintain safe working environments.

Stress check examination rate  
**92.8** %



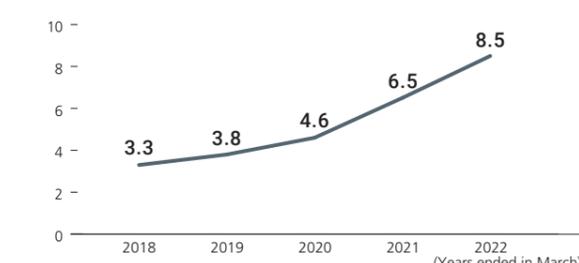
All group employees undergo annual stress checks as part of our efforts to foster good mental health. Aggregated analysis results are fed back to each organizational unit and used to create good working environments.

Number of employees with specialist technical qualifications  
**62**



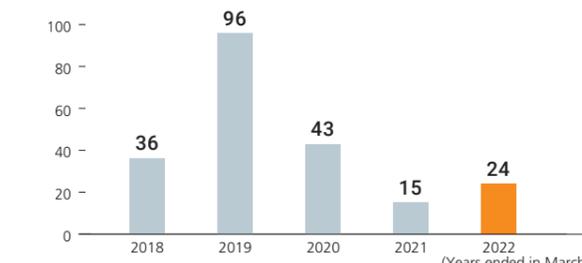
The business activities of the NH Foods Group encompass all areas of the food industry. We help employees to achieve and maintain official qualifications. In addition, we encourage people to update their knowledge and acquire specialist skills through business activities, and we provide appropriate recognition for those who acquire such knowledge.

Percentage of female managers\*4, 5  
**8.5** %



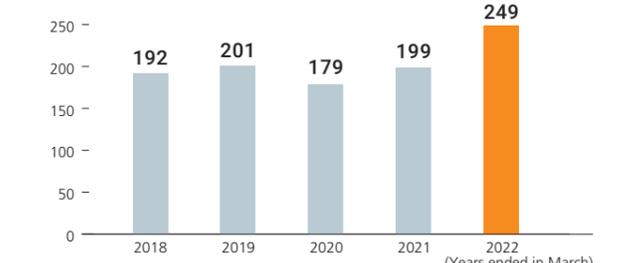
We are creating an environment in which it is easier for women to advance their careers by developing various systems and mechanisms to help employees balance childcare and nursing care responsibilities with work. These efforts are reflected in an upward trend in the percentage of female managers.

Number of visits to business sites by Compliance Department staff  
**24**



Compliance Department staff visit business sites to implement measures to avoid, reduce, and prevent risks. They hold hearings with employees to discuss the situation at each site, work-related issues, inter-personal relationships, and other matters.

Number of requests for advice about compliance matters  
**249**



We restructured our advice and support systems in October 2021. This resulted in the creation of internal and external helplines for matters relating to regulatory compliance, dishonesty, and safety, and another helpline for general inquiries about workplace problems. We attribute the increase in the number of requests for advice to this expansion of the systems.

\*4 The figures apply to NH Foods Ltd. (non-consolidated). \*5 Based on the number of current employees as of March 31st in each fiscal year \*6 Includes non-regular employees. \*7 Calculations are based on the employment ratio stipulated in Act to Facilitate the Employment of Persons with Disabilities.

## 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 80<sup>th</sup> 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 80<sup>th</sup> 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

## Message from the President Challenges

### 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

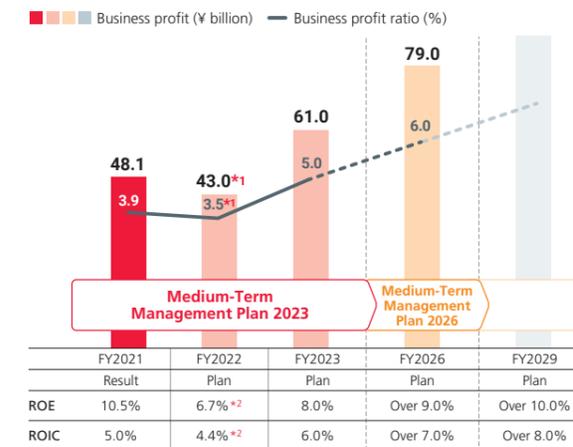
In fiscal 2021, the first year of the plan, we faced soaring raw material prices and higher procurement and production costs. However, the financial results were generally in line with our targets, thanks to price revisions, efficiency improvements, and the pursuit of brand and channel strategies. Consolidated 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

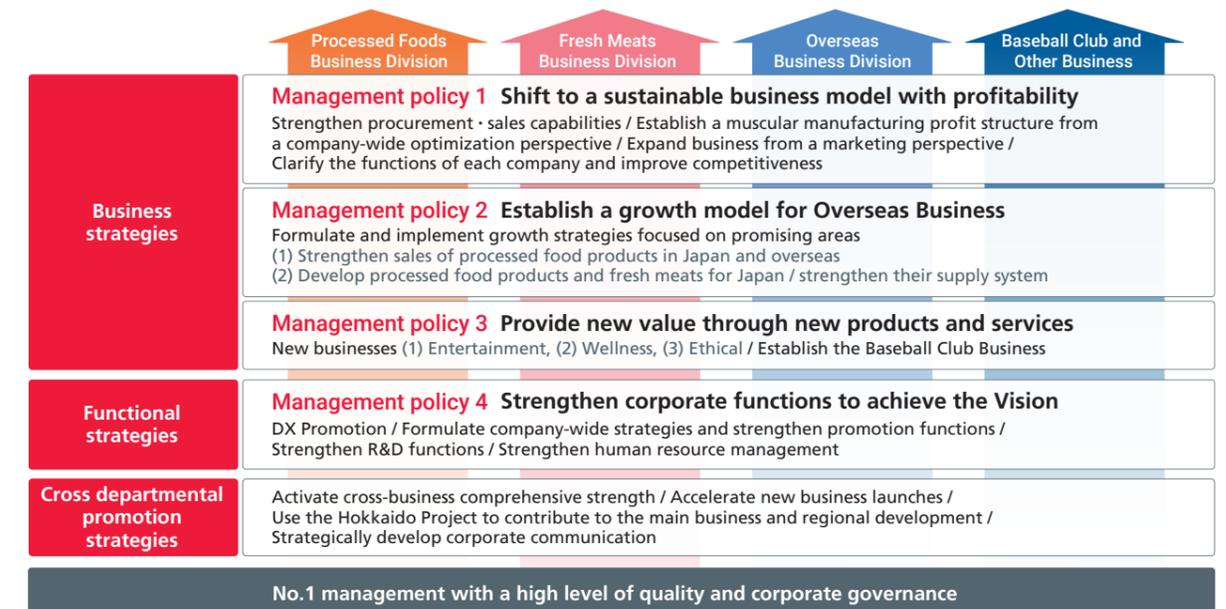
Food Packer Kagoshima, Inc. and Nippon Food Packer Tsugaru Co., Ltd. will cease in March 2023 and March 2024 respectively. The Kagoshima Plant of Nippon Pure Food, Inc. will also close as a result of these moves.

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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions, and we also need to address the problem of livestock-related emissions of methane, which is 25 times more potent than CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.

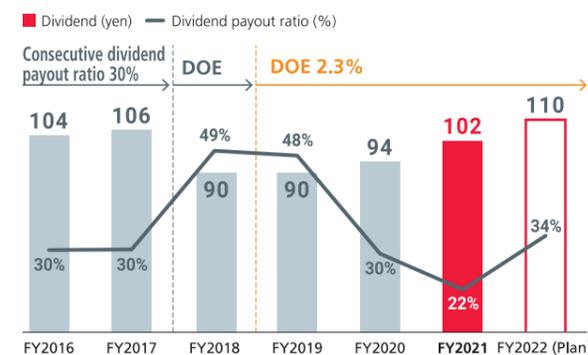
### Shareholder returns and balance sheet management

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.

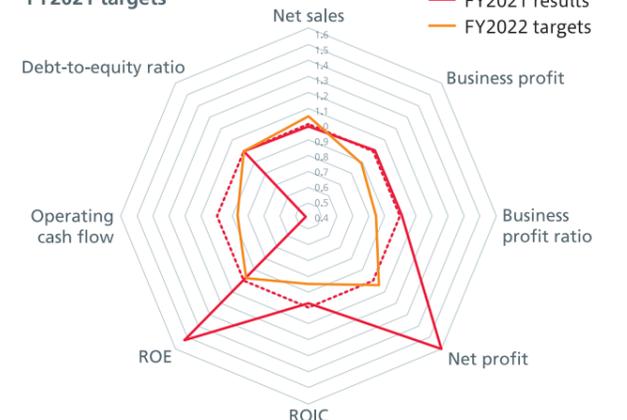
### Reducing WACC and achieving sustainable growth

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.

## 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.

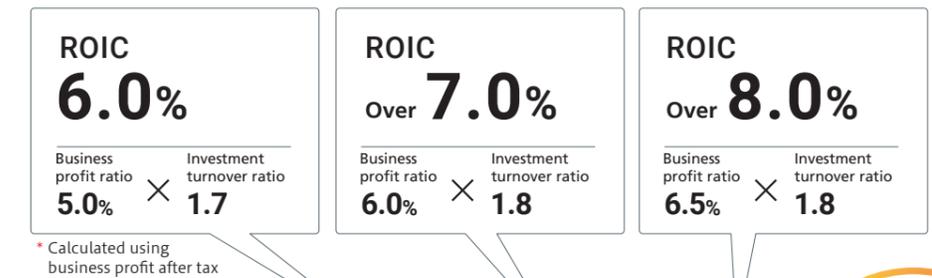
### Medium-term Management Plan 2023 and 2026—Grand Design



### 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

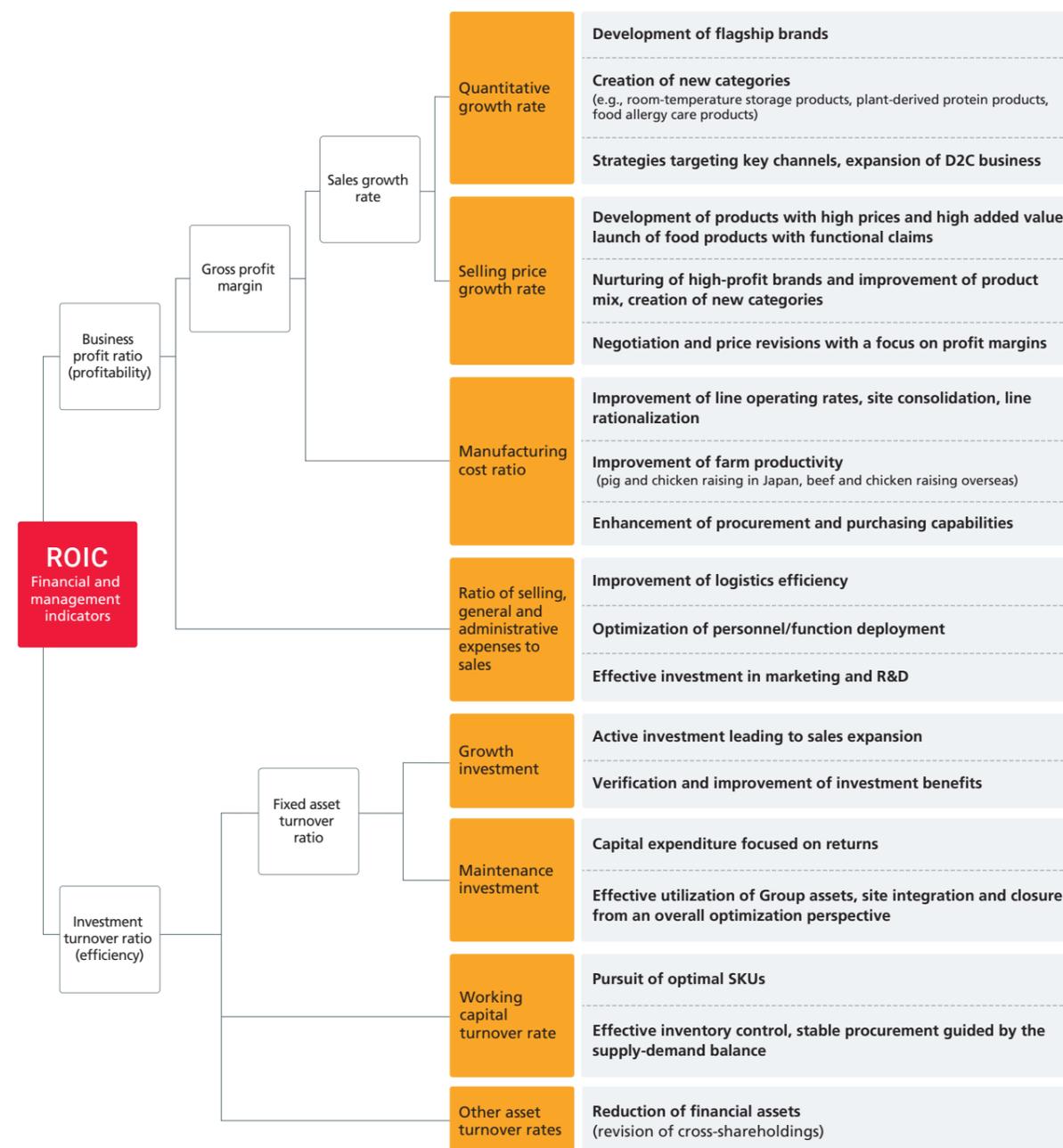
### Establishing growth models for Overseas Business

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

<b>Consumer trends</b>	<b>Changes in food demand due to Japan's falling birthrate and demographic aging</b>	By 2030 Japan's population will decline by 5.3% from the 2019 level to 119.12 million.* <sup>1</sup>
<b>Price trends</b>	<b>Changes in the supply-demand balance for food driven by global population growth</b>	By 2030, world population will increase by 10.4% over the 2019 level to 8.5 billion.* <sup>2</sup> By 2030, world demand for animal protein will be 1.5 times higher than the 2000 level.* <sup>3</sup>
	<b>Intensification of competition with other companies as trade agreements come into force</b>	Impact of fluctuations in livestock prices, feed prices, and the oil price on sales prices and procurement prices Establishment of safeguards against livestock diseases
<b>Environment-related</b>	<b>Environmental risks, including climate change risks and water risks</b>	Livestock responsible for 14.5% of greenhouse gas emissions * <sup>4</sup> 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 * <sup>5</sup>
<b>Quality-related</b>	<b>Food safety risks</b>	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

<b>Consumer trends</b>	<b>Diversification of food needs due to lifestyle diversification</b>	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
<b>Production and breeding-related</b>	<b>Decrease in the number of domestic livestock farmers*<sup>6</sup></b>	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)
<b>Employees</b>	<b>Increasing focus on work style modification</b>	Enactment of Work Style Reform Bill in 2018

\*<sup>1</sup> National Institute of Population and Social Security Research, Nihon no shorai suikei jinko shussei chui (Estimates of Japan's future population and average birthrate) (2017 estimates)

\*<sup>2</sup> United Nations, World Population Prospects 2019

\*<sup>3</sup> Planbureau voor de Leefomgeving (PBL), The Protein Puzzle

\*<sup>4</sup> Food and Agriculture Organization of the United Nations, Tackling Climate Change through Livestock (2005 estimates)

\*<sup>5</sup> OECD statistics, OECD Environmental Outlook to 2050

\*<sup>6</sup> 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><b>Stable procurement and supply of proteins</b></p> <p>2 Stable Procurement and Supply of Proteins, 9 Protein Safety and Reliability, 12 Environmental Quality, 17 Protein Safety and Reliability</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"> <li>Stable procurement and supply of proteins</li> <li>Greater choice of proteins</li> <li>Food safety and reliability</li> </ul>	<ul style="list-style-type: none"> <li>Formulating animal welfare policies and guidelines. → Installation of drinking water facilities (for cattle and pigs at all pens located at processing plants).</li> <li>Installation of environmental quality monitoring cameras at all farms and processing plants. → Elimination of gestation crates (pigs) from all farms</li> <li>CSR-based procurement Implementation of supplier surveys. → Implementation of human rights due diligence and engagement with suppliers through supplier surveys</li> <li>Smart pig farming. → Implementation of PIG LABO (smart pig farming)</li> <li>Development of plant-derived protein products (NatuMeat). → Expansion of sales of plant-derived protein products (shipment value: to ¥10 billion)</li> <li>Research into new proteins (cultured meat, meat alternatives). → Development of plant-derived protein products</li> </ul>
 <p><b>Food diversity and health</b></p> <p>9 Food Safety and Reliability, 17 Protein Safety and Reliability</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"> <li>Food allergy support</li> <li>Health promotion</li> <li>Food diversification</li> </ul>	<ul style="list-style-type: none"> <li>Development of foods with functional claims. → Expansion of the allergy care platform, implementation of educational activities</li> <li>Commitments made at the Tokyo Nutrition for Growth Summit 2021. → Development of food allergy-related products (shipment value: ¥4 billion) and implementation of educational activities.</li> <li>Launch of a food allergy care platform. → Food allergy prevention research</li> <li>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).</li> </ul>
 <p><b>Contributing to a sustainable environment</b></p> <p>6 Greenhouse Gas Reduction, 7 Environmental Quality, 12 Environmental Quality, 13 Climate Action, 14 Life Below Water, 17 Protein Safety and Reliability</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"> <li>Resource saving and recycling</li> <li>Addressing biodiversity</li> <li>Responding to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Setting medium-term environmental targets. → Exploration of initiatives towards the achievement of carbon neutrality</li> <li>Joint research into the reduction and recovery of livestock-related GHGs. → Disclosure of TCFD information under the framework</li> <li>Analysis of TCFD scenarios. → Setting CO<sub>2</sub> reduction targets (Japan)</li> <li>Exploration of ways to use renewable energy, including the use of waste-oil boilers and solar power, and fuel conversion. → Establishing carbon-neutral farms.</li> <li>Reducing packaging materials. → Change in the materials used for <i>Ishigama Kobo</i> pizza products (paper trays)</li> <li>Use of plant-derived biomass packaging for <i>Sakurahime</i> chicken farm packs. → Reduction of fossil fuel-derived CO<sub>2</sub> emissions in Japan by at least 46% (compared with the 2013 level)</li> <li>Reduction of fossil fuel-derived CO<sub>2</sub> emissions overseas by at least 24% (compared with the 2021 level)</li> <li>Reduction of waste emissions per unit of production in Japan by 5% (compared with the 2019 level)</li> <li>Achievement of a waste recycling ratio of 92% or higher in Japan</li> <li>Reduction of water use per unit of production in Japan by 5% (compared with the 2019 level)</li> <li>Reduction of overseas water use by 5% (compared with the 2021 level)</li> <li>Achievement of an RSPO-certified palm oil utilization ratio of 100% (including book and claim utilization)*</li> <li>* Target year: fiscal 2030</li> </ul>
 <p><b>Co-creation and shared prosperity with local communities and society as a whole through food and sports</b></p> <p>3 Quality Management, 4 Human Resources, 11 Community Engagement, 17 Protein Safety and Reliability</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"> <li>Local community development</li> </ul>	<ul style="list-style-type: none"> <li>Creating Hokkaido brands based on raw materials from Hokkaido. → Establishment of the Hokkaido Project Promotion Department</li> <li>Establishment of the Hokkaido Ballpark F Village</li> <li>Contributing to communities through sport (e.g. community contribution activities linked to financial results). → Support for the Hokkaido Marathon as a partner</li> <li>Implementation of food education activities and hand-made food classes. → Participation in the Sapporo Autumn Fest</li> </ul> <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><b>Employee development and respect for diversity</b></p> <p>5 Gender Equality, 8 Diversity and Inclusion, 17 Protein Safety and Reliability</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"> <li>Enhancing job satisfaction for employees</li> <li>Respect for diversity</li> </ul>	<ul style="list-style-type: none"> <li>Establishing and applying KPIs for priority items</li> <li>Creating systems to enable employees to engage actively and reach their full potential (improvement of work motivation, appropriate assessment and remuneration, objective promotion processes)</li> <li>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)</li> </ul> <ul style="list-style-type: none"> <li>Career development for women (percentage of female executives: 20% or higher)</li> <li>Promotion of employment for people with disabilities (percentage of workers with disabilities: 2.3% or higher)</li> <li>Reduction of total working hours (targets: 1,870 total working hours, 200 overtime hours)</li> <li>Support for physical and mental health (targets: 100% of employees to undergo follow-up health checks, 12% smoking ratio, 100% stress examination coverage)</li> </ul>

