

Progress under Medium-Term Management Plans 2023/2026

Overview of results for the fiscal year ended March 31, 2023 (FY2022)

The prices of raw materials, feed, and energy remained extremely high in fiscal 2022. As a result, we faced unprecedented challenges in the business environment at all stages from procurement through to production, breeding, packing and processing, manufacturing, logistics, and marketing.

In the consumer product business, we addressed this situation by passing on cost increases through product prices, modifying product specifications, and selecting low-cost suppliers and products to meet the needs of budget-conscious consumers. We also expanded marketing of brand products, while strengthening our production, logistics, and marketing structures. At the same time, we worked to offset higher energy costs by introducing power-saving measures and improving

the efficiency of our production operations.

Net sales were 9.4% higher in fiscal 2022 at ¥1,259,792 million. Most of this growth occurred in our fresh meats business and overseas business and was attributable to higher selling prices due to soaring market prices for fresh meats. However, we were unable to offset substantial increases in raw material and energy costs, and our earnings were also impacted by a combination of other factors, including outbreaks of bird flu and livestock diseases, and lockdowns in China due to the COVID-19 pandemic. As a result, business profit was 46.8% lower year on year at ¥25,596 million. Profit for the period before income taxes, etc., declined by 57.2% to ¥22,162 million, and profit attributable to owners of the parent by 65.4% to ¥16,637 million.

External environment in the fiscal year ended March 31, 2023 (FY2022)

<p>Raw material prices (US frozen shoulders)</p> <p>17.5% higher</p> <p>(Comparison between April 30, 2021 and April 30, 2023)</p>	<p>Chicago corn price</p> <p>87.7% higher</p> <p>(Comparison between April 30, 2021 and April 30, 2023)</p>	<p>Weaker yen</p> <p>Maximum of ¥149 to the USD</p> <p>(Based on closing rates between April 2021 and March 2023)</p>
<p>Energy costs</p> <p>Electric power price: 9.8% higher</p> <p>Crude oil price: 22.3% higher</p> <p>(Comparison between April 30, 2021 and April 30, 2023)</p>	<p>Logistics costs</p> <p>Domestic trucking: 1.2% higher</p> <p>International shipping: 32.1% higher</p> <p>(Comparison between April 30, 2021 and April 30, 2023)</p>	<p>Food price index</p> <p>12.7% higher</p> <p>(Comparison between April 30, 2021 and April 30, 2023)</p>

* Source: Agriculture & Livestock Industries Corporation, Organization of Petroleum Exporting Countries, Bank of Japan Corporate Service Price Index, Consumer Price Index (CPI)

Results for FY2022 (Year ended March 31, 2023)

	FY2020	FY2021	FY2022	Year on year change (%)
Net sales (¥ billion)	1,106.4	1,151.9	1,259.8	9.40%
Business profit (¥ billion)	52.4	48.1	25.6	(22.5)
Profit ratio for the period (%)	4.6	4.0	2.2	(1.8)
Profit attributable to owners of the parent (¥ billion)	32.6	48.0	16.7	(31.4)
ROE (%)	7.8	10.5	3.4	(7.1)
ROIC (%)	5.9	5.0	2.4	(2.6)

Progress and goals under Medium-Term Management Plan 2023

Fiscal 2022 was the second year of Medium-Term Management Plan 2023. When the plan was formulated, our targets for the final year (the year ending March 2024) were consolidated net sales of ¥1,220 billion, business profit of ¥61 billion, a business profit ratio of 5.0%, ROE of 8.0% or higher, and ROIC of 6.0% or higher. However, the business environment has changed dramatically. In April 2021, the Japanese government declared a state of emergency in response to the spread of the COVID-19 pandemic, and in February 2022 it's the invasion of Ukraine began. Steep increases in the prices of raw materials, feed, and energy pushed up manufacturing costs, while consumers became more price-conscious and began to reduce spending.

Over the past two years, we have worked to achieve our targets despite this extremely challenging business environment. However, we have been forced to lower our

performance forecast and revise our targets for the fiscal year ending March 31, 2024, which is the final year of the plan. After adjusting for the easing of COVID-related restrictions, we have raised our forecast for consolidated net sales to ¥1,260 billion but lowered for business profit forecast to ¥38 billion. Based on these figures, we have reduced our forecast for the business profit ratio, ROE and ROIC to 3.0%, 4.6% and 3.5% respectively.

