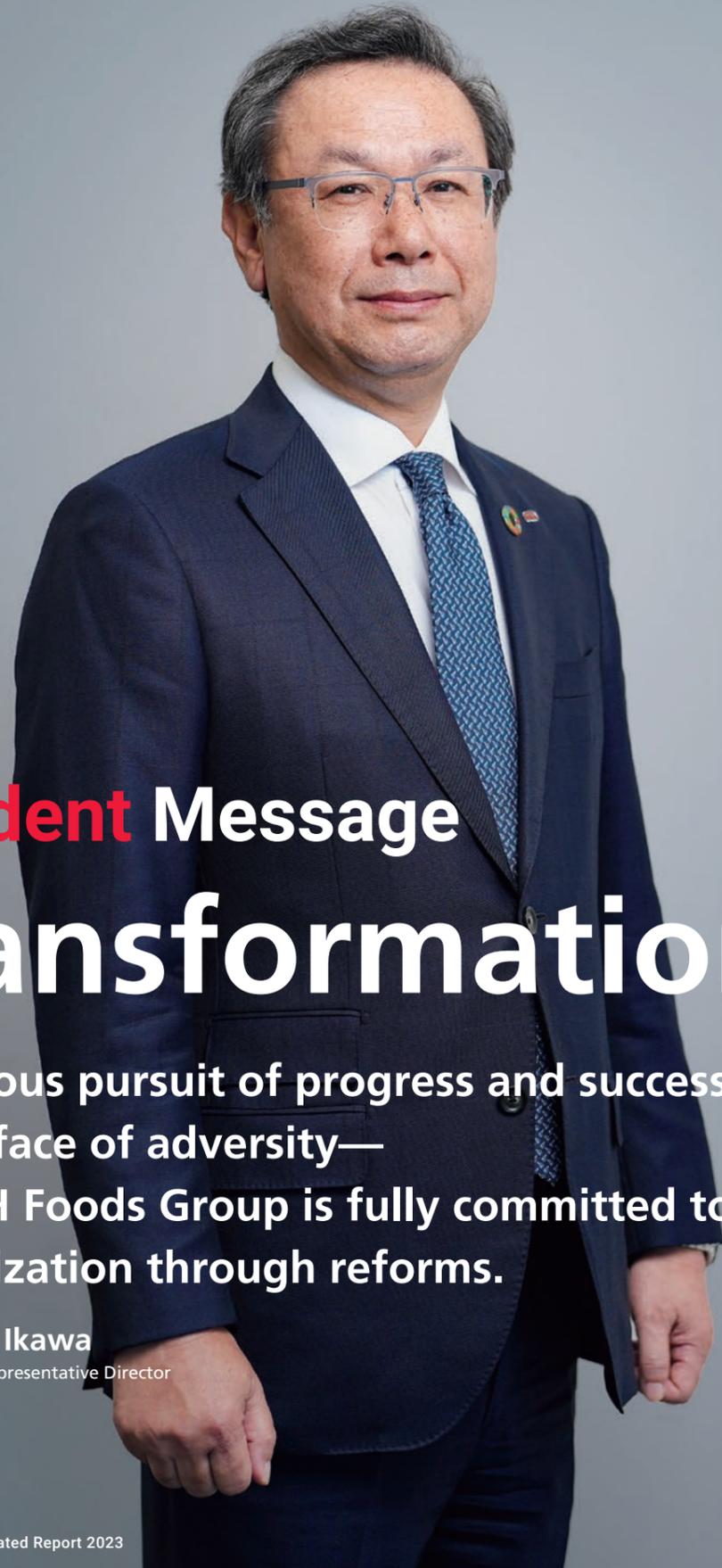


A message from the management



President Message Transformation—

Tenacious pursuit of progress and success in the face of adversity—
The NH Foods Group is fully committed to revitalization through reforms.

Nobuhisa Ikawa
President and Representative Director

In addition to its livestock-related business in Japan and overseas, the NH Foods Group is also developing business activities centered on products made from animal-derived protein, such as processed foods, cheese, and yogurt. Protein, a bounty of nature, is essential to human life. As a supplier of protein, the NH Foods Group has a mission to help people to enjoy happy and healthy lifestyles by delivering the *Joy of Eating* through our products.

The history of NH Foods Group began in 1942 with the founding of the Tokushima Meat Processing Plant in

the city of Tokushima by Yoshinori Okoso. Okoso overcame many challenges, including the destruction of his factory during the war, and dwindling sales during repeated economic downturns. His philosophy can be summed up in the phrase “*tenacious pursuit of progress and success in the face of adversity.*” I have taken these words to heart as a core philosophy that will enable us to overcome the challenges of a harsh business environment and reinvigorate the NH Foods Group through a total commitment to reform.

We accept the fact that we were unable to adapt to dramatic changes in the external environment. Going forward, we will work with a sense of crisis to transform the NH Foods Group.

At ¥25.6 billion, our business profit for the fiscal year ended March 2023 (fiscal 2022) was 46.8% lower than the previous fiscal year. We take this significant decline extremely seriously, even though it resulted from the combined impact of multiple external factors.

Our stock price has also remained weak due to this steep downturn in our business performance, while our price to book value ratio (PBR) was 0.8 as of March 31, 2023. We are deeply concerned about these results, and we are determined to achieve a business recovery and a transition to sustainable growth by accelerating our structural reforms.