Road to 2030

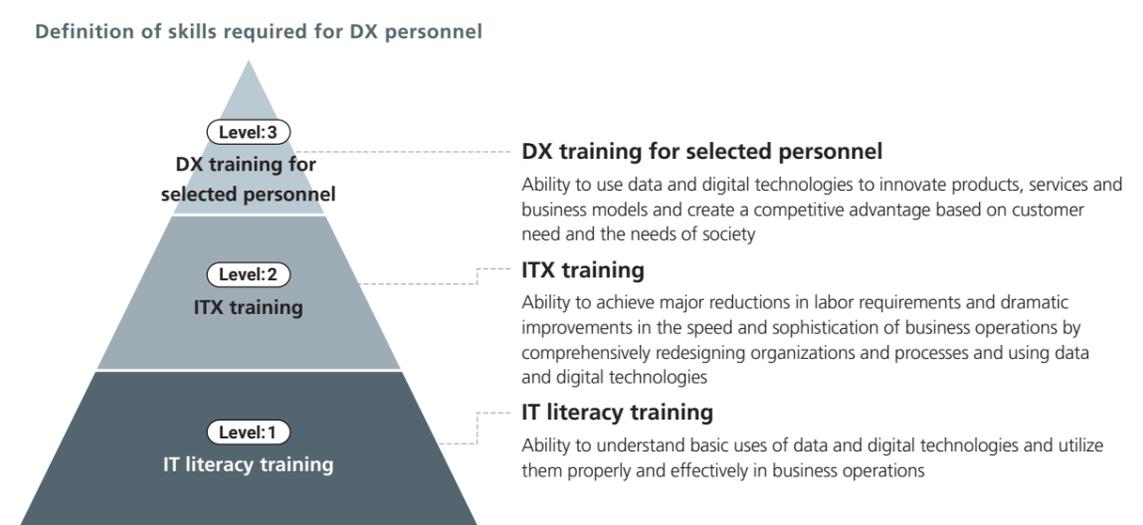
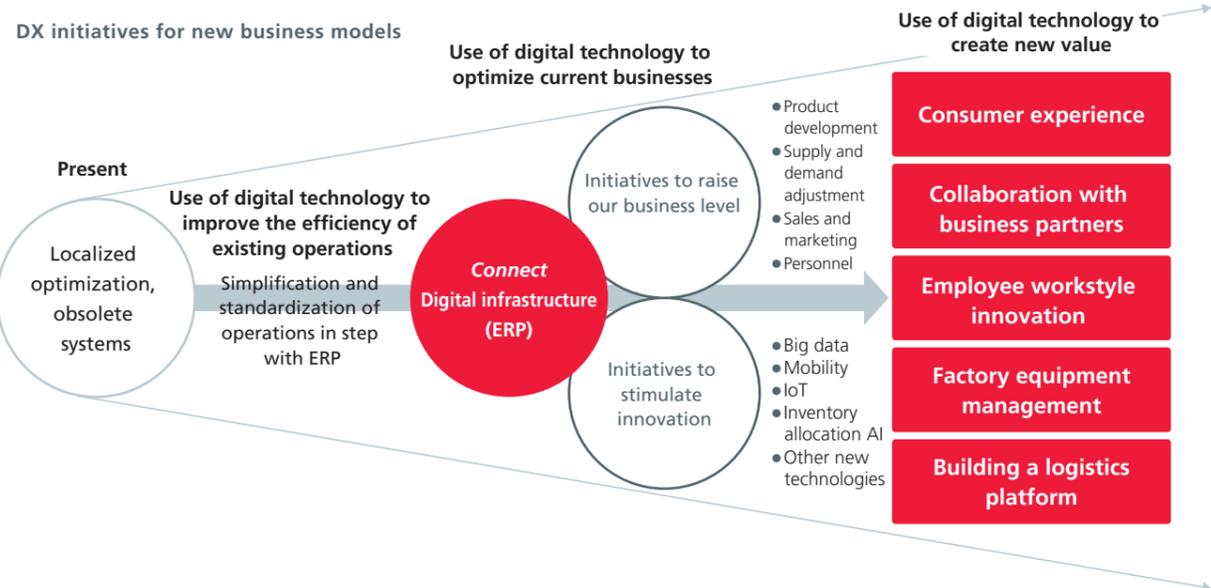
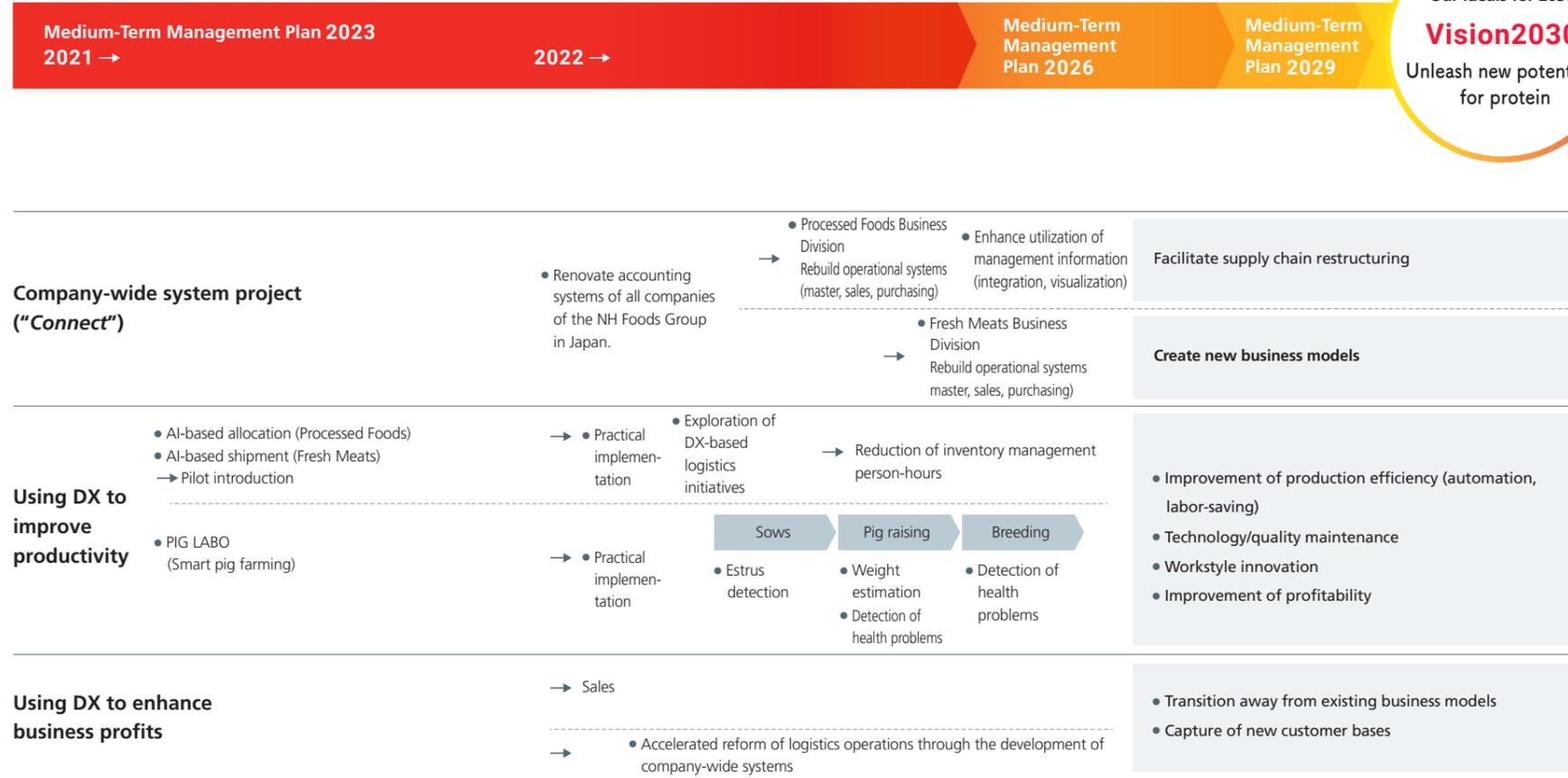
Creating new value

# 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.

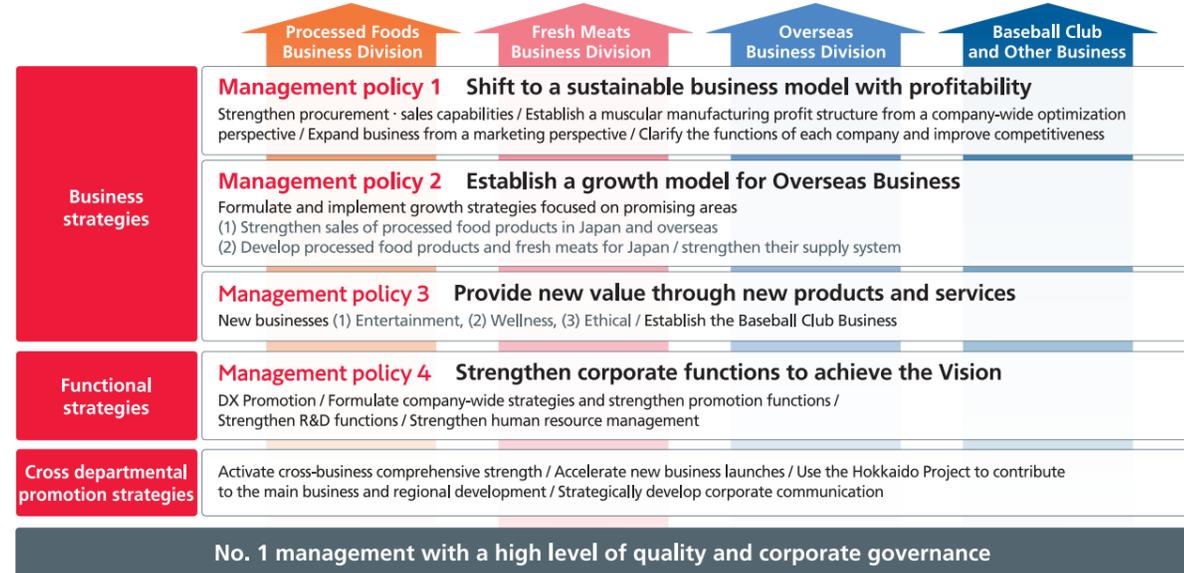
These digital infrastructure development initiatives have been paralleled by the use of DX to improve productivity. Supply chain operations involving a wide range of products lead to cost bloating and increased complexity. We will therefore target the optimization of operating costs, starting with the 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.

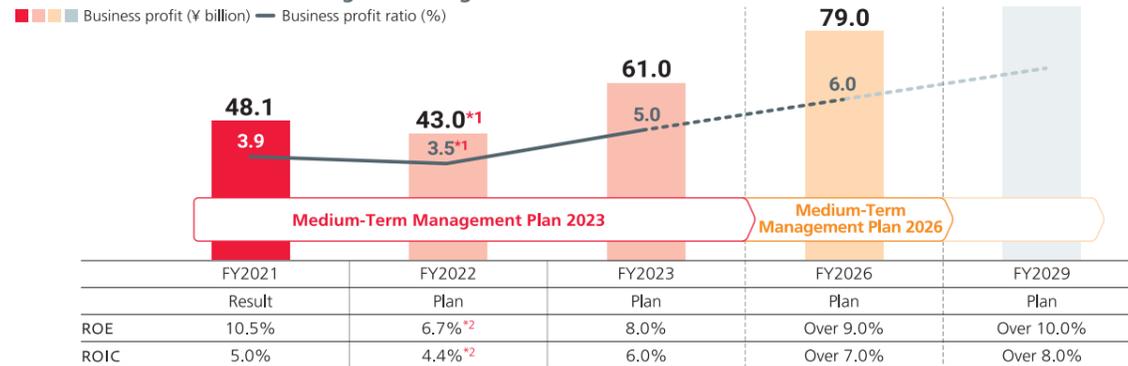


# Progress under Medium-Term Management Plans 2023/2026

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



### Results and forecasts for management targets and indicators



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

The NH Foods Group aims to maximize its corporate value under Vision2030 by contributing to the solution of social issues through its business activities. Our strategies for the realization of this vision are defined in Medium-Term Management Plans 2023/2026. This six-year plan is our blueprint for a transition to a sustainable business model while addressing various issues and adapting to change in the external environment. We have positioned the three-year period covered by Medium-Term Management Plan 2023 as a step-up phase on our path to a new stage.

The financial targets for Medium-Term Management Plan 2023, which concludes with fiscal 2023 ending in March 2024, are for net sales of ¥1,220 billion and business profit of ¥61 billion with a business profit ratio of 5.0%, ROE of 8.0%, and ROIC of 6.0%. In fiscal 2021, we responded to soaring raw material prices and rising procurement and production costs by revising prices, improving efficiency, and by pursuing brand and

channel strategies. Thanks to these measures, our results were basically on target, with net sales of ¥1,174.3 billion, business profit of ¥48.1 billion, a business profit ratio of 3.9%, ROE of 10.5%, and ROIC of 5.0%. Our progress toward portfolio optimization and the restructuring of our production operations from a medium- to long-term perspective was also in line with the plan. At the same time, we accelerated our transition to a sustainable business model in response to the increased uncertainty caused by rapid changes in the external environment.

In fiscal 2021, we also took steps to improve ROIC through initiatives toward the optimization of our business portfolio, including the sale of our shareholding in Marine Foods Corp. and the merger of group companies. In fiscal 2022, we will continue to pursue initiatives toward the realization of our vision for 2030, while identifying risks in a challenging business environment.

## Progress under our business strategies

	Results	Future measure
<b>Company-wide initiatives</b>	<ul style="list-style-type: none"> <li>Establish an optimal production system (Starting with the Fresh Meats and Processed Foods Businesses)</li> <li>Concentration of resources toward priority businesses</li> <li>Pursuit of an optimal portfolio (Sale of Marine Foods Corp.)</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives based on milestones leading to the 2030 targets</li> </ul>
<b>Shift to a sustainable business model with profitability</b>		
<b>Processed Foods Business Division</b>	<ul style="list-style-type: none"> <li>Price revisions</li> <li>Concentration on <i>Schau Essen</i> and high-productivity lines</li> <li>Expansion of sales through synergies within the Processed Foods Business Division</li> <li>Shift to environment-friendly packaging (<i>Schau Essen</i>)</li> </ul>	<ul style="list-style-type: none"> <li>Effective countermeasures against rising raw material/energy costs</li> <li>Recovery of sales volumes after price revision</li> <li>Improvement of productivity and reduction of costs in the area of deli and processed foods</li> <li>Realization of additional synergies</li> </ul>
<b>Fresh Meats Business Division</b>	<ul style="list-style-type: none"> <li>Curbing of costs through productivity improvements in company-owned processing facilities</li> <li>Increased external procurement of domestic chicken and pork</li> <li>Expansion of the imported meat procurement network through the development of new source countries and packers</li> <li>Improvement of the branded fresh meat ratio</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of production costs to offset soaring feed prices</li> <li>Maintenance and enhancement of procurement capacity for imported fresh meats despite unstable local production and shipping disruptions</li> <li>Offensive strategies targeting priority channels</li> </ul>
<b>Establish a growth model for Overseas Business</b>		
<b>Overseas Business Division</b>	<ul style="list-style-type: none"> <li>Expansion of processed food volumes in North America</li> <li>Expansion of branded fresh meat sales by the Australia business</li> <li>Securing of profits through collaboration between procurement and sales operations in the beef business</li> </ul>	<ul style="list-style-type: none"> <li>Countermeasures against soaring raw material costs for processed chicken products</li> <li>Development of new products in ASEAN</li> <li>Initiatives to reduce livestock-related GHG emissions</li> </ul>
<b>Provide new value through new products and services</b>		
<b>Other Business</b>	<ul style="list-style-type: none"> <li>Start of participation in the Entertainment Business and Wellness Business</li> </ul>	<ul style="list-style-type: none"> <li>Development of the Entertainment Business and Wellness Business</li> </ul>

### Management Policy 1

#### Shift to a sustainable business model with profitability

Priority measures targeting the Processed Foods Business included a shift to centralized production of flagship brand products, the integration of duplicated production lines, and the realization of synergies. We also responded to soaring raw material prices and rising energy costs by modifying specifications and revising prices for some of our products. Raw material prices and energy costs have remained on a steep upward trend in 2022, and we will therefore cautiously consider further price revisions. We have made good progress toward productivity improvement through the integration of production lines for *Schau Essen* sausages and other products. We plan to take similar action for deli and processed products. We will realize synergies through continuing marketing collaboration, and an increase in the reciprocal use of sales channels and raw materials. From an environmental sustainability perspective, we have reduced the amount of plastic used by introducing new packaging formats for *Schau Essen* sausages and loin ham.

In the Fresh Meats Business, we worked to increase the percentage of branded meats, expand sales, and improve productivity. In fiscal 2022 we will need to enhance our procurement capabilities to cope with soaring feed prices and an unstable import procurement environment. Within Japan, we aim to stabilize procurement and supply chains by improving productivity at company-owned farms, and by collaborating and partnering with outside companies. In the area of imported fresh meats, we will also step up our efforts to build closer relationships with existing suppliers and develop new suppliers in new source countries. At the same time, we will engage in co-creation with feed manufacturers, machinery manufacturers, logistics companies, and other partners with the aim of further enhancing our product and distribution structures. We will also

focus on the expansion of sales of existing and emerging brands through customer-focused marketing activities.

### Management Policy 2

#### Establish a growth model for Overseas Business

We worked to expand sales overseas sales of processed foods in the United States and ASEAN, which are our biggest sources of earnings after Australia. However, the COVID-19 pandemic hampered our efforts to expand domestic and third-country sales in the ASEAN region. In fiscal 2022, we aim to expand production of processed chicken products by Day-Lee Foods in North America, and to increase production and sales by Thai Nippon Foods in the ASEAN region.

In our overseas fresh meats business, we will increase the percentage of high-added-value products, including Nature's Fresh Australian beef, which is highly regarded in the U.S. market, and Gran Carne South American beef from Uruguay. We will also establish a high-value-added brand in Uruguay and sell products in markets where the value of that brand is recognized.

### Management Policy 3

#### Provide new value through new products and services

During the period covered by the current Medium-Term Management Plan, we are formulating plans to start up the new entertainment, wellness, and ethical businesses and build a customer base for our direct-to-consumer (D2C) business, and to use information obtained from consumers to drive group-wide growth in our existing business areas.

In fiscal 2021 we launched the Wellness Business and Entertainment Business.

Progress under Medium-Term Management Plans 2023/2026

Progress under function strategies

		Review	Initiatives going forward
<b>DX promotion</b>	Formulation of DX strategy	<ul style="list-style-type: none"> <li>Connect Project (integration of business systems and accounting systems)</li> <li>Productivity improvements through business process reforms, including the creation of an inventory allocation system for the Processed Foods Business and a load allocation system for the Fresh Meats Business</li> <li>Creation of an educational system to train IT personnel</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of sales and purchasing system (for the Processed Foods Business in 2023 and the Fresh Meats Business in 2024)</li> <li>Pursuit of productivity improvements through increased cross-divisional collaboration on the formulation and implementation of additional measures</li> <li>Implementation of the newly formulated educational system for IT personnel</li> </ul>
<b>Formulate company-wide strategies and strengthen promotion functions</b>	Execution of the grand design	<ul style="list-style-type: none"> <li>Sale of shared in Marine Foods Corporation</li> <li>Centralization of production lines</li> <li>Promotion of materiality initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Achievement of medium- to long-term environmental targets through the realization of environmental investment</li> <li>Pursuit of portfolio optimization from a company-wide perspective</li> <li>Realization of further group synergies</li> </ul>
<b>Strengthen R&amp;D functions</b>	R&D leading to the creation of sustainable businesses	<ul style="list-style-type: none"> <li>Implementation of research on materiality-based themes Research relating to new proteins/Start of trials of smart pig farming system/Development of food allergy test kit/Start of sales of IMIDEA</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of research on materiality-based themes Research relating to new proteins/Reduction of GHG emissions through the reduction of cattle-derived methane emissions/Development of walnut allergy detection kit, research relating to the prevention of food allergies/Extension of healthy life expectancy</li> </ul>
<b>Strengthen human resource management</b>	Create a corporate culture and frameworks that encourage employees to take on challenges	<ul style="list-style-type: none"> <li>Measures relating to human resource management Improvement of personnel systems in group companies/Addition of "challenge" items to MBO target management system</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of systems to group companies, implementation and assimilation Promotion of KPI-based management/Further expansion of "challenge" items in the MBO target management system/Increased employment of non-Japanese workers, increased role for female employees, support for employment for people with disabilities</li> </ul>

Management Policy 4

Strengthen corporate functions to achieve the Vision

We are approaching the enhancement of corporate functions to support to the realization of our vision from four perspectives: DX promotion, the formulation of company-wide strategies and strengthening of promotion functions, the strengthening of R&D functions, and the strengthening of human resource development. We are making steady progress with our efforts to formulate company-wide strategies and strengthen promotion functions in line with the overall concept defined in Medium-Term Management Plan 2023.