New businesses with future potential have started to emerge in this environment. For example, we have developed *Gras Foie*, a new style of foie gras made from chicken livers. This will be the inaugural product for our newly created Sustainable Business segment and will provide the impetus for the roll-out of other new businesses.

The following charts provide a breakdown of our business profit plan for the fiscal year ending March 2024, together with priority strategies for each segment.

Numerical targets for FY2023 (Year ending March 2024)

Consolidated	Year ending March 2024	Year on year change (%)
Net sales (¥ billion)	1,260.0	0.0%
Business profit (¥ billion)	38.0	12.4
Profit for the period before income taxes, etc. (¥ billions)	34.0	11.8
Profit attributable to owners of the parent (¥ billions)	23.0	6.3
ROE (%)	4.6	1.2%
ROIC (%)	3.5	1.1%

Business profit by segment (¥ billions)	Year ending March 2024	Year on year increase (decrease)
● Processed Foods Business Division	6.5	1.5
● Fresh Meats Business Division	32.0	2.9
● Overseas Business Division	1.7	6.7
● Ballpark and Other Business	1.5	2.0
Eliminations and adjustments	(3.7)	(0.7)
Total	38.0	12.4

Priority strategies by segment

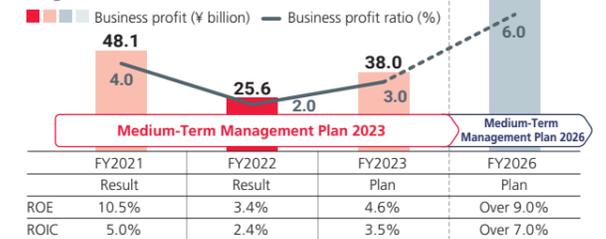
Our first step is to restore our earning power by enhancing our strengths and transforming our systems.

<p>Processed Foods Business Division</p> <ul style="list-style-type: none"> Comprehensive revival of three major brands (see P.34) Restoration of earning power through enhancement of marketing capabilities Cost minimization through KPI enhancement 	<p>Overseas Business Division</p> <ul style="list-style-type: none"> Increased focus on North American processed food business, expansion of sales Actions to address unprofitable businesses Profit recovery through the reduction of volatility in Australia
<p>Fresh Meats Business Division</p> <ul style="list-style-type: none"> Profitable expansion of our share of the fresh meats market through enhanced Nippon Food sales activities Enhancement of procurement systems for imported fresh meats Profit expansion through external co-creation activities 	<p>Ballpark and Other Business</p> <ul style="list-style-type: none"> New business initiatives following the opening of Hokkaido Ballpark F Village Co-creation and shared prosperity with local communities and society as a whole through food and sports Full-scale start-up of D2C business, new business initiatives Accelerated roll-out of sustainable businesses and products

Targets for FY2026 (Year ending March 2027)

The medium-term management plans announced in May 2021 were initially positioned as Medium-Term Management Plans 2023 and 2026, which together cover a six-year period. We also disclosed our targets for the fiscal year ending March 2027. These targets have not been changed, but when we formulate our next medium-term management plan in the coming fiscal year, we will announce targets that reflect subsequent changes in the business environment.

Results and forecasts for management targets and indicators



Strategic direction going forward

Transitioning to a new stage

Under the next medium-term management plan, we will take up the challenge of transitioning to a new stage through business mix optimization and the enhancement of management quality.

The keys to the structural reforms and growth strategies through which we will work to build an optimal business mix are management integration from a company-wide perspective, and a shift away from our self-sufficiency philosophy.

Our structural reforms have focused on the development of optimal production structures for our core businesses, and the centralization of production sites for our domestic pig business and flagship processed food brands. While implementing these changes, we are also optimizing our product mixes for ham and sausages and processed foods. Our initiatives to address unprofitable businesses have begun in the Overseas Business Division, but we are also considering company-wide measures. Additionally, we aim to integrate our marketing and logistics functions by leveraging the resources of the Fresh Meats Business Division and Processed Foods Business Division, leading to further strengthening of our business operations.

Our growth strategies call for the identification of growth areas from a company-wide perspective, so that we can make optimal use of our finite management resources through intensive investment. At the same time, we will work to maximize customer value through the enhancement of our marketing activities.

One of our challenges as we transition to a new stage will be a shift away from self-sufficiency philosophy. We also aim to make more active use of external knowledge. In addition to building co-creation relationships with external

partners, we will work to create new businesses through the combination of our existing resources with new knowledge gained through these relationships.