In fiscal 2022, we responded to a sudden increase in raw material prices through price adjustments. However, our inability to predict changes in consumer needs prevented us from responding quickly enough to demand shifts. There was a significant decline in profit from imported fresh meats due to customs clearance delays caused by the late arrival of vessels, which had been a problem since the previous fiscal year, as well as delays in our response to demand fluctuations linked to the COVID-19 pandemic. However, we were able to take steps to minimize the loss

recorded by our Australian business due to soaring cattle prices and a slump in the Chinese market.

Starting in the current fiscal year, we aim to ensure timely adaptation to environmental changes by monitoring progress toward each business division’s principle KPIs at monthly management committee meetings. We have also established a system whereby all members of the Management Strategy Committee consider measures to address progress delays. We are now working under this structure to achieve a V-shaped recovery.

However, I believe that we also need to accelerate our adaptation to environmental changes through efforts to enhance the Group’s social value. One of the NH Food Group’s materialities is the stable procurement and supply of proteins. As a business group that is involved in the livestock industry, both in Japan and overseas, we see our efforts in this area as a way to address social issues through our business activities. We will also continue our efforts toward a transformation that will improve the sustainability of the livestock industry as a vital source of protein as the power of life. Our markets are being transformed by accelerating and increasingly diverse

Results for the fiscal years ended March 2022 and March 2023, plans for the fiscal year ending March 2024

	FY2021 (Result)	FY2022 (Initial estimate)	FY2022 (Result)	FY2023 (Plan)	FY2023 (Medium-Term Management Plan 2023)
Net sales	¥1,151.9 billion	¥1,240.0 billion	¥1,259.8 billion	¥1,260.0 billion	¥1,220.0 billion
Business profit	¥48.1 billion	¥46.0 billion	¥25.6 billion	¥38.0 billion*	¥61.0 billion
Business profit ratio	4.0 %	3.7 %	2.2 %	3.0 %	5.0 %
Net profit for the period	¥48.0 billion	¥33.0 billion	¥16.7 billion	¥23.0 billion	¥40.0 billion
ROE	10.5 %	6.7 %	3.4 %	4.6 %	8.0 %
ROIC	5.0 %	4.4 %	2.4 %	3.5 %	6.0 %

* Adjusted in May 2023

A message from the management

changes, and I do not believe that the NH Foods Group can survive simply by continuing along our present path. My mission is to share this sense of crisis throughout the

NH Foods Group, so that we can focus our total energies toward structural reforms and growth strategies that will ensure a sustainable future for the Group.

Advancing to a new phase through structural reforms

Our results for fiscal 2022, the second year of Medium-Term Management Plan 2023, diverged significantly from the targets in the plan. We are now formulating our next medium-term management plan as the blueprint for policies designed to overcome the effects of environmental changes that could not have been predicted when we formulated Medium-Term Management Plan 2023, and for our transition to a new phase.

The three-year period covered by our next medium-term management plan will be a time for intensive structural reforms and growth strategies. We will build an optimal business structure by integrating management from a Group-wide perspective, clarifying our business priorities, and concentrating management resources into growth areas. We are now assessing the outlook for

change in the external environmental, while estimating the extent to which structural reforms and growth strategies will enable us to catch up with our projections and achieve our business profit target of over ¥70 billion by FY2026, which was set at the time when our current Medium-Term Management Plan was formulated. We will soon share further details of our next medium-term management plan, which we will launch on April 1, 2024.

Fiscal 2023 will be the year in which we build the foundations needed to achieve the targets in our next medium-term management plan. Our number one priority is a profitability turnaround. We will work to enhance our strengths and implement restructuring measures with the goal of achieving business profit of ¥38 billion.

We will shift away from our self-sufficiency philosophy and take the initiative in implementing structural reforms.

Processed Foods Business Division—Stronger branding and marketing

Branding and marketing are extremely important factors in our efforts to establish a competitive advantage in the processed foods segment. In FY2022, our efforts to adjust processed food prices resulted in an extremely adverse situation because of our slow response to changes in customer needs, as well as the lack of coordinated business strategies encompassing both manufacturing and sales units.

In fiscal 2023, we have modified our structure through the establishment of the Marketing Management Division. This unit will propose and implement customer-focused brand and marketing strategies and manage earnings across the entire Processed Foods Business Division. We will accelerate the creation of an optimal production structure and a business portfolio that will maximize profit by formulating and implementing business strategies based on a bird’s-eye view of the entire processed foods business, by eliminating unprofitable products, by consolidating and modifying our manufacturing facilities, and by spreading production operations evenly across our plants.

Fresh Meats Business Division—Expansion of co-creation initiatives with external partners

Our efforts to expand the percentage of profitable sales will further enhance our existing competitive advantage in the fresh meats segment. One source of the NH Foods Group’s advantage in this area is our integrated procurement system for domestic pork and chicken. We need to strengthen that system, while also working to expand transaction volumes through external co-creation initiatives.

We are making well-balanced efforts to shift away from our self-sufficiency philosophy. By expanding our co-creation relationships with meat producers in Japan and overseas, we will strengthen our procurement systems and ensure we can respond flexibly to changes in the business environment. This will enhance our ability to earn profits efficiently even under adverse conditions.

Overseas Business Division—Reducing volatility

With world population expanding, the future growth of our business will depend on our ability to increase our overseas business ratio. One of our priorities for our overseas business operations is to reduce the volatility of business profit by increasing the percentage of processed foods in

our product mix. We will focus on the expansion of processed food sales in North America in anticipation of continued population growth.