DX promotion

As part of our initiatives to strengthen our company-wide systems, we integrated our accounting systems in fiscal 2021 and introduced an integrated system at all group companies in Japan in April 2022. We aim to integrate sales, purchasing, and other business systems from 2023 onwards for the Processed Foods Business, and from 2024 onwards for the Fresh Meats Business. We will consider the integration of overseas systems after identifying issues and determining our approach.

We are implementing business process reforms based on the use of AI. In fiscal 2021, we created an inventory allocation system for the Processed Foods Business and a load allocation system for the Fresh Meats Business. We also commenced testing in preparation for the implementation of these systems. In fiscal 2022 we will introduce AI tools in preparation for the creation of customer analysis infrastructure.

Employee training will be needed to ensure the implementation of these system transitions and DX strategies according to plan. In fiscal 2021 we developed an education structure divided into levels ranging from IT literacy to DX training for selected employees. We started to implement these programs in April 2022.

Strengthen R&D functions

Fields covered by our R&D activities include cultured meats, meat alternatives, food allergies, smart pig farming, and the extension of healthy life expectancy. One of the successes to emerge from our research and data collection activities is the cognitive function enhancer *IMIDEA*, a food with functional claims relating to the alleviation of cognitive decline. *IMIDEA*, which has been patented in Japan and Europe, went on sale in fiscal 2021. We aim to differentiate NH Foods from its competitors and enhance our earning power by commercializing more of our research successes in the medium- to long-term future.

In fiscal 2022, we will move forward with initiatives targeting the problem of walnut allergy, which has become increasingly prevalent in recent years, including the development of a test kit and further research into foods that prevent food allergies. We will also carry out trials to verify the performance of various AI systems used in our smart pig farming system.

Strengthen human resource management

In fiscal 2021 we launched priority initiatives focusing on the pursuit of challenges and the experience of growth, remuneration commensurate with abilities and duties, and self-directed career developments. The theme for these initiatives was the creation of a culture in which people can take up challenges. In fiscal 2021 we added "challenge" items to the target management system of NH Foods Ltd. While respecting the autonomy of individual group companies, we are implementing personnel system reforms to address various issues.

In fiscal 2022, we will pursue prioritized initiatives based on respect for diversity, including the promotion of a greater role for female employees and employment for people with disabilities.

Progress on cross business strategies

		Review	Initiatives going forward
<b>Cross business strategies</b>	Initiatives to reap the benefits of tariff reductions and create optimized procurement structures	Cross-divisional Free Trade Agreement Countermeasure Project	<ul style="list-style-type: none"> <li>Identifying issues relating to the overseas production of processed food blocks</li> <li>Preparations for product-related measures</li> </ul>
	Consideration of initiatives to realize short-term benefits through the use of company-wide assets, and measures to address medium- to long-term issues	Shared Assets Project	<ul style="list-style-type: none"> <li>Cost reduction and mitigation of environmental loads through collaboration between production areas</li> <li>Identification of issues relating to sales and logistics</li> </ul>
<b>New business</b>	Realizing Vision2030 through new businesses	Wellness business: Establishment of Table for All as a comprehensive platform for food allergy care	Entertainment business: Launch of Meatful as a new service providing experiential value to new customer groups
<b>The Hokkaido Project</b>	We will use our group resources to contribute to society through co-creation with communities.	<ul style="list-style-type: none"> <li>Creation of Hokkaido brands based on raw materials produced in Hokkaido</li> <li>Environmental countermeasures at factories in Hokkaido</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of the Hokkaido Project Promotion Office</li> <li>Closer collaboration with companies in Hokkaido</li> </ul>
<b>Corporate communications</b>	Enhancing the reputation of the NH Foods Group	Use of digital technology to stream a series of videos introducing initiatives relating to protein and food allergies	Raising awareness of Vision2030 within and beyond the NH Foods Group through the convergence of ER strategies and PR measures

Cross business strategies

We are formulating measures under the Cross-divisional Free Trade Agreement Countermeasure Project from a company-wide perspective because of the project's close relevance to business strategies calling for a shift to a sustainable growth model that will ensure profitability, and the development of growth models for overseas businesses. We will consider specific responses to the impact of tariff reductions for processed pork products and create new markets through marketing activities based on the unique characteristics of processed products from overseas, while also building optimized procurement structures.

The Shared Assets Project combines production site optimization and the enhancement of marketing and marketing efficiency with logistics reforms. In fiscal 2021 we worked to reduce costs and our environmental footprint by strengthening collaboration between neighboring production areas and manufacturing sites throughout Japan. We also identified issues affecting efforts to strengthen area marketing. Going forward, we will share positive case studies from each area in order to enhance our ability to propose solutions to issues affecting important customers. In preparation for logistics reforms, we have identified group-wide issues and analyzed logistics structures in each business division. We plan to formulate future concepts based on environmental changes affecting logistics, storage, and marketing functions from a company-wide perspective.

New business initiative strategy

In the Wellness Business, we established Table for All, the first comprehensive food allergy care platform created by a Japanese food manufacturer, in February 2022. A feature of the new platform is ability to respond to requests for

nutritional advice. In April we also began to sell food products for people with food allergies.

In the Entertainment Business, we launched Meatful, a direct-to-consumer (D2C) e-commerce site with the concept of expanding the potential of meat. Opened in February 2022, the new site provides products and services to suit a wide range of situations.

The Hokkaido Project

The NH Foods Group has close links to Hokkaido. The region is home to the Hokkaido Nippon Ham Fighters baseball club and is also the location of many of our farms, and production, manufacturing, and logistics sites. The purpose of the Hokkaido Project is to build a profile for the NH Foods Group as a corporate group with roots in Hokkaido by using our group resources to enhance the social value and brand value of communities and companies and earn economic value. We are currently strengthening our relationships with local companies and government agencies in preparation for the opening of the Hokkaido Ballpark F Village in 2023. As part of our response to climate change, we have also started to implement changes at our pig farms in Hokkaido with the aim of reducing greenhouse gas emissions to the net-zero level.

Corporate communication strategy

Through our corporate communication activities, we aim to inform society about our activities in relation to two themes: dietary support through the supply of protein, and a food-related social issue (food allergies). We are also expanding our communication activities, including events at our business sites featuring Tsuyoshi Shinjo, the manager of the Nippon-Ham Fighters baseball team, as an ambassador.

## Close-up/Research & Development

# 01 Innovation the key to the future of food and livestock farming

### From hypoallergenic foods to allergy prevention foods

Food allergies occur most frequently in infancy. In Japan, allergies affect around one in ten babies and one in 20 toddlers. Numerous reports indicate that the percentage of people suffering from allergies is rising globally, and that allergies have become a serious social issue.

The NH Foods Group's Research & Development Center has been developing and selling hypoallergenic foods and food allergy test kits for over 25 years. Our test kits have captured a large market share and are used by many food manufacturers and official testing agencies.

In 2017, our work in this field entered a new phase with the start of research focusing on food allergy prevention in collaboration with the National Research Institute for Child Health and Development and Kochi University. Recent tests, in which egg white digested using proteolytic enzymes formulated for food processing was administered to egg allergy model mice, have shown that digested egg white is less likely to trigger allergy symptoms than undigested egg white, indicating that it is as effective as undigested egg white in preventing egg allergy.\*

\* These research findings were published online in *Allergology International*, an international scientific journal, on April 18, 2022.



Fastkit series of food allergen test kits  
We are currently (2022) developing a test kit for walnuts, for which allergen labeling is mandatory. A test kit for crustaceans will go on sale in August.



### From GHG emission reduction to smart pig farming

Livestock farming is believed to account for 14.5% of greenhouse gas emissions. The future of livestock farms is also under threat from other factors, including a lack of next-generation farmers, and the risk of foot-and-mouth disease. As the R&D unit of a company involved in livestock farming, the NH Foods Group's Research & Development Center has an important mission to carry out research that will contribute to the solution of these problems.

We are currently collaborating with a university on a joint research program concerning the reduction of greenhouse gas emissions. We are exploring two approaches: the curbing of methane emissions, and the capture and utilization of emitted methane.

Our support for livestock farmers also includes the development of foot-and-mouth disease test kits and a new PRRS vaccine. We also offer a smart pig farming system, which has been introduced on a trial basis at one of the NH Foods Group's farms in Hokkaido. Marketed as PIG LABO, the system provides total support at all stages from care for sows and litters to shipment. We aim to commence sales of an AI-based estrus detection system in fiscal 2022, and to offer a total support system for sows and litters by 2029.

#### Frontline Activities

### Helping more people to experience the joy of food through allergy prevention

I am involved in R&D activities focused on preventing the development of food allergies. In recent years, food allergy research has shown that after receiving treatment for skin inflammations, patients can prevent recurrences by consuming minute amounts of the protein that caused the allergic reaction. I believe that the NH Foods Group can make a major contribution in this area. We will continue to work hard to meet the expectations of the patients and medical professionals who participate in our research, patients' families, and everyone who needs allergy prevention foods.



**Yamada**  
Research & Development Center

## Close-up/Development and design

# 02 Health, the environment, and usability added to product quality perspectives

### NH Foods Quality—A five-way approach

As we work to meet our materiality targets and realize Vision2030, we have transitioned to a new phase in which social issues are also taken into account in our product development activities. We have formulated Quality Assurance Regulations, which identify not only the basic food criteria of safety and deliciousness, but also health, the environment, and usability as common quality perspectives for our food development activities.

These five perspectives form the basis for food product development under the NH Foods Quality philosophy.



#### Health

### Responding to diverse food needs

In addition to encouraging people to consume more beneficial nutritional elements, such as proteins, we will also explore the factors that make people reluctant to consume these elements, while continuing to design and develop products and provide information to promote a more balanced diet.

- Supply of protein-rich foods
- Supply of products that offset potential nutritional deficiencies
- Introduction of more products to meet the needs of people with food allergies and diverse values
- Supply of products with reduced salt and fats, etc.



Health-focused products

#### The environment

### Contributing to a sustainable environment

Through our product development activities, we will continue to address issues throughout our value chains, including greenhouse gas emissions, food losses, and plastic waste.

- **Reducing plastic use:** Use of biomass film, recycled plastic, and paper trays, reduction of packaging thicknesses, modification of packaging formats, other initiatives...
- **Use of certified products:** Certified palm oil, FSC-certified paper...
- **Reducing food losses:** Extension of expiry periods, development of products suitable for room-temperature storage etc.



36.9% reduction in the quantity of plastic used through initiatives that include a shift from plastic to paper trays, and the reduction of the use of exterior wrapping film

#### Usability

### Reflecting customer feedback

We have used customer feedback received by our quality assurance and customer services units to formulate our "package check guidelines" from a user perspective.

At the development and design stage, we exhaustively check product characteristics, such as usability and clarity, from a user perspective.

In addition, we share customer complaints and needs on a monthly basis and use them to develop and improve our products and services.



Checking products from the simulated perspective of an elderly consumer

#### Frontline Activities

### We will continue to support product development by analyzing social issues from a user perspective.

Our project began with an exploration of how corporate divisions can contribute to the realization of Vision2030. It was very difficult to condense the wide-ranging discussion that ensued into specific goals. However, after extensive communication with business divisions, we were eventually able to formulate the Quality Assurance Regulations. We disseminated the results of our discussions to development and manufacturing units as practical measures that will enable the NH Foods Group to reflect social issues more in its product development activities. We will continue to provide support through our work to ensure that social issues are reflected in product development from a user viewpoint.

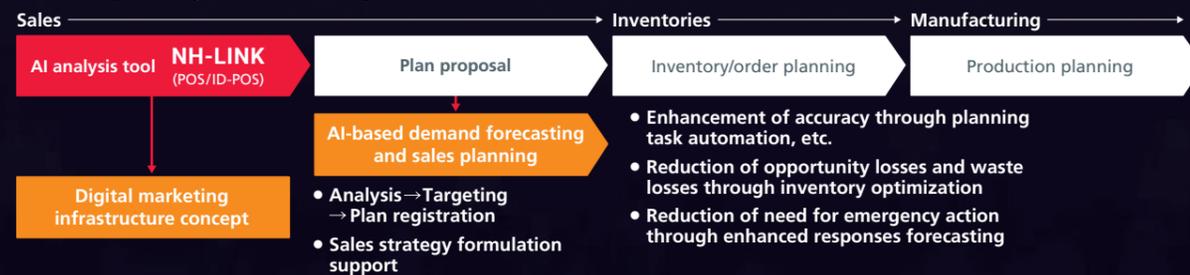


**Takeuchi**  
Customer Service Department

## Close-up/DX initiative

# 03 Creating new value through the use of digital technology to transform business model

### Demand planning—Future concepts



### Offensive and defensive DX

The NH Foods Group is using digital technology to make fundamental changes to its business processes and business models. Under the “Connect” core system reform project, we aim to build digital infrastructure and link it to DX.

We have positioned IT transformation (ITX) as defensive DX. By using AI-based demand forecasting to automate sales planning, we will ensure accurate data integration across production and manufacturing operations. We aim to use demand planning processes to optimize supply chain planning inputs through the creation of solutions based on our business process concepts and data verification.

Our priority for offensive DX is the development of NH-LINK, a system with an AI engine. The use of AI will enable the system to analyze vast amounts of customer data rapidly. By accelerating the implementation of offensive DX, we will transition to a data-driven marketing approach that will provide a high level of certainty.

### Driving DX Improving corporate value by reflecting POS data in proposals for products, sales promotions, and sales area design

Digital marketing initiatives by the NH Foods Group include the enhancement of sales proposal and product development capabilities through the development of POS data resources and the introduction of AI analysis tools. We are also trialing a retail DX program in Miyawaka, Fukuoka Prefecture. This program involves test marketing of brand products through in-store communications. We use in-store signage and other methods to disseminate messages designed to attract new customers and encourage repeat purchases. The resulting purchaser behavior is then analyzed. Results obtained through trial and verification processes give us a better understanding of consumers, which we then apply to our marketing, sales promotion, and product development activities with the aim of improving corporate value.



Trial use of AI analysis tools in sales planning

### Frontline Activities

#### We aim to create corporate value by promoting DX in collaboration with business divisions

My role is to support DX projects proposed by participating members from the planning stage through the final implementation, including DX training for selected personnel. We receive a wide variety of proposals, ranging from problem-solving ideas to value-creation concepts that people want to try. I find my work exciting because we go beyond training and work alongside members from start to finish to ensure that projects result in the creation of corporate value. I will continue to work with my colleagues to turn proposals into real concepts that can be used company-wide to improve operating efficiency, drive workstyle innovation, and create new business.



Ogi (far right)  
IT Strategy Department

## Close-up/Employee potential

Progress on value creation and growth strategies

# 04 Enhancing employee potential through human resource management cycle

We believe that employees need a real experience of challenge and growth in order to feel motivated toward their work. We are helping employees to take control of their own growth by effectively implementing human resource management cycles and encouraging individuals to self-direct their own careers.



### Supporting employee growth through training along four axes

In fiscal 2022, we began to update our human resource development programs to reflect the importance that we place on providing information and facilitating self-development to enable employees to think for themselves and manage their own careers. In addition to rank-based training, we are also encouraging employees to take control of their careers by offering an expanding range of voluntary training programs with specific objectives. Other employee development systems that enable individuals to play an active role in designing their own careers include an in-house recruitment system and a system under which each employee declares his or her personal career goals. There are also career boost seminars designed to help employees to discover new life planning insights as

they reach the milestone ages of 29, 39, 49, and 54. In addition, employees can access remote learning programs.

We have strengthened the linkage among these human resource development programs to create a structure under which we support employee growth through training along four axes: rank-based training, purpose-based training, next-generation training, and career development.

The NH Foods Group regards DX knowledge as an essential part of training for next-generation management personnel. For that reason, DX human resource development has been included as a core next-generation training program since fiscal 2022.

### Training systems (FY2022)

Rank-based training	Next-generation training	Goal-oriented training	Career development
Training is provided according to rank, including the following. <ul style="list-style-type: none"> <li>New employees</li> <li>Staff members</li> <li>Section managers</li> <li>Executives</li> <li>Evaluators</li> </ul>	<ul style="list-style-type: none"> <li>New general manager training • DX training</li> <li>Business leader training • DX training</li> <li>Business college training • DX training</li> </ul>	Employees voluntarily participate in programs covering a wide range of topics, including the following. <ul style="list-style-type: none"> <li>Management • Operational skills</li> <li>DX • Quality management</li> <li>Thinking skills</li> <li>New business startup skills</li> </ul>	We offer a variety of programs, especially career advancement planning seminars.

### Driving DX Emphasis on DX training as an essential requirement for next-generation leaders

We are accelerating DX training through management seminars, business leader training, and business college training. The management seminars are designed to give management personnel the thinking, innovation, and leadership skills needed to drive DX from a management perspective. Our business leader training programs cover not only DX knowledge, but also the linkage of that knowledge to the achievement of specific reforms and outcomes in each business area. The purpose of business college training is to learn the basics of ITX and design philosophy, and the basic techniques of idea development and value creation.



### Frontline Activities

#### Facilitating independent career development by individual employees as a growth driver

We believe that when people have greater control over their own careers, they are more likely to take the initiative and feel motivated toward personal growth and their work, leading to enhanced productivity across the entire working environment. Our goal is to help employees to develop their careers independently, but that is only possible if individual employees take the initiative and think and act for themselves. We are aware that it is not enough for the company simply to create opportunities, and that it is also important to avoid situations in which employees lose their independence because the level of support is too high.



Kuroki  
Human Resources Department

## Segment data

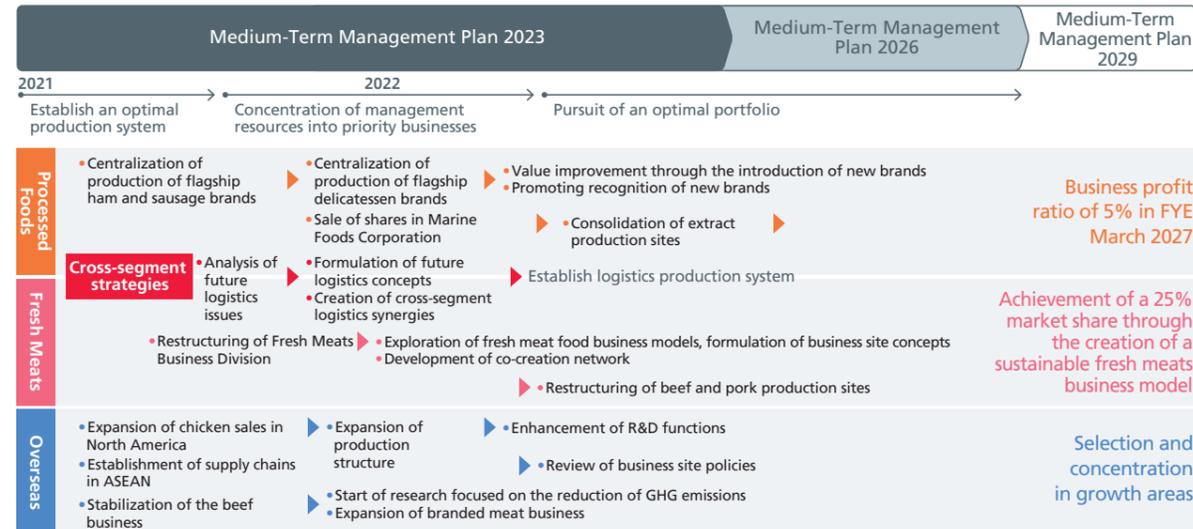
# At a glance

### Breakdown of net sales



The sum of segment net sales does not match consolidated net sales because these figures have not been adjusted on a company-wide basis.  
\*Results for non-continuous businesses (Marine Foods Corporation) have been excluded.