We see capital efficiency and governance as our main priorities in relation to management quality enhancement. We will work to enhance and accelerate our management processes by adopting ROIC management, and by training and recruiting reform-minded management personnel.

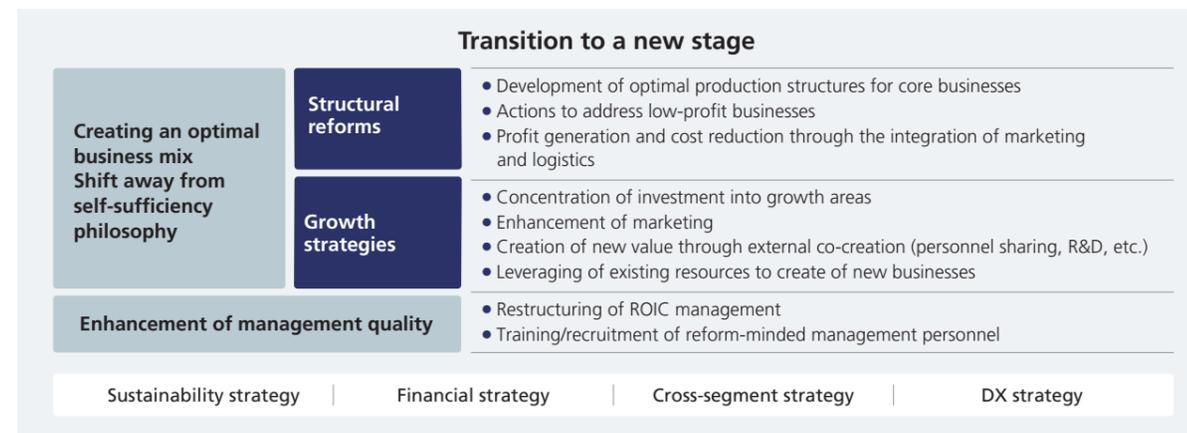
Achieving sustainable growth

The goal of our sustainability strategy is to enhance our business sustainability by concentrating our resources toward priority issues as a company engaged in livestock farming. We will combine our business strategies with initiatives to address these issues.

First, we will carry out research aimed at reducing livestock-derived greenhouse gas emissions. We will also work to address animal welfare and achieve carbon neutrality at our farms. In addition, we will work to ensure stable supplies of protein through R&D activities focusing on new types of protein, such as protein derived from plants and malt, and cellular foods.

Maximization of benefits, despite delays caused by planning changes

The benefits achieved through the development of the *Connect* company-wide core system under our digital transformation strategy are likely to be delayed by planning changes. We will continue our efforts to maximize the benefits of this initiative. We will leverage infrastructure sharing, which is one of the benefits of the new system, to facilitate cross-segment collaboration and the creation of new business opportunities.



ROIC management policies

ROIC tree trends



Policies for the fiscal year ended March 2023



Road to 2023.2026

Detailed information can be found on our website.
Measuring Progress (Measures and indicators of materialities)



Progress on materialities (FY2022)

The Five Materialities (key issues) that we identified in February 2021 are areas selected by the NH Foods Group for prioritized efforts to address social issues under Vision2030.

We are working on initiatives based on policies and

indicators for our efforts to contribute to the creation of a sustainable society through the achievement of our goals for the Five Materialities. The following report on progress in fiscal 2022 focuses mainly on our quantitative targets.

Stable procurement and supply of proteins



Measure and indicators	FY2022 results
Promote sustainable procurement	<ul style="list-style-type: none"> Dissemination of policies to 100% of important primary suppliers of policies and implementation of SAQ by FY2030 Dissemination of policies to important secondary suppliers, implementation of SAQ*1.
Promote initiatives that take animal welfare into consideration	<ul style="list-style-type: none"> Elimination of gestation crates for pigs on all farms in Japan*2 by FY2030 Installation of drinking water facilities in lairage pens for cattle and pigs at all meat processing plants in Japan*2 by FY2023 Installation of cameras on all farms and meat processing plants in Japan*2 to ensure environmental quality by FY2024
Expand sales of plant-derived protein products	<ul style="list-style-type: none"> FY2030 shipment value: ¥10 billion
Promote acquisition of third-party certification. (FSSC22000, SQF, BRC, JFS, etc.)	<ul style="list-style-type: none"> Number of third-party certifications acquired: 130
Develop human resources through specialized technical certification and other training	<p>FY2030 cumulative targets</p> <ul style="list-style-type: none"> Number of employees who have completed elearning: 67,000 Number of employees who have completed basic technical training: 2,400 Number of employees who have newly passed as certified experts: 90 Food labeling examination (intermediate): 760 Food labeling examination (advanced): 90 <p>FY2022 cumulative results</p> <ul style="list-style-type: none"> Number of employees who have completed e-learning: 43,801 Number of employees who have completed basic technical training: 1,861 Number of employees who have newly passed as certified experts: 64 Food labeling examination (intermediate): 618 Food labeling examination (advanced): 55