Manufacturing capacity has been an issue for our processed food business in North America. Through our efforts to address this issue, including the expansion of our production lines in 2022, we are creating a structure capable of delivering further growth in sales. The provision of human resources will remain a priority in the areas of research and development and production management, and we will meet this need by deploying personnel from a group-wide perspective and recruiting mid-career personnel.

We are working to improve profit margins for our Australian business through branding based on the advantages of Australian beef, and the expansion of our sales channels in North American markets. It is becoming increasingly important to assess products and brand values from the perspectives of environmental protection and sustainability. For that reason, I believe that we need to create new value through products that reflect current needs, such as high-quality grass-fed beef.

Cross-segment synergies

I referred earlier to management integration from a Group-wide perspective. One of our objectives is to realize business synergies by cross-linking the strategies of business divisions that have previously worked independently.

In the past, the market for fresh meats in Japan has expanded steadily in step with the growth of per-capita consumption. Our business model has traditionally been based on the creation of our own integrated value chains from production through to sales. This approach was suitable for an era of market growth and provided a driving force that allowed us to produce ample profit. However, the domestic markets for fresh meats, ham, and sausage

products are now either static or shrinking because of Japan’s population decline, and it is clear that we will not be able to achieve growth unless we address these changes in the business environment and adopt strategies that reflect market trends. To expand our earnings, we need to develop new business, strengthen and modify our value chains, develop new markets and differentiate ourselves from our competitors.

A sense of crisis engendered by this situation led us to establish the Business Development & Strategy Division in fiscal 2023. This new unit is working to build new strengths for the NH Foods Group by accelerating cross-segment initiatives for the processed foods and fresh meats businesses. Examples include the roll-out of integrated marketing and distribution policies, and collaboration between our overseas and domestic businesses on exporting and market development. In addition, a sales company affiliated to the Fresh Meats Business Division has started to market general consumer products supplied by the Processed Foods Business Division under one of our group-wide digital transformation (DX) strategies. We will accelerate our transformation by actively launching initiatives to deliver profit from a group-wide perspective, in addition to the business strategies of individual business divisions.

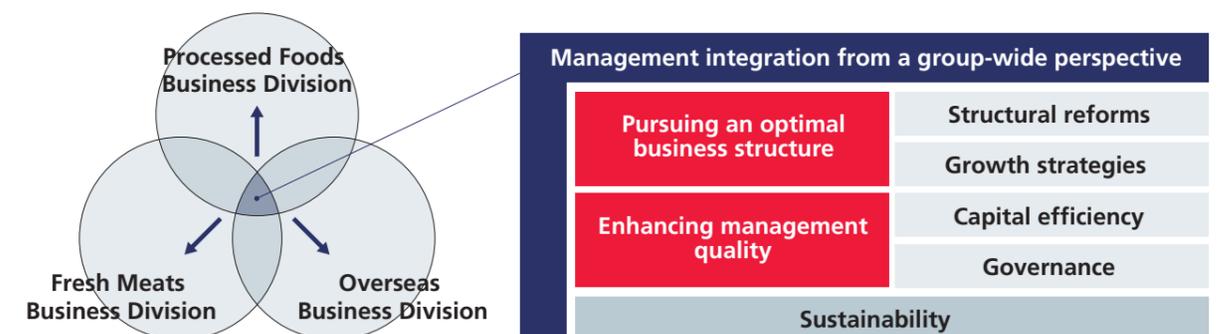
Accelerating our expansion into new business areas

Another focus for the NH Foods Group is the development of a direct-to-consumer (D2C) business. These efforts are being spearheaded by the New Business Promotion Department, which was established under Medium-Term Management Plan 2023.

The theme for Vision2030 is to “unleash new potentials for protein.” Under this vision, our goals for 2030 are to develop reliable supply systems backed by environmentally and socially responsible business processes, and to support

Our vision for the NH Foods Group

Advancing to a new stage through management integration from a group-wide perspective, and the improvement of earning power



A message from the management

the diversification of diets so that people can enjoy food with greater freedom. With consumer needs becoming increasingly diverse, we anticipate that a growing number of people will seek products that reflect their own special preferences, rather than products that everyone buys. As our first step toward

addressing this need, we have established Meatful as a D2C business offering diversified food options. We also see the D2C business as an important business segment and as contact point that will allow us to capture consumer information and enhance the accuracy of our marketing activities.

Our greatest priority—The reliable procurement and supply of protein

Our most important social priority is the stable procurement and supply of protein. I believe that our efforts to achieve this goal also contribute to mental and physical health and help people to experience the *Joy of Eating*, thereby realizing our corporate philosophy and enhancing our corporate value.

with other nations for the procurement of proteins due to purchasing power shrinkage. We will ensure reliability of supply by using our livestock operations in Japan and overseas as a platform for deepening our relationships with existing suppliers, while at the same time diversifying our sources.

To ensure the stable procurement and supply of protein for an expanding world population, we need to maintain reliable supplies of existing protein products, especially processed foods and fresh meats, while also developing and commercializing new forms of protein that can be used as alternatives for these existing products.

New forms of protein are expected to play an important role in the future. The NH Foods Group is engaged in research focusing on cellular foods (cultured meat) and malt protein. Evidence that we are making real progress on our research relating to cellular foods includes our success in reducing the cost of culture media. However, we anticipate that it will take time to implement the regulatory changes required to introduce these products in Japan. In the meantime, we will accelerate our efforts to commercialize malt-derived protein.