### Business Division Roadmap



### Overview of results for the fiscal year ended March 2022

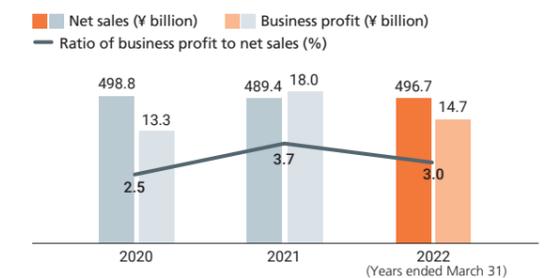
#### Processed Foods Business Division

Net sales in the Processed Foods Business Division in the fiscal year ended March 2022 were 1.5% higher year on year at ¥496.7 billion, but business profit declined by 18.3% to ¥14.7 billion.

Sales of commercial products increased year on year, while sales of consumer products remained at the previous year's level. These results reflect the waning impact of the COVID-19 pandemic, and changes in consumer behavior.

Profit was lower. In addition to faster-than-expected increases in raw material prices, fuel costs, and other items, labor costs were also higher due to volume growth, while upfront costs increased due to investment in DX development.

#### Net sales, business profit, business profit ratio



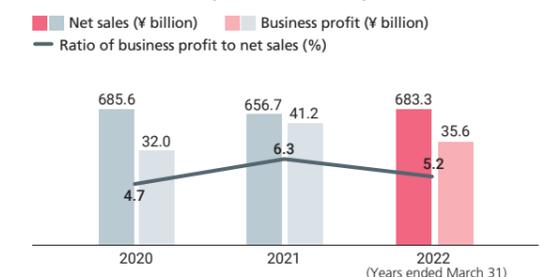
#### Fresh Meats Business Division

Net sales in the Fresh Meats Business Division in the fiscal year ended March 2022 increased by 4.1% year on year to ¥683.3 billion, but business profit was 13.7% lower at ¥35.6 billion.

Fresh meat imports were affected by soaring procurement prices and uncertainty about supply quantities. However, the NH Foods Group used its extensive procurement and logistics networks to ensure reliable access to supplies. In addition, we worked to raise selling prices and increased our efforts to persuade consumers to buy domestic branded meats instead of imported products. These efforts resulted in higher net sales.

Profit declined due to the impact of sharply higher feed prices and fuel costs.

#### Net sales, business profit, business profit ratio



#### Overseas Business Division

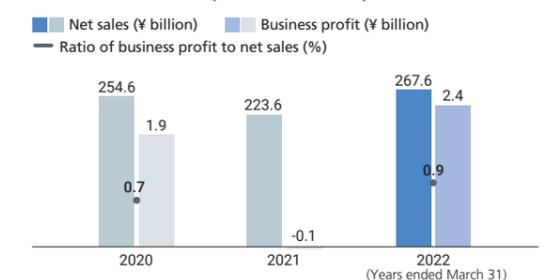
Net sales in the Overseas Business Division increased by 19.7% year on year to ¥267.6 billion, and there was a business profit of ¥2.4 billion, compared with a business loss of ¥0.1 billion in the previous fiscal year.

Our businesses in Asia and Europe recorded higher sales of both processed products and chicken. As a result, both revenue and profit were higher.

Our North American business recorded revenue growth thanks to strong trends in pork exports and sales of processed foods. However, profit was lower due to persistently high raw material prices.

The suspension of exports from Uruguay to China negatively impacted profit from the Australian business. However, overall revenue and profit were both higher, thanks to strong trends in exports and sales.

#### Net sales, business profit, business profit ratio



#### Baseball Club and Other Business

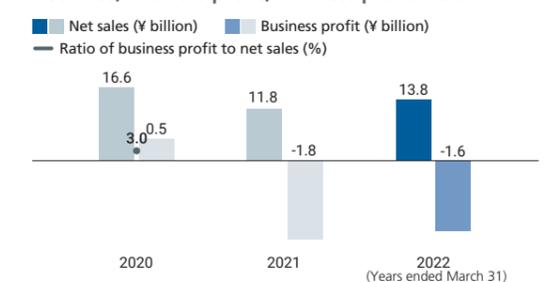
Net sales in the Baseball Club Business and Other Business segment increased by 17.4% year on year to ¥13.8 billion, and there was a business loss of ¥1.6 billion, compared with a loss of ¥1.8 billion in the previous year.

It was possible to host baseball matches thanks to comprehensive anti-infection measures, with the result that both net sales and profit from the Baseball Club Business were higher year on year.

In the health support business area, we actively promoted sales of functional food ingredients and worked to raise awareness of *IMIDEA*, a new food with functional claims.

New business initiatives included preparations for the provision of services based on the Entertainment Business, the Wellness Business, and the Ethical Business.

#### Net sales, business profit, business profit ratio



# Segment data

## Processed Foods Business Division



### Establish a lean manufacturing profit structure and expand business from a marketing perspective

**Fumio Maeda**

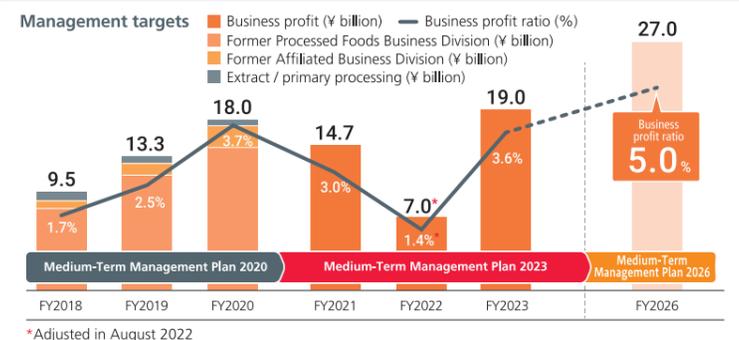
Director and Managing Executive Officer,  
General Manager of Processed Foods Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> <li>Growing concern regarding food safety</li> <li>Diversification of food needs due to lifestyle diversification</li> <li>Market shrinkage due to a falling birthrate and demographic aging</li> <li>Rising personnel expenses and labor costs due to a falling working-age population</li> <li>Raw material cost increases due to shifts in the global supply-demand balance</li> <li>Human rights issues</li> <li>Procurement risks from climate change</li> </ul>	<ul style="list-style-type: none"> <li>Expanding demand for products that match the consumer focus on health</li> <li>Lifestyle changes generating increased demand for simple, time-saving products</li> <li>Creation of new markets through the emergence of diverse food cultures, such as veganism</li> <li>Market expansion through growth in demand for meat substitutes</li> <li>Growth in demand for eco-friendly products</li> <li>Increased demand for reserve and emergency supplies that can be stored at room temperature</li> <li>Improvement of productivity</li> </ul>	<ul style="list-style-type: none"> <li>Expand lineup of food allergy-friendly products</li> <li>Develop and sell microwaveable products</li> <li>Develop products for younger consumers and single-person households</li> <li>Develop meat substitutes</li> <li>Reduce resources used in packaging</li> <li>Diversify resource procurement sources</li> <li>Develop new products that can be stored at room temperature</li> <li>Promote labor savings and mechanization of production lines</li> </ul>

#### Overview of Medium-Term Management Plan 2023

#### Increased focus on customer-centered product development, further improvement of profitability

- Strengthen existing areas and take on challenges in new areas
- Enhance productivity in manufacturing plants
- Solve social issues and improve profitability



### Review of fiscal 2021

#### Increased focus on customer-centered product development, further improvement of profitability

In fiscal 2021, our efforts under Medium-term Management Plan 2023 focused on the establishment of a lean manufacturing profit structure from a company-wide optimization perspective, and business expansion from a marketing perspective.

We tackled the first of these goals by creating manufacturing structures and automating and leveling lines on a company-wide basis. A key priority was the centralization of production of flagship brands, including *Schau Essen*, at locations with highly productive lines. This initiative yielded the benefits targeted in the plan. Other initiatives to improve profit margins included fuel conversion projects.

We approached business expansion from a marketing perspective by creating consumer-centered marketing structures through a shift from product-centered thinking toward a market-focused approach. Initiatives included the Young Employees' New Product Proposal Forum, which represents a totally new approach to product development.

Our priorities for consumer products were the expansion and consolidation of sales of flagship brands, especially *Schau Essen*, *Ishigama Kobo*, and *Chuka Meisai*, as well as brands targeted for prioritized nurturing, including *Kiwami-yaki Hamburg* and *NatuMeat*. We prioritized the expansion of sales to key customers, and the development of

new sales channels.

In the area of commercial products, we worked to improve profitability by pursuing cost competitiveness and added value through the improvement of profit margins for key products and intensive marketing of high-margin items. We also applied our expertise to the development of unique new products, such as *Fibermeat*, while also taking up the challenge of new product domains, including not only products suitable for room-temperature storage, but also extract seasonings, plant-based proteins, and foods for the elderly.

One of the priorities brought forward from the previous fiscal year was the creation of hit products. We launched two new room-temperature brands: *Hoguseru Oniku* and *Ajiwai Range*. However, neither reached their sales targets. We will resume marketing efforts after identifying issues and making improvements based on the results of consumer research.

We also made good progress on initiatives to tackle material issues through our activities. Initiatives relating to "food diversification and health" included the expansion of our range of products for people with food allergies. We also continued to contribute to a sustainable environment by switching to environmentally responsible products and implementing plans to reduce CO<sub>2</sub> emissions, water use, and waste in our factories and improve recycling ratios.

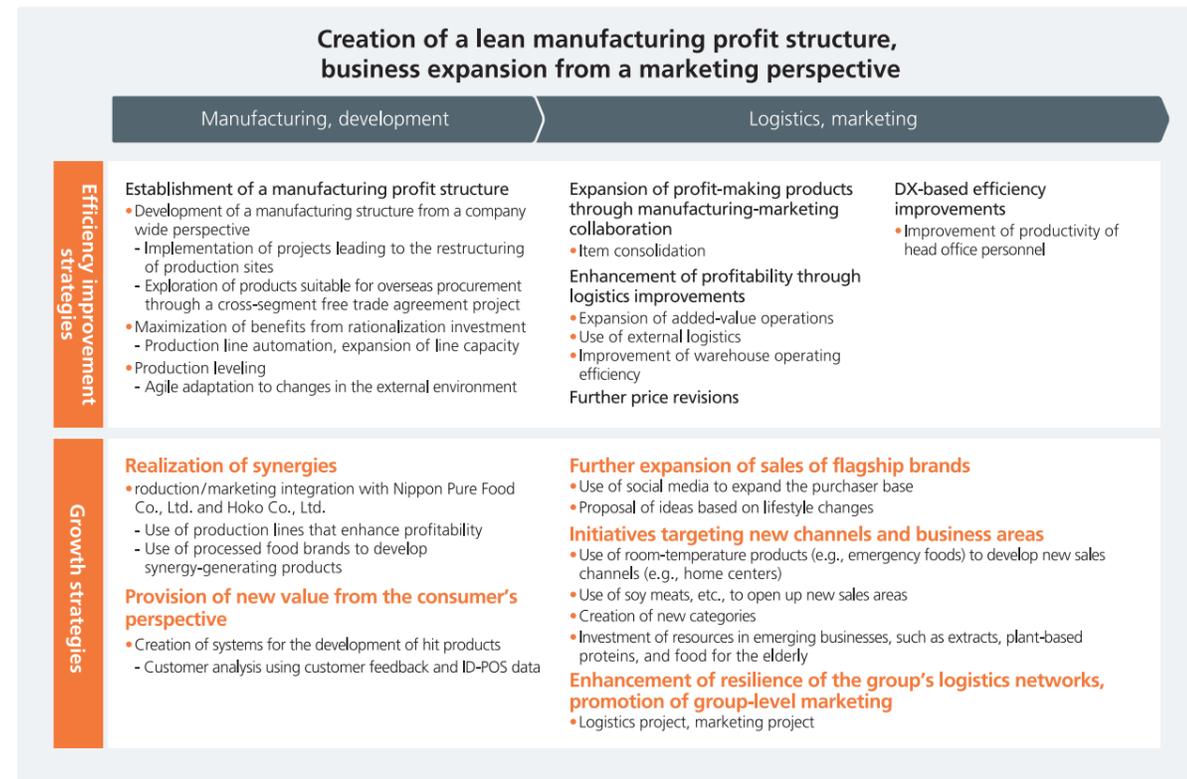
#### Results for fiscal 2021, initiatives going forward

Results	Future measures
<ul style="list-style-type: none"> <li>Price revisions</li> <li>Concentration on <i>Schau Essen</i> and high-productivity lines</li> <li>Expansion of sales through synergies within the Processed Foods Business Division</li> <li>Development of products for new areas</li> <li>Shift to environment-friendly packaging designed to reduce the use of packaging materials (<i>Schau Essen</i>)</li> <li>Climate change prevention initiatives (installation of waste oil boilers, solar panels)</li> <li>Expansion of food education areas</li> </ul>	<ul style="list-style-type: none"> <li>Effective countermeasures against increases in raw material/energy costs due to the rapid weakening of the yen and procurement competition</li> <li>Recovery of sales volumes after price revisions</li> <li>Improvement of productivity and reduction of costs in the area of deli and processed foods</li> <li>Realization of additional synergies</li> <li>Expansion of priority brand products in existing areas</li> <li>Nurturing of new areas</li> <li>Further reduction of packaging quantities</li> <li>Contributions to global environmental sustainability</li> </ul>

## Segment data / Processed Foods Business Division

### Future policies and plans

#### Business value improvement initiatives by the Processed Foods Business Division



#### Pursuing food safety and security through proteins as the key to a new era in food culture

In fiscal 2022, we will continue to prioritize the establishment of a lean manufacturing profit structure and business expansion from a marketing perspective.

#### Establishment of a lean manufacturing profit structure

We will continue to optimize our production structures from a company-wide perspective, including projects to optimize production sites, as well as the achievement of profit targets for the newly merged Nipponham Hokkaido Factory Ltd., Japan Assorted Business Services Co., Ltd., and Hakodate Carl Raymon Co., Ltd., and the optimization of our product portfolio. We will move decisively to eliminate some items with the aim of achieving a recovery in business earnings, improving factory productivity, and leveling logistics operations. We will continue to pursue initiatives, including DX measures, designed to bring further improvements in the next fiscal year and beyond.

Another ongoing priority will be the improvement of profitability through systematic investment targeted toward the automation of production lines, the expansion of line

capacity, and production leveling.

#### Business expansion from a marketing perspective

##### -Creation of mechanisms for the development of hit products

Our most important priority is the development of hit products through the realization of marketing processes from a consumer perspective. We will achieve this by modifying the roles of factories and divisions, by introducing a shorter product update cycle, and by enhancing test sales structures, including the creation of area marketing groups. The tasks of the marketing groups will include the collection of area information, the sharing of success stories, and the implementation and verification of test sales.

We will link customer feedback and purchase behavior monitoring systems to facilitate the monitoring of customer changes and the capture of new customers through surveys and analyses. The resulting data will be used to achieve further improvements in product taste and convenience, and to expand the range of eco-friendly products. Customer feedback will also be used to enhance the value of the NH Foods Group, including the proposal of new products that will help to solve issues affecting major customers, such as convenience stores and chain outlets.

Our priorities for consumer products are to improve profitability through intensive marketing of flagship brands, to revise prices to reflect cost increases, and to build and maintain reliable supply structures. We will also consolidate a market position for the newly developed eco-friendly *Schau Essen* range, which uses 28% less packaging by weight, and expand the chilled pizza series and *Minna no Shokutaku* range. Other initiatives will include the use of social media to capture young consumers, the proposal of products and experiences that match lifestyle changes, and the development of new sales areas.

Initiatives relating to commercial products will include the development of hybrid meats and other new products based on newly developed technologies, such as chilled distribution systems for primary processed products and the introduction of the Joule Heating System for use in extract production.

#### -Focusing our technologies and strengths toward challenges in new areas

Products resulting from challenges in new areas include foods suitable for room-temperature storage, and flavoring extracts. The Processed Foods Division aims to expand sales channels for these products by strengthening collaboration between our manufacturing and marketing organizations, and by making reciprocal use of channels in which group companies have built an advantage. We will also work to develop new sales channels by marketing room-temperature products as emergency foods through home centers, and by establishing a position for flavoring extracts as problem-solving products for restaurants and convenience stores.

There are also plans for investment in emerging businesses. The Processed Foods Division is actively developing plant-based proteins and also aims to develop superior ingredients and raw

materials for sale in overseas markets. In addition, it is working with an outside research organization to explore customer needs in the area of foods for the elderly. Other initiatives designed to maximize earnings include the realization of synergy benefits through the reciprocal use of value chains, and the leveraging of our advantages in the areas of raw materials, production systems, and marketing to develop new products.

The Processed Foods Division recognizes the need for improvement in ROIC and profit margins. We also face exchange rate risks due to the rapid weakening of the yen, as well as procurement risks, including fluctuations in the market prices of livestock products. We will work to overcome issues in these areas by creating new product categories, developing new flagship brands, and improving profitability through line rationalization and other measures. At the same time, we will target efficiency improvements through cross-divisional initiatives to consolidate sites from a company-wide optimization perspective.

#### Business-based materiality initiatives

Food diversification and health—The Processed Foods Division will continue to tackle the food allergy problem. In addition to the use of existing ingredient-type products to expand our range of pre-prepared menu items, for which there is strong demand, we will also export sweets made from gluten-free rice flour. In addition, we will help the New Business Promotion Department to create a new platform. Contributing to a sustainable environment—We will accelerate the transition to environment-friendly products and reduce CO<sub>2</sub> emissions from factories and other facilities.

#### Segment focus

##### Young Employees' New Product Proposal Forum

First held in 2018, the Young Employees' New Product Proposal Forum was established to create new value by thinking beyond established concepts, to enhance the product development capabilities of next-generation leaders, and to foster a culture in which people will be encouraged to take up new challenges for the future. The best ideas are launched as new products. The most significant of the products that have been commercialized so far is the *NatuMeat* series.

The fiscal 2022 Young Employees' New Product Proposal Forum was held in July. Products proposed by the 24 young developers selected through area preliminaries included a snack food with the emphasis on health and the global environment, breakfast food ingredients designed to provide an easy way to obtain protein, and convenient lunchbox ingredients.

#### Segment focus

##### Business portfolio optimization targeted toward a 5% business profit ratio by FY2026

In addition to our ongoing problem-solving initiatives since the previous fiscal year, we also need to tackle challenges, including rising raw material and energy costs resulting from rapid changes in the external environment. In fiscal 2022 we took the unprecedented step of implementing price revisions twice in one year. The entire NH Foods Group is working to improve profitability by achieving further synergies, while providing new value to customers through a variety of protein-based products.

Our top line results have not expanded for several years, in part because of reforms affecting our commercial products and the sale of Marine Foods Corporation. Going forward, in addition to our efficiency improvement efforts, we will target business expansion, not only through increased sales of existing products, but also through the development of new brands.