*1 SAQ: Self-Assessment Questionnaire

*2 Companies in which the NH Foods Group owns a majority of equity

Food diversification and health



Measure and indicators	FY2022 results
Expand our lineup of food allergy-related products and raise awareness	<ul style="list-style-type: none"> FY2030 shipment value: ¥4 billion
Research and commercialize new ingredients for improving cognitive function	<ul style="list-style-type: none"> Supply the equivalent of 3 million meals per year by FY2026
Develop products that contribute to health (e.g., low-salt, zero-sugar products)	<ul style="list-style-type: none"> Shipment value: ¥9.54 billion (105.0% that of the previous year) Number of products for health-conscious consumers: 115 items (109.0% that of the previous year)

Contributing to a sustainable environment



Measure and indicators	FY2022 results
Reduce CO ₂ emissions from fossil fuels	<ul style="list-style-type: none"> Reduce by at least 46% in Japan by FY2030 compared to FY2013 Reduce by at least 24% overseas by FY2030 compared to FY2021
Reduce waste emissions in Japan*1	<ul style="list-style-type: none"> FY2030 target of 5% per production unit compared to FY2019
Improve the waste recycling rate in Japan	<ul style="list-style-type: none"> Achieve a waste recycling rate of at least 92% by FY2030
Reduce water consumption*2	<ul style="list-style-type: none"> Japan: FY2030 target of 5% per production unit compared to FY2019 Overseas: FY2030 target of 5% per production unit compared to FY2021
Switch to certified palm oil	<ul style="list-style-type: none"> Use 100% RSPO-certified palm oil by FY2030 (including book & claim)

*1 Waste discharges at NH Foods Group manufacturing factories in Japan

*2 Water consumption at NH Foods Group manufacturing factories in Japan and overseas

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



Measure and indicators	FY2022 results
Promote activities for co-creation with local communities through sports (Hokkaido Ballpark F Village, sports/food education classes, etc.)	<ul style="list-style-type: none"> Number of events: 36 Number of in-house participants: 7,797 Activity cost: ¥519,347,000
Promote community contribution activities, including cultural activities (cooperation and clean-up activities for local events, etc.)	<ul style="list-style-type: none"> Number of events: 1,508 Number of in-house participants: 16,411 Activity cost: ¥36,494,000
Promote social welfare activities through food (supply of food to food banks and <i>Kodomo Shokudo</i> (children's dining rooms), etc.)	<ul style="list-style-type: none"> Number of events: 249 Number of in-house participants: 2,507 Activity cost: ¥5,866,000
Support the development of the next generation through food and dietary education, etc. (classroom lessons by visiting instructors, career development support, food preparation workshops, etc.)	<ul style="list-style-type: none"> Number of events: 191 Number of in-house participants: 3,654 Activity cost: ¥42,111,000

Employee development and respect for diversity



Measure and indicators	FY2022 results
Improvement of work motivation	<ul style="list-style-type: none"> Percentage of positive responses to employee surveys: 67.1%
Fostering an organizational culture in which people can take up new challenges	<ul style="list-style-type: none"> Percentage of positive responses to employee surveys: 66.8%
Promote active participation by women	<ul style="list-style-type: none"> Percentage of women in management positions: 20% or more by FY2030*1
Promote employment of people with disabilities	<ul style="list-style-type: none"> Employment rate of people with disabilities: 2.3% or more by FY2030, maintain it thereafter*1,2
Reduce total working hours	<ul style="list-style-type: none"> Total working hours: 1,870 or less by FY2030*1 Overtime hours: 200 or less by FY2030*1
Mental and physical health	<ul style="list-style-type: none"> Health checkup reexamination rate: 100% by FY2030*1 Smoking rate: 12% or less by FY2030*1 Stress check coverage: 100% by FY2030, maintain it thereafter*1

*1 The statistics relate to NH Foods Ltd.

*2 Targets to be adjusted as necessary in line with changes in the law