Feed grain harvests are expected to stagnate because of climate change and other factors. This could lead to a situation in which it will not be possible to supply sufficient protein to meet expanding world demand. There could also be situations in which Japan becomes unable to compete

The NH Foods approach to sustainability

The NH Foods Group is determined to contribute to the realization of a sustainable society through wide-ranging initiatives. Because of our involvement in the livestock business, we regard animal welfare and the reduction of livestock-derived GHG emissions as particular priorities.

understanding about the importance of sustainability. We are also committed to co-creation and shared prosperity with local communities. We have multiple meat production and processing sites and processed food manufacturing facilities in Hokkaido, and if sales offices are included, around 20% of our total network of business sites are concentrated in that region. We are also engaged in co-creation projects that build on our relationships with communities in Hokkaido. In March 2023, we opened the Hokkaido Ballpark F Village complex, which includes the new ballpark built for the Hokkaido Nippon-Ham Fighters. This facility will be a hub for new co-creation initiatives.

Currently we produce and raise 75 million chickens, 600,000 pigs, and 100,000 cattle each year in Japan and overseas. We are one of only a few food manufacturers to develop a major involvement in the livestock industry on this level.

I see the provision of increased personal growth opportunities for our employees as an essential part of our contribution to sustainability. Our corporate philosophy states that NH Foods should be a place where employees can feel truly happy and fulfilled. We believe that employees who are able to reach their full potential can achieve personal growth and contribute to society. In line with our commitment

We have only just begun to work toward the solution of livestock-related issues, and there is a limit to what we can achieve through our own efforts alone. For that reason, we are working to find solutions through co-creation with stakeholders in the livestock industry and other areas. Initiatives include joint research and the development of animal welfare systems through industry-academia collaboration.

In addition, we are contributing to the creation of a sustainable society by raising public awareness and

to the development of human resources who can take the NH Foods Group forward through every difficulty, we are

also working to create a corporate culture in which people can take up challenges without fear of failure.

I am determined to channel our total energies into reforms that will enable us to use our founding philosophy and comprehensive strengths as our value structure, so that we can turn challenges into opportunities.

To overcome unprecedented challenges in a rapidly changing business environment and maintain growth over the next 10 or 20 years, we absolutely must go back to our beginnings and reaffirm the principles and foundations on which the NH Foods Group was built. That founding spirit will be our foundation as we rethink our approach to growth and contribution to society.

our next medium-term management plan, we will need to reassess our significance to society and what we need to do in a rapidly changing and increasingly unpredictable environment. At the same time, we will continue to implement reforms that allow us to achieve our goals.

Our founder expanded our businesses and business facilities in order to supply protein derived from the bounties of nature to all parts of Japan. NH Foods started with ham and sausages but ultimately diversified into other types of products, such as fresh meats, processed foods, cheese and yogurt. I believe that the tenacity and comprehensive strengths that enabled NH Foods to turn its ideals into reality and continually supply people with protein form our foundations and value structure.

As I have said many times, the key to fundamental reform is integration from a company-wide perspective. We are transitioning to a structure under which there is close communication among myself, as President, our business divisions, and our corporate units, as we consider our future vision and short- and medium-term policies, and in which all decisions are immediately reflected in the operations of our businesses. In addition to our efforts to realize our business strategies, we will also enhance the achievability of those strategies by ensuring that every individual employee understands and takes ownership of our policies.

Vision2030 is a statement of our aspirations for the NH Foods Group in 2030, as expressed in the words “Unleash new potentials for protein.” It is also a message to our stakeholders. This vision combines the value structure that enabled us to build a diverse range of products and businesses with a commitment to work with greater freedom to provide more people with the protein that they need.

I will conclude by pledging that we will continue to work with total commitment to bring the NH Foods Group forward out of the present crisis by realizing our corporate philosophy in the spirit of “tenacity in adversity.” We look forward to the continuing support of our stakeholders.

As we work toward the realization of Vision2030 under

Nobuhisa Ikawa
President and Representative Director



The story of the NH Foods Group

History

Creating value as a supplier of protein

The history of the NH Foods Group began in 1942 with the founding of the Tokushima Meat Processing Plant. Since that time, we have responded to food-related priorities and needs by supplying high-quality protein through a wide variety of protein-rich products, with the aim of enhancing the health and strength of the Japanese people. Today our food-related business domains include fresh meats, processed foods, dairy products, seafood, and extracts.

1966

Our first consumer brand

Our first consumer brand was *Winnie*. At the time, some wieners were tough due to the inconsistent quality of sheep casings. Our concept was to contribute to the health of children and young people by supplying high-quality protein in a readily enjoyable form. The decision to name the product *Winnie* was a departure from the prevailing pattern of naming processed meat products after the company that manufactured them. The popularity and growth of the product exceeded all expectations.



The *Winnie* consumer brand

1968

The start of the chicken farming business

Our vertical integration system is the key to the NH Foods Group's ability to supply safe, high-quality meats reliably. The livestock 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 Nippon Clean Farm both boast the highest production volumes in Japan.

1971

Entered the processed foods business

1973

Established Nippon-Ham Fighters Baseball Club Co., Ltd.

1981
Expansion into seafood processing business

1985

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

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.