# Segment data

## Fresh Meats Business Division



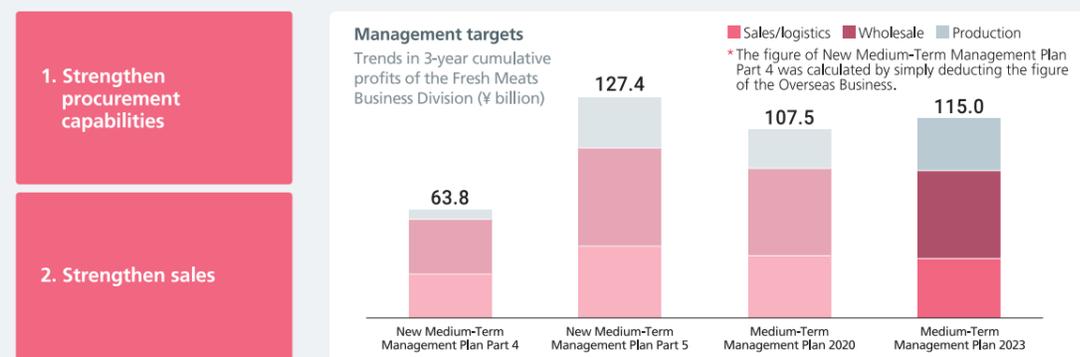
**We aim to achieve a 25% market share through the development of collaborative development networks.**

**Tetsuhiro Kito**  
Representative Director and Executive Vice President,  
General Manager of Fresh Meats Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> <li>Decrease in the livestock farmer population due to a lack of successors</li> <li>Escalating competition for supplies due to epidemics</li> <li>Higher prices for grains used for feed raw materials</li> <li>Manufacturing cost increases resulting from the aging of facilities and the need to meet quality requirements</li> <li>Growing pressure to reduce the environmental footprint of the livestock industry</li> </ul>	<ul style="list-style-type: none"> <li>Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements</li> <li>Increased demand for brand meat due to growing awareness of food safety</li> <li>Growth in meat consumption by seniors</li> <li>Increasing demand for simple, time-saving products because of labor shortages, etc.</li> <li>Increasing animal welfare demands reflecting contemporary perspectives</li> </ul>	<ul style="list-style-type: none"> <li>Promote the use of IT and mechanization, such as smart pig farming</li> <li>Expand sales of branded fresh meats</li> <li>Introduce production area packs</li> <li>Extend "best before" dates</li> <li>Utilize manure</li> <li>Generate electric power using biomass</li> <li>Transition to stall-free sow farming</li> </ul>

### Overview of Medium-Term Management Plan 2023

**Aiming for a 25% market share in fiscal 2030, strengthen procurement and sales capabilities**



### Review of fiscal 2021

#### Build sustainable value chains as the leading company in the fresh meats business

Our efforts toward the realization of Vision2030 are focused on the enhancement of both procurement and sales capabilities.

In fiscal 2021, the prices of imported raw materials reached their highest levels in 10 years. Reasons for this trend include world population growth, climate change, soaring feed prices, and the Ukraine situation. We expect costs to remain high in fiscal 2022. Fiscal 2021 was also a year of rapid change in the external environment, resulting from the impact of the COVID-19 pandemic. Overseas packers reduced production, while consumers became firmly focused on reducing expenditure. There was also a rise in demand for foods for home cooking.

We worked to strengthen our procurement capabilities by increasing in-house production and expanding external procurement. We reduced the cost of in-house production through productivity improvements at our own processing plants. We boosted our external procurement capabilities through initiatives based on our extensive procurement and logistics networks. We also targeted the expansion of procurement of imported fresh meats by developing sources in new countries and building relationships with new packers. Further efforts will be needed in this area, since we anticipate escalating competition for imports in the future.

Despite unstable conditions for the procurement of imports, we were able to strengthen sales capabilities and maintain sales volumes by offering domestic branded fresh meats. We maintained sales volumes by improving the percentage of branded fresh meats. The branded meats ratio improved, but there were still issues concerning our strategy in relation supermarkets, cooperative associations, and

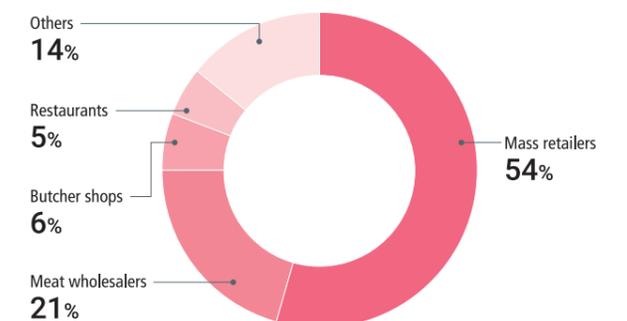
restaurants, which are all key channels.

Our results for the year included net sales of ¥683.3 billion, a year on year increase of 4.1%. Business profit was 13.7% lower at ¥35.6 billion. The NH Foods Group's market share remained at around 20%.

Materiality initiatives included the formulation of animal welfare policy guidelines. We will continue these efforts with the aim of achieving a 100% transition to stall-free sow farming by fiscal 2030. We also made steady progress on other material issues, including "contributing to a sustainable environment" and "employee development and respect for diversity."

We plan to implement capital expenditure totaling ¥78.1 billion under Medium-Term Management Plan 2023. In fiscal 2021 we invested ¥23.2 billion, primarily in the pig and chicken farming areas. The main aims of this investment were to enhance the value of the pig farming business, and to expand the chicken farming business and enhance its value.

#### Sales mix of the four food companies (FY2021)



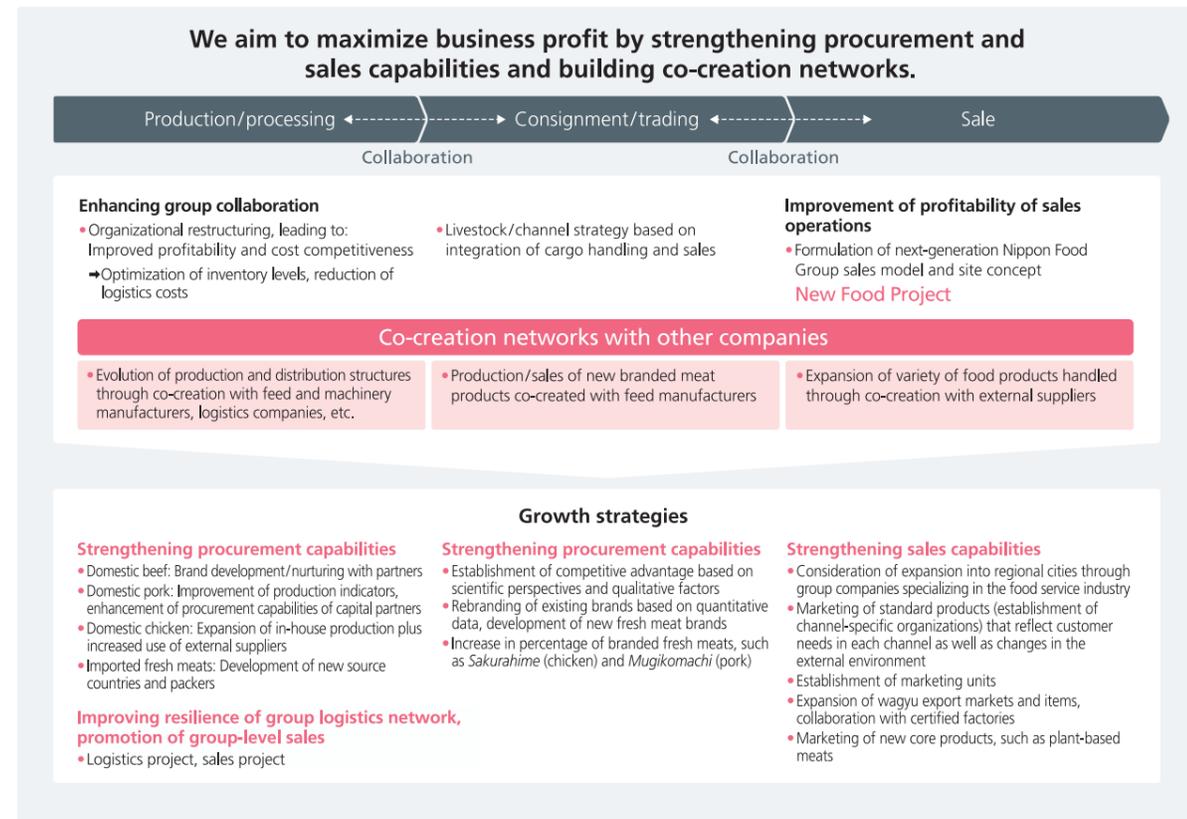
#### Results for fiscal 2021, initiatives going forward

<b>Results</b>	<ul style="list-style-type: none"> <li>Curbing of costs through productivity improvements in company-owned processing facilities</li> <li>Increased external procurement of domestic chicken and pork</li> <li>Expansion of the imported meat procurement network through the development of new source countries and packers</li> <li>Improvement of the branded fresh meat ratio</li> </ul>
<b>Future measures</b>	<ul style="list-style-type: none"> <li>Reduction of production costs to offset soaring feed prices</li> <li>Maintenance and enhancement of procurement capacity for imported fresh meats despite unstable local production and shipping disruptions</li> <li>Offensive strategies targeting priority channels</li> </ul>

## Segment data / Fresh Meats Business Division

### Future policies and plans

#### Business value improvement initiatives by the Fresh Meats Business Division



#### Enhancing the reliability of protein procurement and supply as a leading company in the fresh meat business

We see the enhancement of collaboration across our entire value chains and the maximization of the total profit of the Fresh Meats Business Division as our priorities in terms of adapting to rapid changes in the external environment in fiscal 2022. We will focus on the enhancement of our procurement and sales capabilities and the development of collaboration networks.

One of our goals is the achievement of a 25% market share by fiscal 2030. We aim to reach that level by developing a sustainable fresh meat business model based on our unique vertical integration system. As a first step toward this goal, we will build collaboration and co-creation within the NH Foods Group. We will place particular emphasis on the development of collaboration across units involved in production and processing, consignment, and sales, as part of our efforts to expand the quantities of imported fresh meats handled and build a presence in priority channels.

Eventually we aim to develop collaboration and co-creation with companies outside of the NH Foods Group,

and to build a solid presence for the Group as a leading company in the fresh meats business.

#### Strengthen procurement capabilities

In the previous fiscal year, we focused on the improvement of productivity in processing plants and the development of external suppliers and new sources and packers. We will continue to strengthen our procurement capabilities through these efforts. We will also strengthen collaboration across our business operations in Japan through organizational restructuring. We will shift from an organizational structure based on supply chain functions to one based on livestock categories, including domestic beef and pork, and domestic chicken. The advantages of this new structure, including inventory level optimization and reduced logistics costs, will allow us to enhance profitability and cost competitiveness.

We will also be able to gather data about customer needs and other information by livestock category, thereby enhancing our ability to offer knowledge and proposals to our customers and further strengthening our sales capabilities.

We will build co-creation networks by working with

outside suppliers to expand the range of products handled. We will also explore opportunities for collaboration with companies in other industries, including feed and machinery manufacturers and logistics firms.

#### Strengthen sales capabilities

We will strengthen our sales capabilities through increased collaboration between consignment and sales units. We will secure sales quantities by proposing strategies targeting key channels for each livestock category. At the same time, we will enhance profitability through the development of added-value products, such as branded fresh meats and needs-based products, and the expansion of sales of these items. One of our initiatives in fiscal 2022 to develop and expand sales of branded fresh meats will be the updating of our *Sakurahime* character to mark the 20th anniversary of the brand. We will also expand sales promotion activities for this brand. In addition, we plan to update the *Mugikomachi* brand and enhance its value. We will also enhance the potential of our imported fresh meat brands by focusing on flagship brands. As we implement these policies, we will make effective use of meat analysis data from NH Foods Ltd. Research & Development Center to differentiate our products from those of our competitors.

Our efforts to develop needs-based products will continue to center on the development of processed products for consumers, and the improvement of packages and packaging materials. The market environment for imported products is also being impacted by rapidly rising costs. We will adapt to these changes by planning and proposing products to meet the needs of our customers in terms of specifications and origin.

Another priority goal will be the improvement of sales units' own profitability. We have explored new food marketing models and formulated site concepts with the aim of raising profitability. Specifically, we plan to establish specialist organizations and marketing units for mass-sales outlets and cooperative societies, while the Group company responsible for the restaurant channel will expand into regional cities. In addition, we have launched the New Food Project as a framework for the analysis of business models and the formulation of site concepts, leading to the creation of restructured business models and systems capable of supporting sustainable growth.

We believe that the Fresh Meats Business Division is already maintaining its ROIC at a reasonable level. Going forward, we will continue our efforts to improve efficiency and profitability by investing in farm productivity improvements and increasing the branded fresh meat ratio. We will also consolidate business sites across the entire division from a company-wide optimization perspective.

#### Business-based materiality initiatives

Animal welfare will continue to be a priority in relation to the stable procurement and supply of proteins. We will consider the installation of solar power systems and conversion to alternative fuels as part of our efforts to contribute to a sustainable environment. We see these initiatives as the path to a sustainable future for the livestock industry. We will fulfill our commitment to employee development and respect for diversity by reforming group companies' human resource systems, expanding training programs, and improving employee engagement.



#### Segment focus

#### We aim to achieve a market share of 25% by building co-creation networks.

We are working toward the 25% market share target in Vision2030 by creating sustainable value chains. To achieve this, we will implement organizational changes and improve the profitability of sales operations through the development of next-generation food business models and site concepts under the New Food Project. Another goal is contribution to the achievement of sustainability across the entire livestock industry by overcoming issues affecting the industry as part of our commitment to the reduction of environmental loads and the realization of a sustainable society.

Our challenge going forward is to build co-creation networks through further evolution of the vertical integration system that we have developed as a key source of strength for the NH Foods Group, so that we can fulfill our role as a true leader in the fresh meat industry by offering value, including the joy of food and good health, to consumers.

# Segment data

## Overseas Business Division



### Building growth models for our overseas business

**Nobuo Oda**

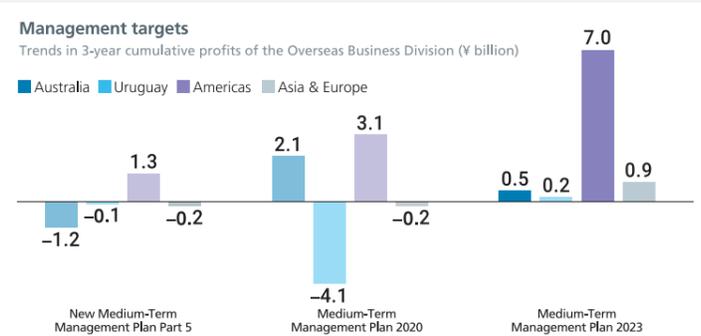
Managing Executive Officer,  
General Manager of Overseas Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> <li>Higher prices for grains used in raw feed</li> <li>Decline in the livestock farmer population due to a lack of successors</li> <li>Escalating competition for supplies due to epidemics</li> <li>Rising production costs due to aging facilities and more stringent quality measures</li> <li>Expanding demand for religious foods due to growth in the number of foreign workers and other factors</li> <li>Growing pressure to reduce the environmental footprint of the livestock industry</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for meat due to global population growth</li> <li>Increased demand for Japanese foods due to heightened health consciousness</li> <li>Resurgence of new markets for processed foods in response to lifestyle changes [Tentative]</li> <li>Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements</li> <li>Increasing animal welfare demands</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade feed plants in Australia</li> <li>Provide workplace experiences and tours for local residents and students</li> <li>Develop future generations of farmers and manufacturing workers through worksite visits</li> <li>Strengthen disease prevention systems on farms and in production and breeding facilities</li> <li>Extend "best before" dates by enhancing production and preservation technologies</li> <li>Promote conservation-oriented agriculture</li> </ul>

#### Overview of Medium-Term Management Plan 2023

#### Transform our business model by clarifying functions across our entire value chain

1. Stabilize profit in existing businesses
2. Expand sales of processed food products in North America and the ASEAN region
3. Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas



### Review of fiscal 2021

#### Stabilization of earnings from existing businesses through enhanced branding and production structure optimization

Our initiatives under Medium-Term Management Plan 2023 center on three themes: the stabilization of earnings from existing businesses, the expansion of sales of processed products in North America and ASEAN, and the development of income streams through the proposal and execution of growth strategies focused on high-potential areas.

Despite heightened uncertainty in the external environment, we made steady progress with these policies in fiscal 2021.

As in the previous fiscal year, we worked to stabilize earnings from existing businesses by reducing the vulnerability of our overseas business operations to the direct impact of fluctuations in the beef market. Our priority for the Australian business, which contributes around half of the net sales of the Overseas Business Division, was to make optimal use of our existing value chains through the expansion of branding and sales of added-value products. Australian beef has become very popular in the United States, and our efforts to expand sales of added-value products, such as Nature's Fresh and

Gran Carne, were reflected in improved earning performance. I believe that we are making steady progress toward the stabilization of earnings through the optimization of production structures based on collaboration with sales operations.

However, there are ongoing issues. The global outlook for selling prices has become uncertain, in part because of a downswing in consumer spending in China. We also face labor shortages in processing plants due to the impact of the COVID-19 pandemic. In addition, the number of cattle available for processing has not yet fully recovered.

Our efforts to expand sales of processed products in North America and ASEAN brought mixed results. Sales in ASEAN failed to reach the planned levels, partly because of the impact of the COVID-19 pandemic. However, we achieved steady growth in sales in North America, Thailand, and Taiwan. Chicken sales in Turkey and meat exports from the United Kingdom also expanded steadily.

These trends were reflected in net sales of ¥267.6 billion, a year on year increase of 19.7%. Business profit amounted to ¥2.4 billion, compared with a ¥100 million loss in the previous fiscal year.

	Processed foods	Fresh meats	Trading	
ASEAN	NH Foods Vietnam Joint Stock Company / NHF Manufacturing (Malaysia) Sdn.Bhd. / PT NH Foods Diamond Indonesia / Shandong Rilong Foodstuffs Co., Ltd. / Pure Food Asia, Inc. / Thai Nippon Foods Co., Ltd. / Thai Nippon Cold Storage Co., Ltd.		Nippo Food Co., Ltd. / NH Foods (Thailand) Ltd. / NH Foods Singapore Pte. Ltd. / NH Foods Taiwan Ltd.	Local sales
Oceania		Whyalla Beef Pty. Ltd. / Thomas Borthwick & Sons Pty. Ltd. / Oakley Beef Exports Pty. Ltd. / Wingham Beef Exports Pty. Ltd.	NH Foods Australia Pty. Ltd. / Beef Producers Australia Pty. Ltd.	Exporting to third countries
Europe			NH Foods U.K. Ltd.	Exporting to Japan
North America	Redondo's	Day-Lee Foods, Inc.		
South and Central America		Breeders & Packers Uruguay S.A.	NH Foods Chile Y. Compania Limitada / NH Foods Mexicana S.A. DE C.V.	
Middle East		Ege-Tav Ege Tarım Hayvanlık Yatırım Ticaret ve Sanayi Anonim Şirketi		

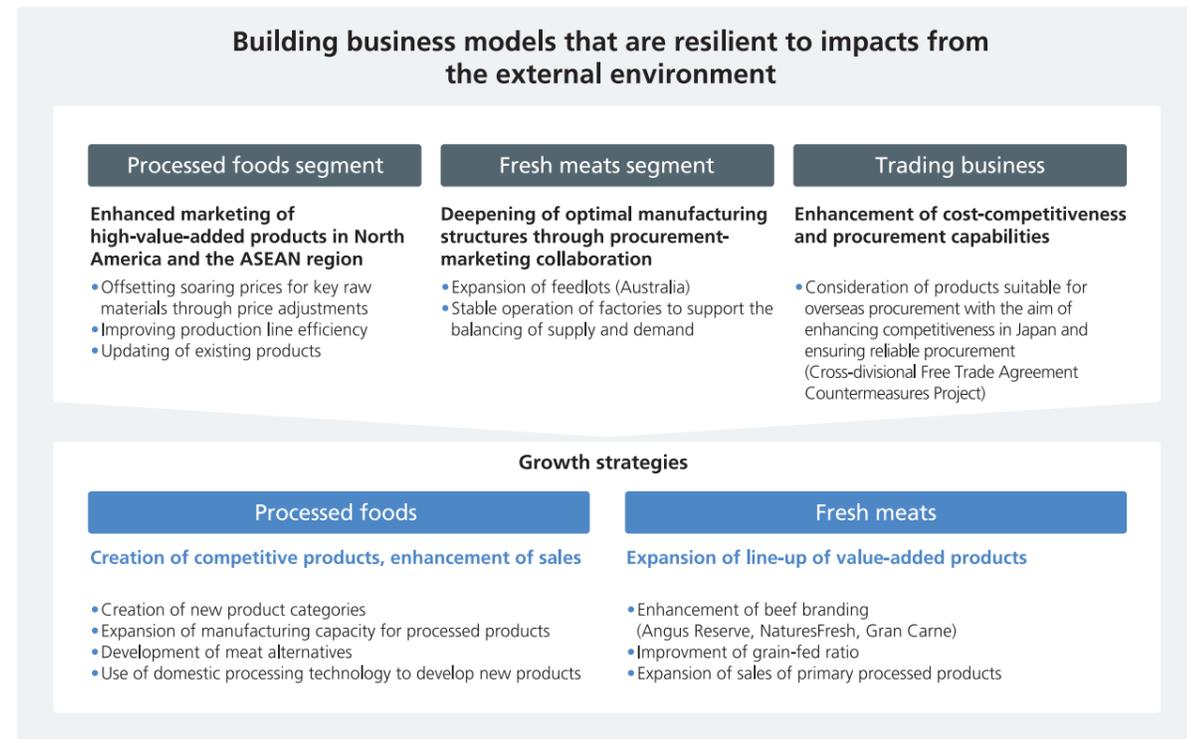
#### Results for fiscal 2021, initiatives going forward

<b>Results</b>	<ul style="list-style-type: none"> <li>Expansion of processed food volumes in North America</li> <li>Expansion of branded fresh meat sales by the Australian business</li> <li>Securing of profits through collaboration between procurement and sales operations in the beef business</li> </ul>
<b>Future measures</b>	<ul style="list-style-type: none"> <li>Countermeasures against soaring raw material costs for processed chicken products</li> <li>Development of new products in ASEAN</li> <li>Initiatives to reduce livestock-related GHG emissions</li> </ul>

## Segment data /Overseas Business Division

### Future policies and plans

#### Business value improvement initiatives by the Overseas Business Division



#### Building a stronger stable earnings base to reduce the impact of fluctuations in the external environment on our business model

We will build growth models for our overseas business through further initiatives to stabilize earnings and optimize manufacturing structures.

#### Expanding sales of added-value products in North America and the ASEAN region

Our overseas processing operations are still being affected by major changes in the external environment, including the prospect of continuing increases in the prices of raw materials and fuel. We have already addressed these changes through price revision, but we will also continue our efforts to curb cost ratios by reducing production and processing costs through the further improvements in the efficiency of our production lines. Other goals include the improvement of production yields, and the reduction of labor content through mechanization and the optimal deployment of personnel to each line.

At the same time, we will enhance the competitiveness of our products by updating existing items. Our priorities also include the creation of new product categories, the expansion of manufacturing capacity for processed products,

the development of meat substitutes, and the use of Japanese processing technologies to develop new products.

Initiatives to create competitive products include the establishment of an R&D unit in Day-Lee Foods, Inc., which is engaged in business operations in North America. In fiscal 2021, Day-Lee pursued product-related initiatives and marketing using their existing production lines for fried products. In fiscal 2022, the company will also strengthen its sales capabilities by enhancing brand strategies and marketing functions. In addition, it has addressed the stagnation of sales volumes due to capacity limitations by investing in plant and facilities, including the start-up of new fry-lines.

Thai Nippon Foods Co., Ltd., which is active in ASEAN markets, plans to develop production lines for new products, including processed pork items. It will also use technologies from Japan to develop new products for sales through convenience stores, bakeries, and other vendors. In the past its product lineup has been dominated by chicken-based items. Going forward, it will also develop products based on other ingredients, such as plant-based meats. This shift is expected to result in the creation of a wide range of processed foods, allowing Thai Nippon Foods to develop new business partners and sales channels.

#### Further optimization of manufacturing structures through procurement-sales collaboration

In the overseas fresh meats segment, we will continue to optimize our manufacturing structures through collaboration between procurement and sales operations.

Further expansion of our lineup of added-value products is seen as a priority for the overseas fresh meats segment. As in the previous fiscal year, we are continuing our efforts to enhance the branding of beef products. We will also expand our feedlots with the aim of increasing sales of premium grass-fed and organic beef.

#### Strengthening cost-competitiveness and procurement capabilities

For our trading business between other countries and Japan, we have started to consider products for which overseas procurement will be advantageous based on changes in tariff rates. This work is being carried out in conjunction with the Cross-divisional Free Trade Agreement Countermeasure Project. We are also working to enhance competitiveness and ensure stable procurement in Japan by selecting products that can be sourced overseas. We have already started to handle some types of pork and beef products.

#### Business-based materiality initiatives

One of the Five Materialities identified by the NH Foods Group is contribution to a sustainable environment. We are making preparations for the disclosure of environmental load data from our various companies. We have also adopted targets, including the reduction of fossil fuel-derived CO<sub>2</sub> emissions by at least 24% and water consumption by 5% compared with the fiscal 2021 levels.

Another of the Five Materialities is the stable procurement and supply of proteins. We are building strong relationships with suppliers by informing them about the NH Foods Group's procurement policies.

The Five Materialities of the NH Foods Group also include diversity and health. We are expanding our range of foods to meet diverse cultural and religious needs, including halal and kosher products that conform with Islamic and Jewish dietary rules. In addition, we plan to launch food allergy kits and next-generation protein products onto the market.

Our goal in relation to employee development and respect for diversity is to ensure that our factories provide good working conditions for employees, including the development of safe working environments in which people can work with confidence. We will also promote diversity and inclusion.

#### Products handled by region

**B** Beef **P** Pork **C** Chicken **Pr** Processed meats **M** Marine products

##### Europe **B P C Pr**



##### ASEAN region **B P C Pr M**



##### North and Central America **B P C Pr M**



##### Australia **B**



##### South America **B P M**



##### External customers

Sales in Japan, local sales, and exports to third countries

#### Segment focus

##### Maximizing our profit contribution through selection and concentration in growth areas

In fiscal 2022 there is a continuing need to adapt to uncertainty and change in the external environment, including rising raw material and energy costs and a decline in consumer spending. By continuing to develop and supply safe, dependable products and services, and by complying with laws and regulations and respecting the cultures, practices, and histories of each country and region, we will help people everywhere to experience the joy of food in their lives.

## Segment data

# Baseball Club and Other Business



A panoramic image of Hokkaido Ballpark F Village

## Raising business and social value through a new business model

### Realizing urban development by combining sports value with Hokkaido value through efforts centered on the team and new ballpark

We strive to work with communities to cultivate social value in Hokkaido, not only through our plants and sales offices, but also through the Hokkaido Nippon-Ham Fighters. In March 2023, we will open Hokkaido Ballpark F Village, a development centered on the new ES CON FIELD HOKKAIDO ballpark. In addition to offering several different ways to enjoy watching games, it will also provide restaurants and a variety of entertainment options to create a space that can be enjoyed even by people who are not so interested in baseball, as well as during times when no games are being played. We are also partnering with a wide range of industrial, academic, and

government partners to advance sustainable urban development that combines sports value with Hokkaido value, while at the same time improving the profitability of the Baseball Club Business at the new ballpark.

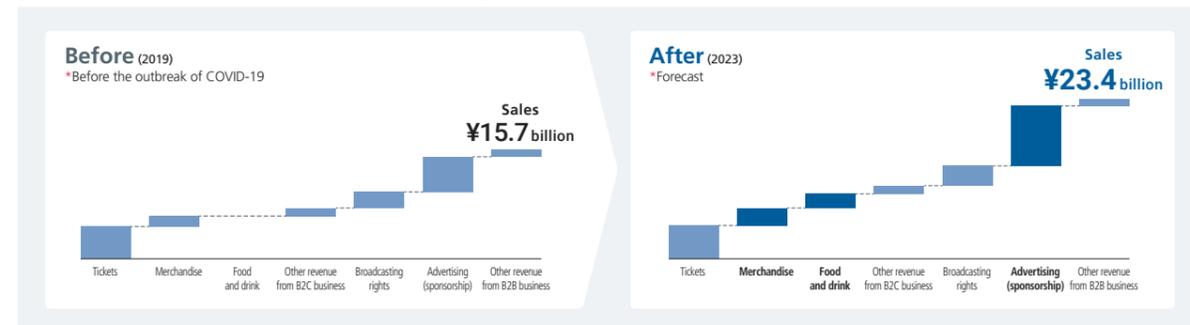


The ballpark will offer several different ways to enjoy watching games, including from a hot spring facility



There will be plenty to enjoy, even on days with no games. This image shows the kids area.

### Sales breakdown before and after the opening of the new ballpark



### Giving shape to Vision2030 through a succession of new brand-creating businesses

#### Entertainment Business

We have established Meatful as a direct-to-consumer food entertainment website to keep pace with dietary diversification by using hands-on cooking experiences, jerky, and other concepts as a starting point for the development of products and services.

#### Wellness Business

We have established Table for All as the food industry's first comprehensive food allergy care platform. Going forward, we will develop as a business that aims to create new value that responds to dietary diversification and health needs.

#### Ethical Business

Under the concept of creating the next generation of proteins, we are advancing an upcycling business that make use of untapped ingredients that are not conventionally used

and a circulation business that harnesses vertical integration system. We also plan to expand the scope of our business to include areas such as circular agriculture-based crop cultivation.

### New stadium to be financed by sustainability bonds

The aim of the new Hokkaido Ballpark F Village project, which is centered around the new ES CON FIELD HOKKAIDO ballpark, is not simply to build a ballpark, but to put down roots in the Hokkaido community and work with all stakeholders to create a space that will symbolize the region. We want this space to become a focus of pride and affection for the citizens of Hokkaido, and a starting point for sustainable community development.

The new stadium will also have important social value as an evacuation center in times of emergency. In addition, it will feature an eco-friendly design that will reduce energy consumption and resource use.

Recognition for these efforts includes a 5 star ranking under the DBJ Green Building certification system, which is administered by the Development Bank of Japan to support real estate projects and businesses that have shown care for society and the environment.

Thanks to this recognition, we were able to implement a sustainability bond issue to fund or refinance expenditure relating to the construction of the new ballpark. Sustainability bond issues are used exclusively to fund initiatives to alleviate environmental and social issues, and projects designed to

produce positive outcomes. In fiscal 2020, we identified five key material issues. One of these is "contributing to a sustainable environment," so the allocation of funds from the parent company bond issue to the construction of the new stadium aligns with our commitment to working toward environmental and social sustainability.

#### Overview of NH Foods Ltd. sustainability bond

Issuance period	10 years
Amount	¥10 billion
Issue date	February 2021
Lead manager	SMBC Nikko Securities Inc. (administration) Nomura Securities Co., Ltd.
Sustainability bond structuring agent*1	SMBC Nikko Securities Inc.

\*1 This party supports the execution of sustainability nance by creating the nancing framework and providing advice about related matters, such as obtaining second-party opinions.

Reporting of allocation of funds	Amount raised*2	Amount allocated*3	Balance to be allocated
	¥9,949 million	¥9,949 million	¥0 million
	*2 This is the amount of the parent company bond issue minus issuing expenses. *3 The entire amount has been allocated refinancing and to funding the construction of the new ballpark through investment in and loans to related companies.		
Impact reporting	<b>Green project</b> <b>Qualifying category: Green building</b> Acquired 5-star ranking under the DBJ Green Building certification system.		
	<b>Social project</b> <b>Qualifying category: Improvement of access to essential services</b> There are plans to install the following facilities. <ul style="list-style-type: none"> <li>• Multi-purpose toilets</li> <li>• Parking places for people in wheelchairs</li> <li>• Viewing spaces for people in wheelchairs</li> <li>• Viewing spaces for people with guide dogs</li> <li>• Slopes</li> <li>• Escalators by the large staircase on the third-base side</li> <li>• Storage areas containing emergency food supplies and free toys for children</li> <li>• Multilanguage signage in city parks</li> </ul>		

The compliance of this reporting with the Sustainability Finance Framework has been reviewed by Sustainability.

[https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nh-foods-ltd.-sustainability-bond-annual-review.pdf?sfvrsn=108a03b0\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nh-foods-ltd.-sustainability-bond-annual-review.pdf?sfvrsn=108a03b0_1)

# 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.

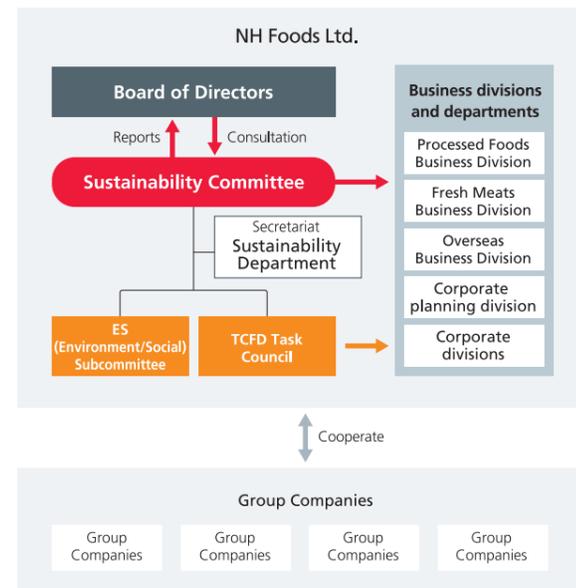
In March 2021, we formulated Vision2030 and identified the NH Foods Group's Five Materialities, which are initiatives that need to be engaged as a priority in order to realize our vision. We will implement our business strategy and materialities in a way that also advances our sustainability strategy 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"> <li>Directors</li> <li>Outside directors</li> <li>General managers of business divisions</li> <li>Audit &amp; Supervisory Board members / outside experts</li> </ul>	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"> <li>Director in charge of sustainability</li> <li>Heads of departments and sections</li> </ul>	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"> <li>Director in charge of sustainability</li> <li>Officers in charge of overall management at each business division</li> <li>Heads of departments and sections, and employees with relevant responsibilities</li> </ul>	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 CO<sub>2</sub> emissions by switching to fuels that produce relatively low CO<sub>2</sub> 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 CO<sub>2</sub> 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 <sub>2</sub> emissions by <b>more than 46% compared to</b> FY2013 levels (FY2013: 550,518 t-CO <sub>2</sub> → <b>FY2030: 297,279 t-CO<sub>2</sub></b> )	All business sites in Japan
	Reduce fossil fuel-derived CO <sub>2</sub> emissions by <b>more than 24% compared to</b> FY2021 levels (FY2021: 143,340 t-CO <sub>2</sub> → <b>FY2030: 108,938 t-CO<sub>2</sub></b> )	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 <b>5% compared to</b> FY2019 levels (FY2019: 134.6 kg/t → <b>FY2030: 127.9 kg/t</b> )	All processing and production sites in Japan (55 sites)
	Increase the waste recycling rate to <b>more than 92%</b> (FY2019 rate: 84.1%)	All business sites in Japan
Addressing biodiversity	Reduce water consumption per production unit by <b>5% compared to</b> FY2019 levels (FY2019: 15.2 m <sup>3</sup> /t → <b>FY2030: 14.4 m<sup>3</sup>/t</b> )	All processing and production sites in Japan (55 sites)
	Reduce water consumption per production unit by <b>5% compared to</b> FY2021 levels (FY2021: 14.7 m <sup>3</sup> /t → <b>FY2030: 14.1 m<sup>3</sup>/t</b> )	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"> <li>• <b>Ensure that 100% of palm oil used is RSPO certified</b> (including book &amp; claim)</li> <li>• Increase the number of seafood products that are certified (MSC/ASC)</li> </ul>

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 <sub>2</sub> emissions	[Japan] Reduction of more than 46% compared to FY2013 levels by FY2030 FY2030 reduction target amount: 253,239 t-CO <sub>2</sub> Reference value: 550,518 t-CO <sub>2</sub>	Reduction: 70,453 t-CO <sub>2</sub> Progress rate: 27.8%
		[Overseas] Reduction of more than 24% compared to FY2021 levels by FY2030 FY2030 reduction target amount: 34,402 t-CO <sub>2</sub> Reference value: 143,340 t-CO <sub>2</sub>	—
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 <sup>3</sup> /t Reference value: 15.2 m <sup>3</sup> /t	Reduction: 0.2 m <sup>3</sup> /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 <sup>3</sup> /t Reference value: 14.7 m <sup>3</sup> /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

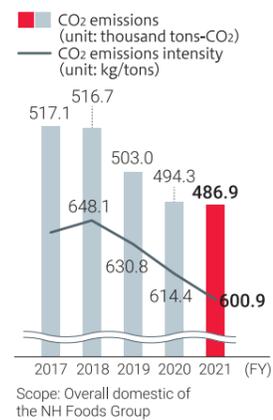


Nippon Logistics Center, Inc.'s Tokyo Center

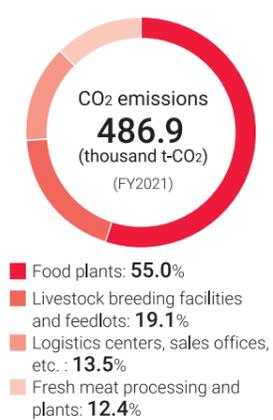


Fluorocarbon-free refrigeration units at Nippon Daily Net Co., Ltd.'s Nagoya 2nd Center

CO<sub>2</sub> emissions and intensity



CO<sub>2</sub> 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.

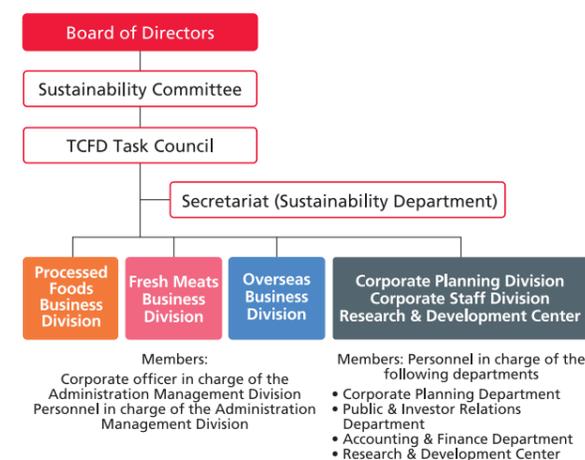
The Sustainability Department (established within the Corporate Planning Division in April 2021) serves as secretariat for the administration of the organization, and a member of the Board of Directors oversees sustainability matters as the General Manager of the Corporate Planning Division.

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 CO<sub>2</sub> 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 <sub>2</sub> emissions (t-CO <sub>2</sub> )	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 <sup>3</sup> /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"> <li>Improve feed conversion ratios</li> <li>Improve feed through in-house formulations and by enhancing collaboration and feed companies</li> <li>Review new meat procurement sources from low-risk areas</li> <li>Enhance facilities against flooding</li> <li>Enhance product supply systems against disasters</li> <li>Use water resources efficiently at sites with high water stress risk</li> </ul>
	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"> <li>Make energy use and fuel conversion in the processing and manufacturing processes efficient</li> <li>Expand use of renewable energy</li> <li>Reduce emissions in logistics by switching to low-emission vehicles and improving logistics efficiency</li> </ul>
Opportunities	Increase in environmentally conscious consumption	Medium	<ul style="list-style-type: none"> <li>Develop products with high sustainability value</li> <li>Advance product development with next-generation proteins</li> <li>Advance research and development of next-generation proteins</li> </ul>
	Growth of the market for next-generation proteins	Large	

**Physical risk | 1 Increased and destabilized feed prices**

<b>Risk investigation and analysis results</b>	<b>(1) Investigation into price fluctuations of corn, which accounts for the largest share of feedstock for livestock</b>		Corn prices will likely increase up to about twofold in 2050 compared with 2010
	<b>(2) Water stress analysis of the U.S. and Brazil, which are home to the majority of Japan's feed corn suppliers</b>	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**

- Install cooling facilities that have already been installed in some animal houses at other sites
- Review developing technologies for maintaining production efficiency in hot environments
- 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 Six sites are situated in regions with high risk of water crises	Two sites Considered to have minimal risk from the viewpoint of asset value and operational scale
		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 Nine sites are situated in regions with high risk of water crises	Two sites Anti-flooding equipment has been installed in response to damage caused by disasters in the past, that reduces the risk to minimal
		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  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**

- Filter effluent water from pig farms to remove impurities so it can be reused
- 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 CO<sub>2</sub> 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-CO<sub>2</sub> for 2030 and USD 250/t-CO<sub>2</sub> 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 <sub>2</sub> )	624	624
	Carbon tax rate (USD/t-CO <sub>2</sub> )	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 <sub>2</sub> )	405	405
	Carbon tax rate (USD/t-CO <sub>2</sub> )	130	250

**Measures**

- Reduce fossil fuel-derived CO<sub>2</sub> emissions
  - Replace equipment with energy-saving equipment, including updating aging equipment
  - Promote the use of heat pumps and other waste heat recovery systems
  - Increase renewable energy use and install solar panels at Group facilities
  - Use biofuels generated in manufacturing processes
- 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)

The calculations above cover fossil fuel-derived CO<sub>2</sub> 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 CO<sub>2</sub> emissions will be introduced, so we are also considering measures for reducing these.

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.