1992

Expansion into dairy products business

1988

Implemented integration system in Australia

1977

Start of overseas business expansion

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 meats 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.



The Whyalla Feedlot

1997

Launch allergen-free products

In 1996 we began to carry out research into allergen-free products in response to frequent calls to our consumer helpline from desperate parents seeking the development of products that could be consumed safely by children with food allergies. Since launching the *Apilight* range in 1997, we have expanded the variety of products while also prioritizing test kit development and the dissemination of information. Our continuing challenge is to create products that can be consumed safely by people who cannot tolerate milk, eggs, soybeans, and other ingredients.



Apilight

2006

Launch of the *Utsukushi-no-Kuni* range of gift products

We leveraged the advantages of vertical integration system to create the *Utsukushi-no-Kuni* range of high-quality ham gifts made from pigs raised at the NH Food Group's own farms in Japan. This product range has continued to evolve and expand as our main gift brand. In fiscal 2023, we updated the brand to create the Hokkaido Premium *Utsukushi-no-Kuni* range of products made from Hokkaido pork.

2003

Establishment of the Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. Relocation of home ground from Tokyo to Hokkaido

2002

Launch of the *Sakurahime* range as a Japanese-produced chicken brand



Discovery of a beef mislabeling problem within the NH Foods Group, resulting in the enhancement of compliance systems and governance

2021

Formulation of Vision2030—"Unleash new potentials for protein"

Unleash new potentials for protein NH Foods Group Vision 2030

2020

Responding to expanding demand for diversified protein products

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. We are also pursuing R&D relating to cultured meats. Our focus now is the establishment of reliable supply capacity for cultured meats. We are also helping to ensure reliable supplies of protein by building a sustainable future for livestock farming. For example, in 2018 we launched a project to develop smart pig farming systems based on AI and the IoT.



NatuMeat

Net sales

¥1,259.8 billion

(FY2022)

2022

Sale of the Marine Foods Corporation shares

Total market value

¥393.1 billion

(As of March 31, 2023)

[Graph] Net sales

[Graph] Total market value

1942
Establishment

1940-	1970-	1990-	2000-	2010-	2020-
Supply of quality protein amid the food shortages of the postwar era	Contribution to the evolution of new food culture through expansion into new food categories and overseas markets	Expansion of product lineup in step with lifestyle diversification	Commitment to being No. 1 in quality as a response to issues identified following a scandal involving the mislabeling of beef	Creation of new paths to the future of food through the introduction of high-added-value products	Focus on the future of food 10–20 years into the future
Social environment					
<ul style="list-style-type: none"> •Rapid economic growth •Westernization of the Japanese diet 	<ul style="list-style-type: none"> •Shift to nuclear family lifestyle •Growth of the restaurant industry •Liberalization of pork imports •Shift of women into the paid work force 	<ul style="list-style-type: none"> •Liberalization of imports of beef and oranges •Growth of the ready-made meal market 	<ul style="list-style-type: none"> •Growing consumer pressure for improved food safety and reliability •Japan's first BSE outbreak 	<ul style="list-style-type: none"> •UN Sustainable Development Summit •Signing of the Paris Agreement 	<ul style="list-style-type: none"> •COVID-19 pandemic •Worldwide lockdowns •Soaring energy and resource prices due to the invasion of Ukraine

Our Corporate Philosophies & Vision2030

Our Corporate Philosophies & Vision2030

We have adopted the "Joy of Eating" as part of our corporate philosophy and as a core theme for the business activities of the NH Foods Group. These words express our commitment to sharing the excitement of delicious flavors and the joy of good health through food. We believe that these experiences are foundational for human happiness. Our continuing mission to share the "Joy of Eating" is embodied in the NH Foods Vision2030, under which we have started to take up new challenges that will unleash new potentials for protein in a new era.

The Vision2030 commitment

Protein makes up one-fifth of the human body and is essential for life. Throughout its history, the NH Foods Group has dedicated itself to the reliable supply of this vital food. Looking ahead, global population growth and climate change are expected to lead to a widening gap between protein supply and demand. Our goal under Vision2030 is to fulfill our mission as one of Japan's leading suppliers of protein and a key component in Japan's food infrastructure by maintaining reliable supplies of protein in this changing environment, while also acting responsibly toward the environment and society.

Lifestyles are changing in various ways, leading to continuing diversification of food needs. We will respond to these needs by adding new values to our traditional commitment to supplying products that are safe, dependable, and delicious. We will do this by creating diverse options that allow people to select and enjoy food freely, while benefiting from the physical and mental health potential of protein.

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.

NH Foods Group Vision2030



Unleash new potentials for protein NH Foods Group Vision 2030

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

We will endeavor to create diverse dietary lifestyles so people can experience the "Joy of Eating" more freely, while ensuring a stable supply of food with respect to the environment and society.

Nipponham Group Vision2030



Protein and the NH Foods Group



A leading supplier of protein in Japan

The NH Foods Group was founded to manufacture ham and sausages from the bounties of nature. Since then, we have expanded our activities to include processed foods, processed marine products, lactic acid drinks, and dairy products. In the fresh meats category, we are able to supply high-quality products reliably from our own pig and chicken farming operations in Japan, as well as from our dependable partners in Japan and overseas. With a history of supplying protein in various forms for over 80 years, we are today one of Japan's leading suppliers of protein products.