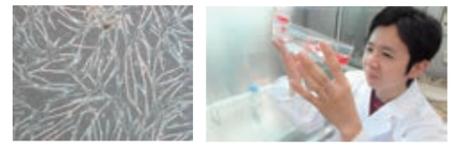
**Measures**

**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"> <li>Inform important primary suppliers of policies and implement self-assessment questionnaires (SAQ) by 2030. Target: 100%</li> <li>Disseminate policies to important secondary suppliers and implement SAQ by FY2030</li> </ul>	<ul style="list-style-type: none"> <li>SAQ implementation rate among important primary suppliers: 99.4% *Scope: NH Foods Ltd., Nippon Luna, Inc., The Hoko Co., Ltd., Marine Foods Corporation</li> <li>Efforts to inform important overseas primary suppliers of policies are currently underway</li> </ul>
	Promote initiatives that take animal welfare into consideration	<ul style="list-style-type: none"> <li>Eliminate gestation crates at all farms in Japan (by the end of fiscal 2030)</li> <li>Install drinking water facilities in pig and cattle lairage pens at all processing facilities in Japan (by the end of fiscal 2023)</li> <li>Install environmental quality monitoring cameras at all farms and processing facilities in Japan (by the end of fiscal 2023)</li> <li>*Scope: Companies in which the NH Foods Group has a stake of at least 50%</li> </ul>	<ul style="list-style-type: none"> <li>Established the NH Foods Group Animal Welfare Core Values and Animal Welfare Code of Conduct</li> <li>Eliminate gestation crates at all farms in Japan Progress rate: 9.5% *Percentage of total mother pigs being reared</li> <li>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</li> <li>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</li> </ul>
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"> <li>Employees who e-learning participants: 67,000</li> <li>Employees who completed basic technical training: 2,400</li> <li>Employees who acquired expert technician certification: 90</li> <li>Employees who passed the food labelling examination (Intermediate/Advanced): 900</li> </ul>	<ul style="list-style-type: none"> <li>Employees who completed e-learning: 3,753</li> <li>Employees who completed basic technical training: 70</li> <li>Employees who acquired expert technician certification: 4</li> <li>Employees who passed the food labelling examination (Intermediate/Advanced): 78</li> </ul>

**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"> <li>Shipment amount: ¥1.1 billion</li> <li>Launched the Table for All service, a comprehensive food allergy care platform</li> </ul>
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"> <li>Launched <i>IMIDEA</i>, a food with functional claims that helps lessen muscle fatigue and maintain memory functions (from December 1, 2021)</li> </ul>
	Develop products that contribute to health	*Measures currently being formulated	<ul style="list-style-type: none"> <li>Products targeting health-conscious consumers: 64</li> </ul>

### 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

Social issue	Initiatives	Main Indicators	FY2021 results	2030 target
An empowering corporate culture	<ul style="list-style-type: none"> <li>Support job satisfaction</li> <li>Foster a corporate culture that encourages employees to take on challenges</li> </ul>	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"> <li>Carry out initiatives for fair evaluation and compensation</li> <li>Improve expertise and management capabilities through education and training</li> <li>Support career autonomy</li> </ul>	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"> <li>Promote active participation by women</li> <li>Reduce total working hours</li> <li>Support physical and mental health</li> <li>Address respect for human rights</li> </ul>	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
<b>General staff</b>				
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	—
<b>Management</b>				
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

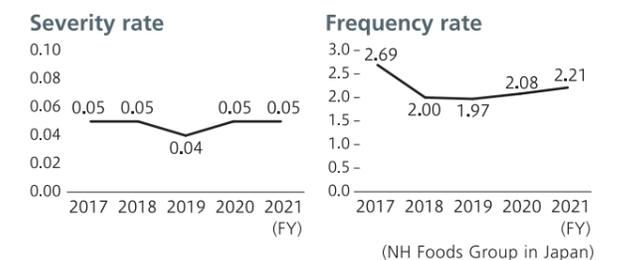
based on physical examination results and preventing conditions from becoming more severe by expanding the scope of employees who are eligible for various types of health guidance. It is also striving to prevent mental health issues through measures such as making improvements to workplaces based on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



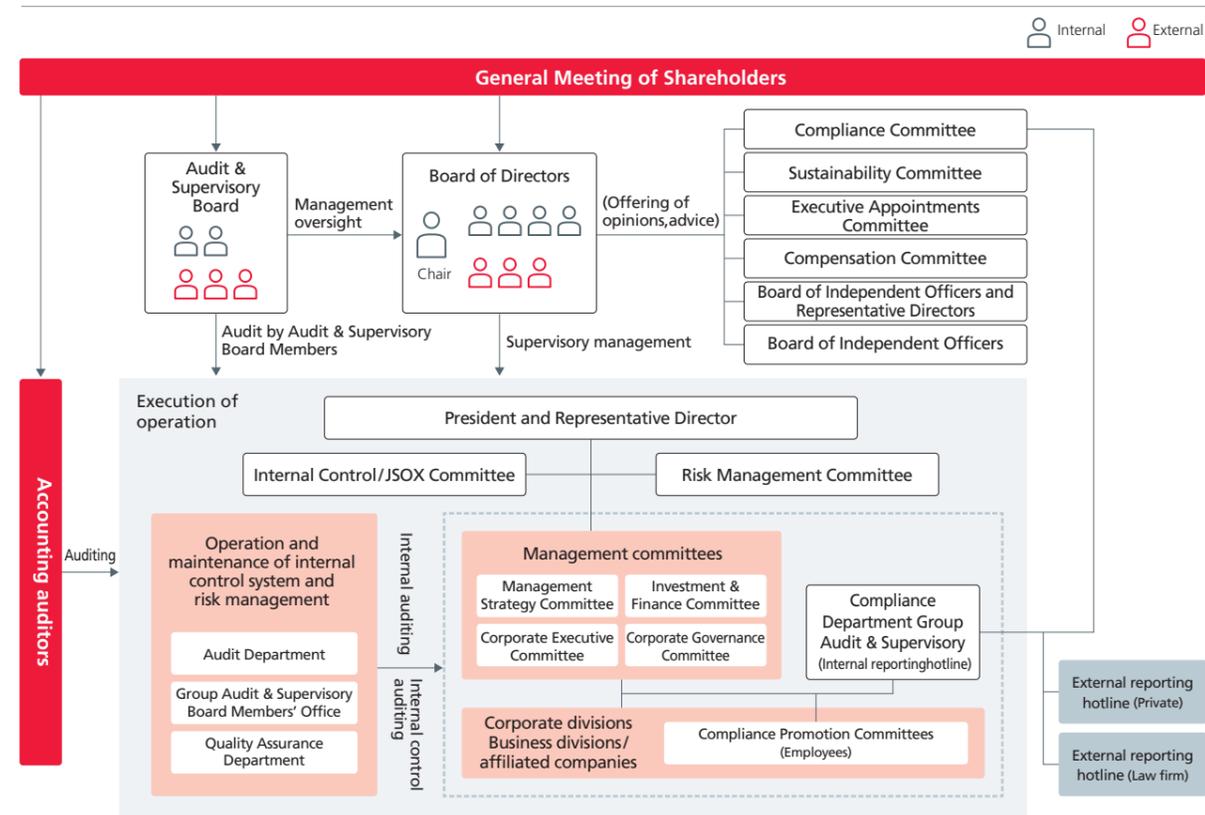
### Respect for human rights

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 <b>Yoshihide Hata</b>	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 <b>Tetsuhiro Kito</b>	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 <b>Nobuhisa Ikawa</b>	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 <b>Fumio Maeda</b>	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 <b>Masahito Kataoka</b>	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 <b>Yasuko Kono</b>	<b>Outside</b> Director	Ms. Yasuko Kono took office as Outside Director in June 2018. She has extensive knowledge and experience concerning consumer issues.
	⑦ <b>Hideo Arase</b>	<b>Outside</b> 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 <b>Tokushi Yamasaki</b>	<b>Outside</b> 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 <b>Sadanori Miyagai</b>	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 <b>Nobuyuki Tazawa</b>	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 <b>Akihiko Shiba</b>	<b>Outside</b> 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 <b>Masayuki Kitaguchi</b>	<b>Outside</b> 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 <b>Shigeru Nishiyama</b>	<b>Outside</b> 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	<b>Keiji Maeda</b>	General Manager of Sales Management Division, Processed Foods Business Division	<b>Nobuo Oda</b>	General Manager of Overseas Business Division and Operation Management Division				
Executive Officers	<b>Kohei Akiyama</b>	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	<b>Hideki Fujii</b>	In charge of Americas of Operations Management Division, Overseas Business Division; President and Director of Day-Lee Foods, Inc.	<b>Shuichi Toda</b>	General Manager of Imported Fresh Meats Sales Division, Fresh Meats Business Division	<b>Yukihiro Matsumoto</b>	General Manager of Product Management Division, General Manager of Dairy & Marine Products Division, Processed Foods Business Division
	<b>Tadaaki Ito</b>	General Manager of Administrative Division, Overseas Business Division	<b>Shuichi Narumi</b>	General Manager of Domestic Red Meat Division, Fresh Meats Business Division	<b>Hirohide Fujiwara</b>	General Manager of Corporate Planning Department, Corporate Planning Division; in charge of DX Promotion Department, IT Strategy Department, and Sports & Group Business Promotion Department	<b>Yoshitaka Hasegawa</b>	General Manager of Accounting & Finance Department and in charge of General Affairs Department
	<b>Takao Seki</b>	General Manager of Sales Management Division, Fresh Meats Business Division	<b>Hiroaki Wakita</b>	General Manager of Administrative Division, Processed Foods Business Division	<b>Akio Wakita</b>	General Manager of Administrative Division, Processed Foods Business Division	<b>Toyotake Imon</b>	General Manager of Domestic White Meat Division, Fresh Meats Business Division
	<b>Hiroyuki Tsukuda</b>	General Manager of Administrative 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 <span style="background-color: #cccccc; padding: 2px;">Outside</span>	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 <span style="background-color: #cccccc; padding: 2px;">Outside</span>	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 <span style="background-color: #cccccc; padding: 2px;">Outside</span> <span style="background-color: #ff9933; padding: 2px;">New appointment</span>	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	
<b>Sadanori Miyagai</b>	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	—	—	—	—	—	—	—
<b>Nobuyuki Tazawa</b>	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	—	—	—	—	—	—	—
<b>Akihiko Shiba</b> <b>Outside</b>	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%)	—
<b>Masayuki Kitaguchi</b> <b>Outside</b>	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%)	—
<b>Shigeru Nishiyama</b> <b>Outside</b> <b>New appointment</b>	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

<b>Issues in FY2021 and measures to solve these</b>	<p><b>FY2021 issues</b></p> <ol style="list-style-type: none"> <li>(1) Continuously strengthen discussion of risks that the Board should be aware of based on Group-wide identification and organization of risk.</li> <li>(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.</li> <li>(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.</li> </ol>	<p><b>Initiatives to solve these issues</b></p> <ol style="list-style-type: none"> <li>(1) Identify and organize risks on a Group-wide basis and continuously discuss which risks the Board should be aware of.</li> <li>(2) Check progress on medium- to long-term strategies connected to the five materialities.</li> <li>(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.</li> </ol>
<b>FY2021 results</b>	<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><b>Main topics discussed by directors</b></p> <ul style="list-style-type: none"> <li>• Declaration of commitment to the Tokyo Nutrition for Growth Summit 2021 and partial revisions to materiality disclosure classifications</li> <li>• Partial amendments to the NH Foods Group Fundamental Policy on Corporate Governance and corporate governance reports</li> <li>• Release of the TCFD interim report, report on the progress of DX initiatives, and animal welfare (core values and code of conduct)</li> <li>• Creation and disclosure of a skills matrix</li> <li>• Report on the third meeting of the Risk Management Committee, update of capital-related measures</li> </ul>	
<b>Priority themes for FY2022</b>	<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"> <li>(1) Optimizing the Group's business portfolio and appropriately allocating management resources</li> <li>(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</li> <li>(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</li> </ol> <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	—	<table border="0"> <tr> <td style="background-color: #c0c0c0; font-size: 8px;">Financial</td> <td style="font-size: 8px;">Annual performance: Group-wide performance and the performance of individual departments</td> </tr> <tr> <td style="background-color: #f4a460; font-size: 8px;">Non-financial</td> <td style="font-size: 8px;">                     • Individually established management issues: Qualitative targets                      *About 50% are non-financial items related to the environment, society, and the enhancement of governance                 </td> </tr> </table>	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	<table border="0"> <tr> <td style="background-color: #c0c0c0; font-size: 8px;">Financial</td> <td style="font-size: 8px;">                     • Consolidated net sales                      • Consolidated business income                      • ROE                 </td> </tr> </table>	Financial	• Consolidated net sales • Consolidated business income • ROE
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.

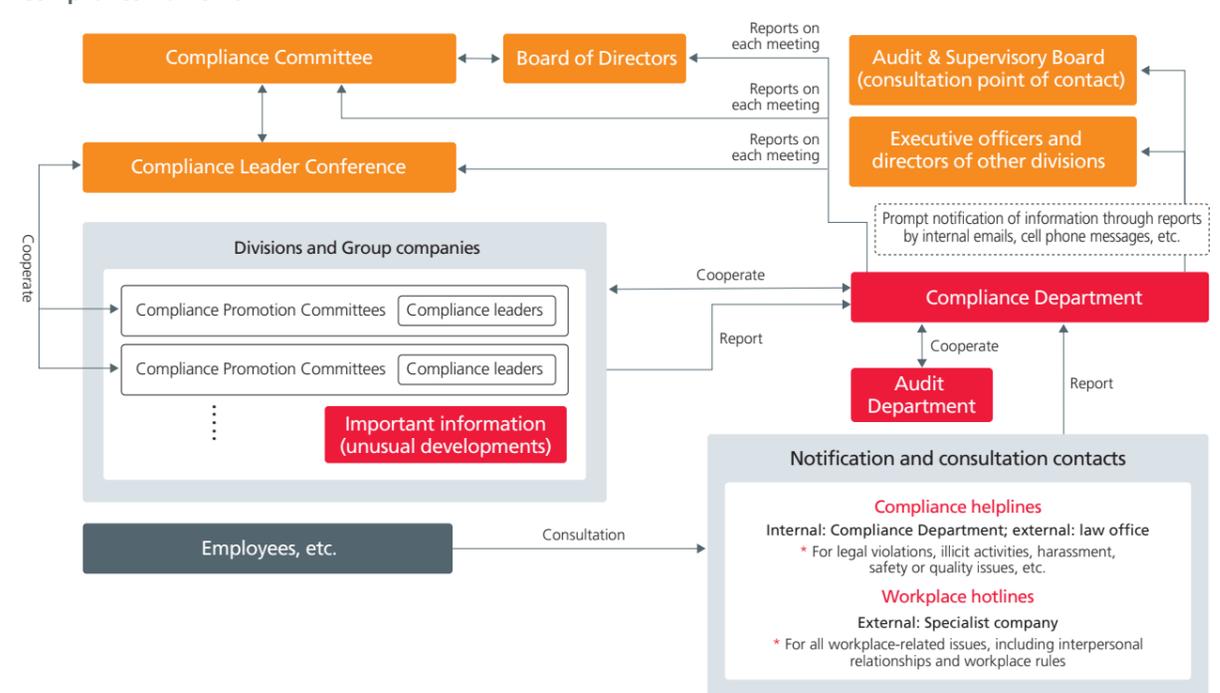
Also, all employees attend Compliance Competitions held at each business location and Group company, which include compliance study sessions and other events.

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.

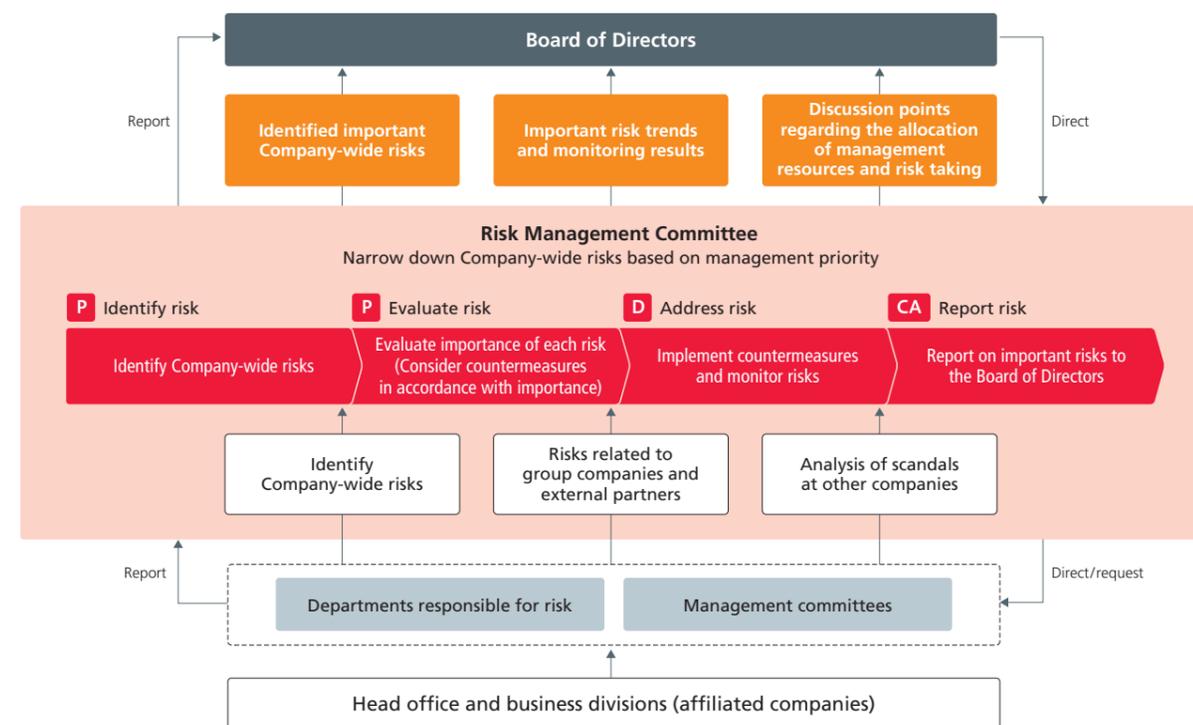
Accordingly, up to fiscal 2021, the Risk Management Committee was unable to centrally manage all risks affecting the Company, and insufficient evaluation of the importance of each risk and the order in which they should be addressed was an issue. In fiscal 2022, we strengthened coordination with other 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

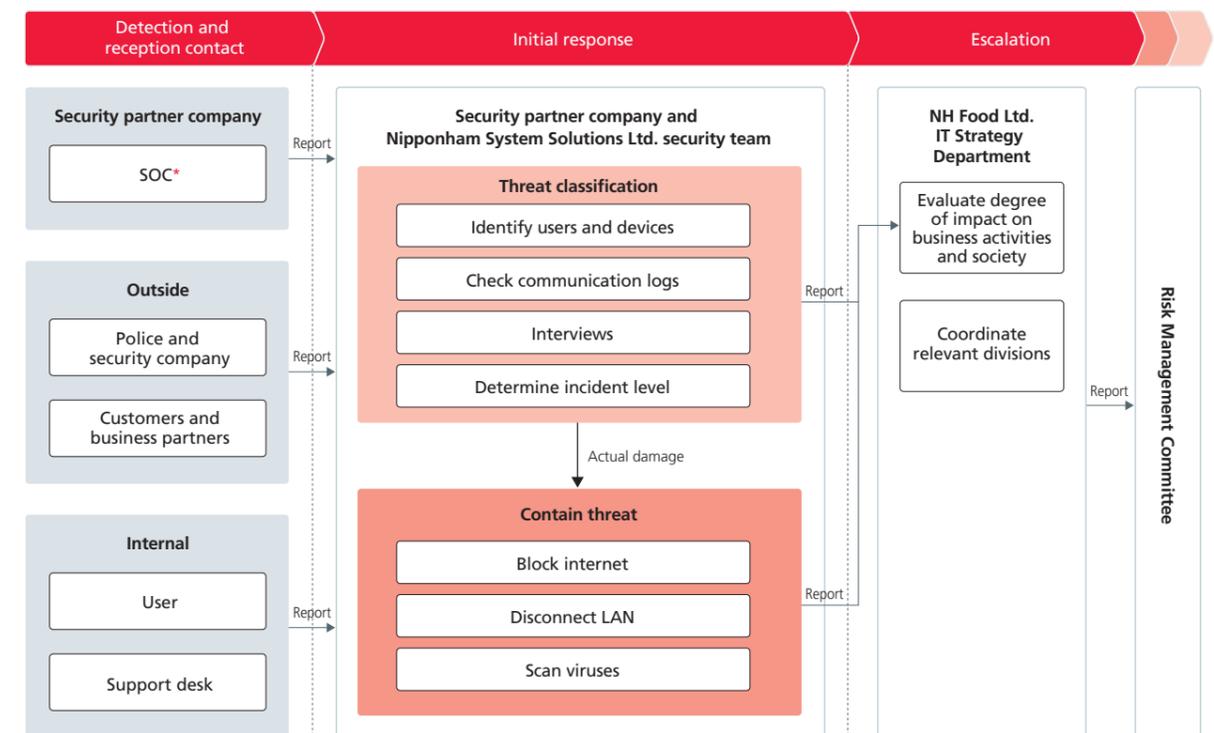
The Group recognizes that information security is a major issue affecting operations, conducts risk assessments for the Group as a whole, and implements appropriate information security measures in a deliberate manner.

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

# Consolidated financial statements (past 10 years)

NH Foods Ltd. and Subsidiaries  
For the Years Ended March 31

	USGAAP						IFRS				
	3/13	3/14	3/15	3/16	3/17	3/18	3/18	3/19	3/20	3/21	3/22
Net sales	¥ 1,011,619	1,110,766	1,199,956	1,229,324	1,202,293	1,269,201	1,258,463	1,234,180	1,229,826	1,106,351	1,174,389
Operating income	30,447	36,089	47,770	49,207	53,802	49,218	—	—	—	—	—
Profit before tax [Net profit for the period from continuing operations before income taxes, etc.]	30,552	35,673	43,797	35,309	49,112	50,455	52,798	30,267	27,039	47,604	51,366
Profit attributable to owners of the parent [Net profit attributable to owners of the parent]	16,459	24,524	31,048	21,779	35,004	37,147	37,552	19,561	19,214	32,616	48,049
Business profit	—	—	—	—	—	—	50,589	38,311	43,772	52,426	48,116
Total assets	610,293	627,220	661,567	682,855	720,276	755,076	734,528	741,388	768,861	825,405	909,213
Total equity attributable to owners of the parent	293,414	320,984	353,664	356,353	404,126	440,793	417,982	401,014	404,414	433,595	479,069
Interest-bearing liabilities	149,821	144,901	136,758	154,583	138,284	110,948	111,401	147,009	176,493	193,750	211,407
Cash Flow from operating activities	37,407	32,952	29,681	52,535	65,254	54,626	53,284	30,844	65,464	82,518	33,387
Cash Flow from investing activities	(22,384)	(27,021)	(31,517)	(49,139)	(38,271)	(49,006)	(48,194)	(45,110)	(36,728)	(57,827)	(22,837)
Free cash flow	15,023	5,931	(1,836)	3,396	26,983	5,620	5,090	(14,266)	28,736	24,691	10,550
Cash Flow from financing activities	(10,964)	(9,373)	(17,187)	8,182	(11,439)	(27,508)	(27,110)	2,932	(3,077)	(14,934)	(12,162)
Capital expenditures	33,285	29,152	35,694	36,799	43,765	41,466	41,201	47,820	47,802	82,902	80,395
Depreciation and amortization	19,323	18,649	18,951	19,445	19,765	21,234	20,714	22,417	33,038	33,939	36,379
<b>Per share amounts</b>											
Basic earnings per share [Basic net profit per share attributable to owners of the parent]											
Continuing operations (¥)	¥ 182.94	¥ 248.02	¥ 297.70	¥ 245.56	¥ 343.59	¥ 348.46	¥ 352.26	¥ 183.21	¥ 186.70	¥ 311.13	¥ 380.87
Discontinued operations (¥)	(24.10)	(3.79)	7.16	(31.72)	(0.12)	—	—	—	—	6.84	¥ 89.05
Total (¥)	¥ 158.84	¥ 244.23	¥ 304.86	¥ 213.84	¥ 343.47	¥ 348.46	¥ 352.26	¥ 183.21	¥ 186.70	¥ 317.97	¥ 469.92
Diluted earnings per share [Diluted earnings per share for the period attributable to owners of the parent]											
Continuing operations (¥)	¥ 164.56	¥ 225.27	¥ 279.50	¥ 230.61	¥ 322.66	¥ 342.07	¥ 350.00	¥ 181.48	¥ 186.64	¥ 311.05	¥ 380.78
Discontinued operations (¥)	(21.68)	(3.44)	6.72	(29.72)	(0.12)	—	—	—	—	6.84	¥ 89.03
Total (¥)	¥ 142.88	¥ 221.83	¥ 286.22	¥ 200.89	¥ 322.54	¥ 342.07	¥ 350.00	¥ 181.48	¥ 186.64	¥ 317.89	¥ 469.81
Total equity per share attributable to owners of the parent (¥)	¥ 2,944.20	¥ 3,151.94	¥ 3,472.37	¥ 3,498.72	¥ 3,832.95	¥ 4,100.70	¥ 3,888.48	¥ 3,896.64	¥ 3,929.43	¥ 4,243.70	¥ 4,681.82
Cash dividends (¥)	¥ 24.00	¥ 37.00	¥ 46.00	¥ 33.00	¥ 52.00	¥ 53.00	¥ 53.00	¥ 90.00	¥ 90.00	¥ 94.00	¥ 102.00
<b>Financial indicators</b>											
Business profit ratio (%)	—	—	—	—	—	—	4.0	3.1	3.6	4.6	3.9
Operating profit ratio	3.0	3.2	4.0	4.0	4.5	3.9	—	—	—	—	—
Return on equity (ROE) (%)	5.6	8.0	9.2	6.1	9.2	8.8	9.4	4.8	4.8	7.8	10.5
Return on invested capital (ROIC) (%)	4.3	4.9	6.4	6.5	7.0	6.2	6.6	4.9	5.3	5.9	5.0
Total equity attributable to owners of the parent ratio [Total equity ratio] (%)	48.1	51.2	53.5	52.2	56.1	58.4	56.9	54.1	52.6	52.5	52.7
Interest-bearing liabilities / Equity ratio [Equity ratio] (Times)	0.51	0.45	0.39	0.43	0.34	0.25	0.27	0.37	0.44	0.45	0.44
Interest coverage ratio (Times)	22.8	21.3	24.2	35.1	57.4	44.7	43.1	24.2	40.6	61.6	27.9
Payout ratio (consolidated) (%)	30.2	30.3	30.2	30.9	30.3	30.4	30.1	49.1	48.2	29.6	21.7

## Notes:

- NH Foods Ltd. has voluntarily applied International Financial Reporting Standards (IFRS) to consolidated financial statements for the first quarter of the fiscal year ended March 31, 2019. Where items differ from the USGAAP or IFRS standards, the corresponding USGAAP item is shown in [ ].
- Figures have been rounded to the nearest unit.
- As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. Total NH Foods Ltd. shareholders' equity per share, basic earnings per share attributable to NH Foods Ltd. shareholders and diluted earnings per share attributable to NH Foods Ltd. shareholders were computed on the assumption that the share consolidation was carried out at the beginning of the fiscal year ended March 31, 2013. Cash dividends represent the actual payment prior to the relevant share consolidation.
- Operating income represents net sales less cost of goods sold and selling, general and administrative expenses.
- Starting from the fiscal year ended March 31, 2020, NH Foods Group discloses business profit (calculated by deducting the cost of goods sold, and selling, general and administrative expenses from net sales, and making adjustments of currency gains and losses as determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items) in place of the operating income results disclosed previously. The purpose of this change is to provide a clear indication of profit earned through business activities. The figures for the fiscal years ended March 31, 2018 and March 31, 2019 have been restated retroactively.

- Interest-bearing liabilities under USGAAP consist of short-term bank loans, current maturities of long-term debt and long-term debt, less current maturities (including zero coupon convertible bonds) in the consolidated balance sheets.
- Capital expenditures represent the additions to tangible and intangible fixed assets. Since the fiscal year ended March 2020, capital expenditures have consisted of changes in property, plant and equipment, right-of-use assets, and intangible assets.
- Depreciation and amortization consist of depreciation of tangible fixed assets and amortization of intangible fixed assets. Since the fiscal year ended March 2020, depreciation and amortization have consisted of depreciation of property, plant and equipment, right-of-use assets, and intangible assets.
- ROE (%) = Profit attributable to owners of the parent / Average total equity attributable to owners of the parent × 100  
Free cash flow (million yen) = Cash flow provided by operating activities + Cash flow used in investing activities  
Total equity attributable to owners of the parent ratio (%) = Total equity attributable to owners of the parent / Total assets × 100  
Interest-bearing liabilities/equity ratio (times) = Interest-bearing liabilities / Total equity attributable to owners of the parent  
Interest coverage ratio (times) = Cash flow provided by operating activities / Interest paid
- The ratio of business profit to net sales was calculated using business profit after adjustment for non-continuing businesses (¥45,821 million in FYE March 2022, ¥50,532 million in FYE March 2021).

# Corporate data/Stock information (As of April 1, 2022)

## Corporate data

Corporate name	NH Foods Ltd.
Established	May 30, 1949
Capital	¥36,294 million
President	Yoshihide Hata
Employees	Consolidated 27,649 Non-consolidated 2,239 Note: Including the average number of temporary employees
Main businesses	<ul style="list-style-type: none"> <li>• Manufacture and sale of processed meats (hams and sausages, etc.) and cooked foods (retort-packed foods, pre-prepared foods, etc.)</li> <li>• Breeding of livestock, and processing and sale of fresh meats</li> <li>• Production and sale of dairy products and marine</li> </ul>
Head office	Breeze Tower, 4-9, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan
Telephone	+81-6-7525-3026

## Main companies of the Group

Production and Breeding	<ul style="list-style-type: none"> <li>• Nippon White Farm Co., Ltd.</li> <li>• Interfarm Co., Ltd.</li> <li>• Nippon White Farm Niigata Co., Ltd.</li> <li>• Whyalla Beef Pty. Ltd. (Australia)</li> </ul>	<ul style="list-style-type: none"> <li>• NHF Manufacturing (Malaysia) Sdn. Bhd. (Malaysia)</li> <li>• PT NH Foods Diamond Indonesia, Ltd. (Indonesia)</li> </ul>
Packing and Processing of Fresh Meats	<ul style="list-style-type: none"> <li>• Nippon Food Packer, Inc.</li> <li>• Nippon Food Packer Kagoshima, Inc.</li> <li>• Nippon Food Packer Shikoku, Inc.</li> <li>• Nippon Food Packer Tsugaru Co., Ltd.</li> <li>• Usune Co., Ltd.</li> <li>• Miyazaki Beef Center Co., Ltd.</li> <li>• Nippon Pure Food, Inc.</li> <li>• Oakey Beef Exports Pty. Ltd. (Australia)</li> <li>• Wingham Beef Exports Pty. Ltd. (Australia)</li> <li>• Thomas Borthwick &amp; Sons Pty. Ltd. (Australia)</li> <li>• Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi (Turkey)</li> <li>• Breeders &amp; Packers Uruguay S.A. (Uruguay)</li> </ul>	<ul style="list-style-type: none"> <li>• Sales of Hams and Sausages, and Processed Foods</li> <li>• NH Foods Marketing Ltd.</li> <li>• Nipponham Customer Communications Ltd.</li> </ul>
Sales of Fresh Meats	<ul style="list-style-type: none"> <li>• Higashi Nippon Food, Inc.</li> <li>• Kanto Nippon Food, Inc.</li> <li>• Naka Nippon Food, Inc.</li> <li>• Nishi Nippon Food, Inc.</li> <li>• NHJF Corporation</li> <li>• Minami Nippon Fresh Foods Co., Ltd.</li> <li>• NH Foods Australia Pty. Ltd. (Australia)</li> <li>• Beef Producers Australia Pty. Ltd. (Australia)</li> <li>• Day-Lee Foods, Inc. (USA)</li> <li>• Nippo Food (Shanghai) Co., Ltd. (China)</li> </ul>	<ul style="list-style-type: none"> <li>• Production and Sales of Fermented Milk, Lactic Acid Probiotic Beverages, and Dairy Products (Cheese)</li> <li>• Nippon Luna, Inc.</li> <li>• The Hoko Co., Ltd. (ROLF Division)</li> </ul>
Production and Sales of Hams and Sausages	<ul style="list-style-type: none"> <li>• Nipponham Factory Ltd.</li> <li>• Nipponham Hokkaido Factory Ltd.</li> <li>• Nipponham Northeast Ltd.</li> <li>• Kyodo Foods Co., Ltd.</li> <li>• Nipponham Southwest Ltd.</li> <li>• Kamakura Ham Tomioka Co., Ltd.</li> <li>• NH Foods Vietnam Joint Stock Company (Vietnam)</li> <li>• Redondo's, LLC (USA)</li> </ul>	<ul style="list-style-type: none"> <li>• Production and Sales of Extract Seasonings</li> <li>• Nippon Pure Food, Inc.</li> <li>• Pure Food Asia, Inc. (Taiwan)</li> </ul>
Production of Processed Foods	<ul style="list-style-type: none"> <li>• Nipponham Processed Foods Ltd.</li> <li>• Nipponham Delicatessen Ltd.</li> <li>• Premium Kitchen Co., Ltd.</li> <li>• Shandong Rilong Foodstuffs Co., Ltd. (China)</li> <li>• Thai Nippon Foods Co., Ltd. (Thailand)</li> </ul>	<ul style="list-style-type: none"> <li>• Production and Sales of Freeze-Dried and Frozen Foods</li> <li>• Nipponham Frozen Foods Ltd.</li> <li>• Hoko Co., Ltd.</li> </ul>
		<ul style="list-style-type: none"> <li>• Professional Sports</li> <li>• Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd.</li> <li>• Fighters Sports &amp; Entertainment Co., Ltd.</li> </ul>
		<ul style="list-style-type: none"> <li>• IT, Services, and Other Businesses</li> <li>• Nipponham System Solutions Ltd.</li> <li>• Nipponham Business Associe Ltd.</li> <li>• Nipponham Career Consulting Ltd.</li> <li>• Nipponham Engineering Ltd.</li> </ul>
		<ul style="list-style-type: none"> <li>• Logistics and Trading</li> <li>• Nippon Chilled Logistics, Inc.</li> <li>• Nippon Logistics Center, Inc.</li> <li>• Nippon Daily Net Co., Ltd.</li> <li>• Nippon Route Service Co., Ltd.</li> <li>• Japan Food Corporation</li> <li>• NH Foods Chile Y Compania Limitada (Chile)</li> <li>• NH Foods Mexicana S.A.DE C.V. (Mexico)</li> <li>• NH Foods Singapore Pte. Ltd. (Singapore)</li> <li>• NH Foods Thailand Ltd. (Thailand)</li> <li>• Thai Nippon Cold Storage Co., Ltd. (Thailand)</li> <li>• NH Foods Taiwan Ltd. (Taiwan)</li> <li>• NH Foods U.K. Ltd. (The United Kingdom)</li> </ul>

## Share data

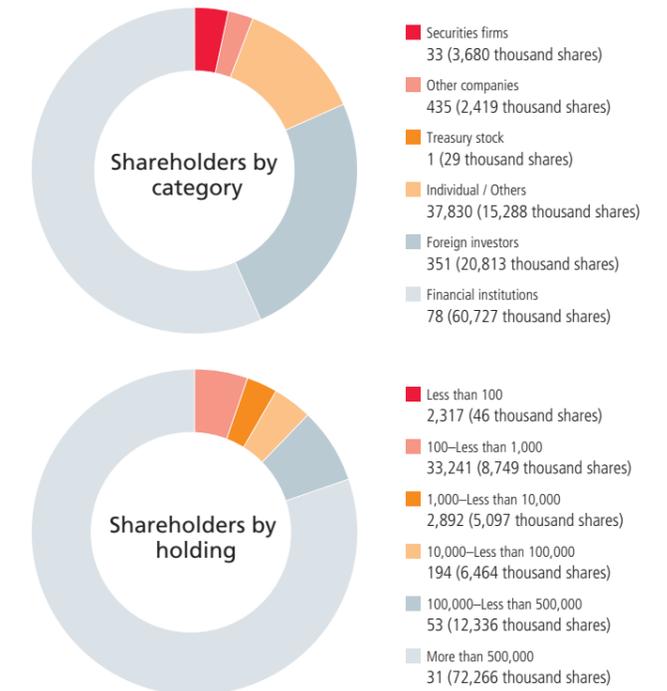
Authorized shares	285,000,000
Issued and outstanding	102,958,904
Shareholders	38,728

## Major shareholders (leading 10 by holding)

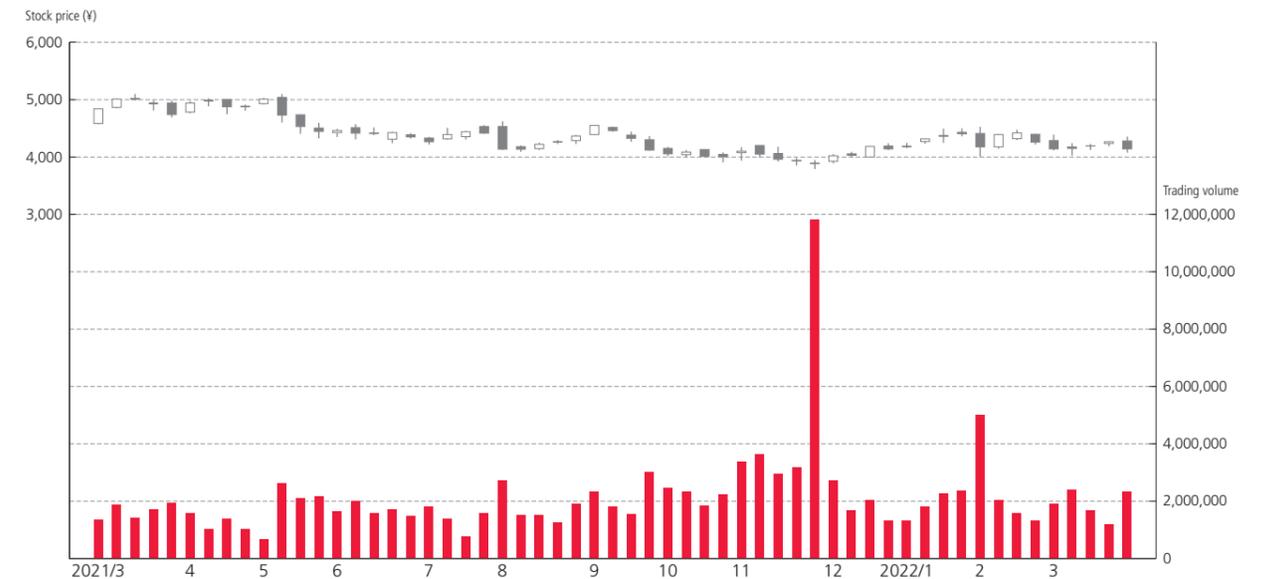
Name of shareholder	Holding (1,000s of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	21,445	20.84
Custody Bank of Japan, Ltd. (Trust account)	8,510	8.27
The Hyakujushi Bank, Ltd.	3,768	3.66
Meiji Yasuda Life Insurance Company	3,677	3.57
The Norinchukin Bank	2,963	2.88
Nippon Life Insurance Company	2,785	2.71
MUFG Bank, Ltd	2,747	2.67
Sumitomo Mitsui Banking Corporation	2,325	2.26
Custody Bank of Japan, Ltd. (Trust account)	1,631	1.58
The Kyoei Fire and Marine Insurance Company, Limited	1,613	1.57

Note: Shareholding ratio is calculated by deducting the number of treasury stock.

## Distribution of shares



## Stock price trend



## Main initiatives and organizations of which the Group is a member

**TCFD** (Task Force on Climate-related Financial Disclosures)  
A private sector initiative established by the Financial Stability Board which focuses on financial disclosure that relates to climate.

**RSPO** (Roundtable on Sustainable Palm Oil)  
An international non-profit organization which has built and operates a certification system that has become the standard for sustainable palm oil, and which encourages the production and distribution of such oil.

**ASSC** (The Global Alliance for Sustainable Supply Chain)  
An NGO that is promoting the creation of sustainable supply chains in Japan through international cooperation.

**CGF** (The Consumer Goods Forum)  
An international industry association for major manufacturers of foods and consumer goods and major retailers. As of July 2021, it has around 400 member companies from over 100 countries.