	Protein intake (Per person per day)	NH Foods Group's share	Foods that include a well-balanced range of amino acids
Overall	71.4g	6.0%	Protein content (g/100g)
Animal protein	40.1g	10.6%	Beef 16.6g
Livestock-derived	27.9g	15.3%	Pork 15.6g
Meat	17.6g	23.5%	Chicken 20.7g
			Eggs 12.3g
			Milk 3.3g

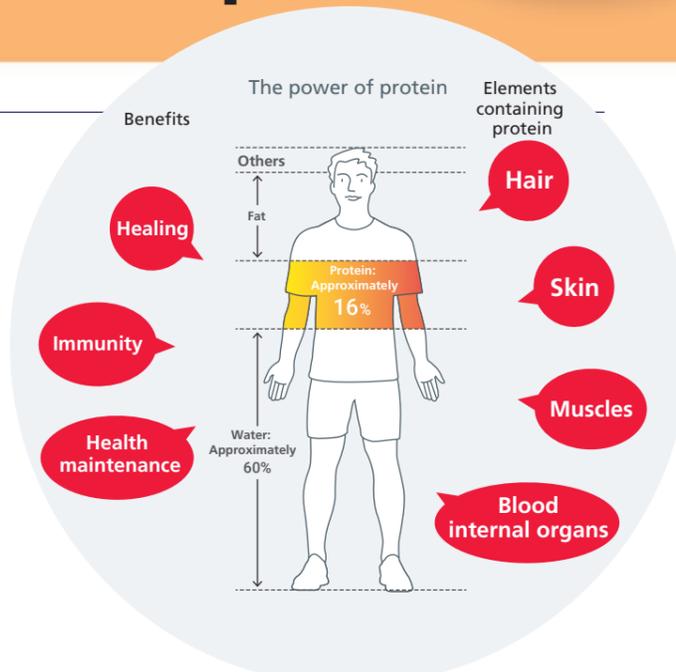
* Estimated by NH Foods from internal product volume data and various external sources, including the nutrition chart published by the Ministry of Education, Culture, Sports, Science and Technology in 2019, and results from the National Health and Nutrition Survey conducted by the Ministry of Health, Labour and Welfare in 2019

1 Protein and physical health

Essential nutritional elements making up 20% of the human body

Proteins are substances created by linking together 20 types of amino acids. They are essential nutritional elements that make up approximately one-fifth of the human body. In such forms as cell components and collagen, proteins are building blocks for various parts of the body, including muscles, internal organs, skin, bones, and hair. Proteins are also essential for body growth and internal production of digestive enzymes and immunological substances, and hormones. Nine of the 20 types of amino acids cannot be produced internally and must be replenished through food in order for human beings to remain alive.

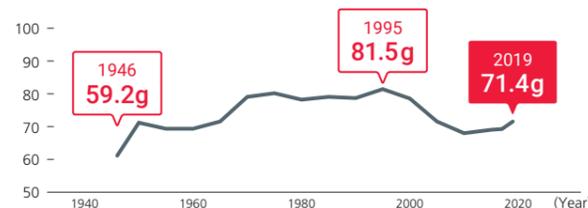
Proteins enhance the body's healing powers and immunity and stimulate the brain and other internal organs. They also help to maintain the body's balance and create a feeling of well-being. Proteins derived from animals in such forms as meat and milk are especially beneficial because of their well-balanced amino acid content.



Japanese protein intake increasing but still below target

The daily protein intake (total average) of Japanese people peaked at 81.5g per day in 1995. This level was maintained until 2000, but by 2019 it had fallen to 71.4g. According to the 2020 edition of the *Dietary Reference Intakes for Japanese* published by the Ministry of Health, Labour and Welfare, the recommended daily protein intake for people aged 18 and older is 65g for men and 50g for women. However, these are minimums, and the target amounts are higher. For example, men aged 18-29 should consume 86-133g, and women in the same age group 65-100g. There is growing interest in the role of protein intake in relation to health maintenance and enhancement.

Average daily protein intake (g)



2 Proteins and mental health

Scientists believe that neurotransmitters play an integral role in mental health. Because all 20 amino acids are needed to synthesize neurotransmitters, doctors recommend that people should combine an adequate protein intake with regular exercise. The Lifestyle Research Office of NH Foods monitors awareness and perceptions of the link between proteins and mental health through the Protein Intake

Top three foods preferred by people wishing to restore their physical and mental energy when tired

- 1st Meat 61.1%
- 2nd Confectionery, ice cream 48.3%
- 3rd Fruit 36.8%

* Extracted from results of the Protein Intake Survey Survey period: May 31-June 7, 2023 Participants: General monitors (n = 683) <https://www.nipponham.co.jp/fun/report/>

Survey. Data from this survey show that meat is ranked first as the food that people want to eat when trying to improve their health, while proteins are seen as the most important nutritional element for health improvement. These results indicate that consumers see meat and proteins as the source of health.

Top three nutritional elements sought by people wishing to restore their physical and mental energy when tired

- 1st Proteins (48%)
- 2nd Vitamins 46.5%
- 3rd Amino acids 28.5%

3 Frailty and proteins

Frailty is a condition that occurs when aging causes a gradual decline in a person's physical functions until they approach the stage of requiring care. Measures to address this issue have become an urgent priority because of the likelihood of further demographic aging in Japan. A key preventive measure from a dietary viewpoint is to ensure that people have an adequate protein intake. One of the most important sources of protein is meat, but researchers report that people tend to eat less meat as they grow older. Adequate consumption of meat is seen as an effective way to prevent frailty. For example, meat contains imidazole dipeptide, which is reported to improve the extension strength of the knees and increase the time that people can stand on one leg with their eyes open.*1

The Group has studied the relationship between meat consumption and frailty-related factors in elderly people living in general communities*2. A detailed analysis of the data showed that walking speed rose in proportion to the amount of meat consumed.

*1 Source: Mikako Sato, Kimihiko Maemura, Yoshihisa Takahata, Fumiki Morimatsu, Yuji Sato, [The Effect of Chicken Extract Consumption on Muscle Strength in Middle-aged and Elderly People], *Journal of the Japanese Society for Food Science and Technology* 59, 4, 182-185, 2012

*2 Elderly people not living in rest homes or hospitals

Industry-academia cooperation

NH Foods, Kansai Medical University, Heiwado Co., Ltd., and Koga Software Inc. have signed an agreement to conduct a Social Awareness course and a joint scientific study of food, exercise, and health with the aim of developing a model for a healthy society based on a virtuous circle of food and exercise. Between March 31 and June 30, 2023, the participants developed a program to prevent frailty in old people and hosted seminars on health improvement methods with the potential to reduce physical age by five years.

Heiwado Co., Ltd. provided highly accessible spaces in its shopping centers. Kansai Medical University provided exercise advice based on scientific knowledge. NH Foods provided advice about healthy diets. Koga Software Inc. used its healthcare digital transformation technology to provide a frailty prevention program.



Please visit the following website for detailed information. (Japanese only)



Protein and the NH Foods Group

Challenges for the NH Foods Group

World population growth, climate change, and other problems are expected to result in protein shortages. The challenges for the Group are to procure and supply protein reliably, to expand the potential of protein from the bounties of nature, and to create and provide diverse options for its consumption.

Expanding the potential of protein as a bounty of nature

The challenge of ensuring reliable supplies of protein

Challenge: Sustainable procurement Development of a co-creation network

The 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 131 company-owned farms in Japan and 20 overseas. As reliable sources of fresh meats, the farms where we produce and breed livestock form the starting point for our supply chains. We will continue to engage in co-creation with diverse partners, including collaboration at their business sites in Japan and overseas, with the aim of strengthening our reliable supply structure and ensuring sustainable production.

Challenge: Development of future generations of livestock farmers

Training of the people needed to support the future of the livestock industry

Since 2018, the Group has been providing practical training and university lectures for teaching staff and students at the Obihiro University of Agriculture and Veterinary Medicine under a comprehensive collaboration agreement signed in December 2017. The aim of this program is to contribute to the training of future generations of farmers and the development of the livestock industry.

We are helping to achieve these goals by training livestock technicians who can work internationally, by providing practical educational programs for students, and by sharing information so that research findings can be used in society.



Challenge: Reduction of farmers' workloads PIG LABO smart pig farming system

Japan's population decline is leading to increasingly serious labor shortages in the livestock industry. Pig rearing in particular involves many tasks that require experience, and the transfer of skills to future generations has become a major focus of concern. The NH Foods Group and the NTT DATA Group are addressing these issues through the joint development of PIG LABO, a pig rearing support system that utilizes AI and IoT technology. The system uses cameras and sensors placed in pig houses to monitor a variety of data related to pig rearing and can also make assessments of piglet health, estrus in sows, and other factors. In October 2022, the NH Foods Group commenced trial sales of PIG LABO Breeding Master, Japan's first AI-based estrus detection service. The launch of the service was preceded by a six-month trial program involving 900 sows. This resulted in a 1.4% improvement in the conception rate compared with assessments by human operators, and a 79% reduction in assessment workloads. By 2029 we aim to perfect a total support system covering all stages from care for breeding sows to piglet raising.



Creating Diverse Protein Products

Challenge: Responding to demand for meat substitutes NatuMeat series

As diets become more diverse, there is growing need for a wider selection of protein sources. The world market for soy protein is expected to reach ¥1.87 trillion by 2030*1. The Japanese market for soy meat is expected to expand to ¥4 billion by fiscal 2025*2.

The Group supplies products made from soybeans, which are known in Japan as *hatake no niku* ("meat from the soil"). Our extensive range of consumer and commercial soy meat products includes ham, sausages, hamburgers and other processed foods.

In March 2023 we expanded the lineup to eight products with the launch of *NATUMEAT Fishless Fried Fish Fillets* (Plant-based). This product was created by adding a seaweed-derived ingredient to soy meat (as of September 2023).



*1 Source: Kanto Regional Agricultural Administration Office website
*2 Source: Research by the JMA Research Institute Inc. (2021)

Challenge: Discovery of protein-rich foods Research and product development focusing on the use of malt as a food ingredient

The Group began to explore the potential for the development of new products based on malt. Malt has traditionally been used in the production of fermented products, including uniquely Japanese products such as *miso*, soy sauce, and *sake*. It offers excellent nutritional value, including protein and fiber levels comparable to those of soybeans, which are known as "meat from the soil," and is seen as a potential solution to future shortages of protein.

Challenge: Creation of cellular foods Research and product development relating to cellular (cultured) foods

In 2019, the NH Foods Group launched an R&D program focusing on the potential of cellular (cultured) foods as a reliable future source of animal protein.

In 2022, we succeeded in the development of a culture medium derived from food ingredients instead of blood serum. The discovery of a reliable, low-cost way to procure this essential material is an important step toward the realization of cellular foods.

Our R&D efforts are now focused on the development of production technology in preparation for large-scale culturing.

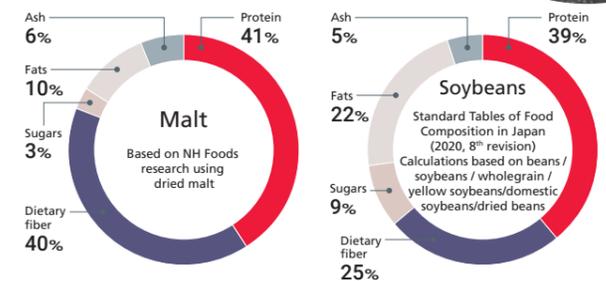
Please visit the following website for detailed information. (Japanese only)



Cell-based foods (cultured meat) produced from chicken tissue (35mm length x 25mm width x 5mm thickness)



Nutritional elements in malt and soybeans



Please visit the following website for detailed information. (Japanese only)



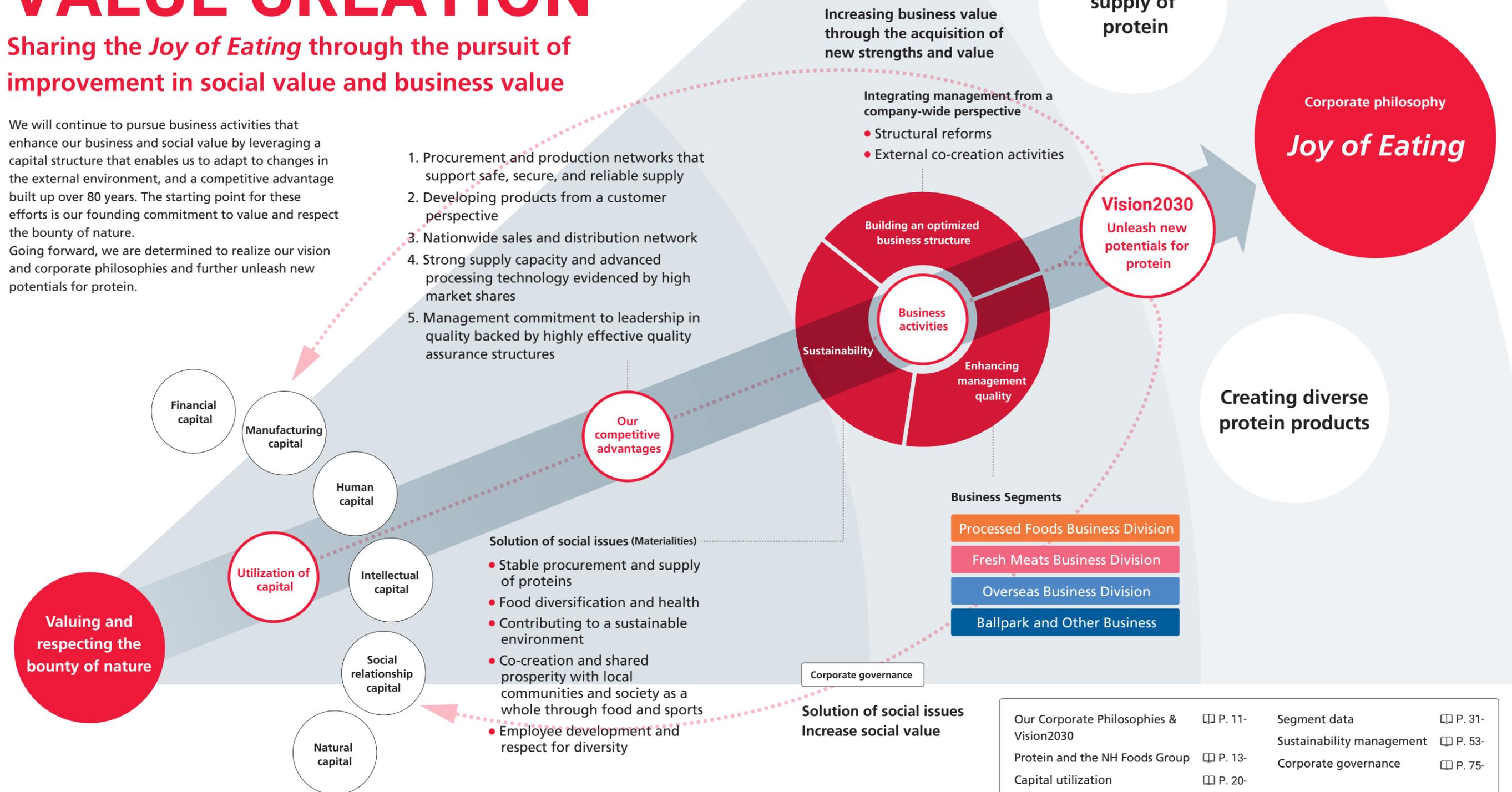
Value creation process

VALUE CREATION

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

We will continue to pursue business activities that enhance our business and social value by leveraging a capital structure that enables us to adapt to changes in the external environment, and a competitive advantage built up over 80 years. The starting point for these efforts is our founding commitment to value and respect the bounty of nature. Going forward, we are determined to realize our vision and corporate philosophies and further unleash new potentials for protein.

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 evidenced by high market shares
5. Management commitment to leadership in quality backed by highly effective quality assurance structures



External environment

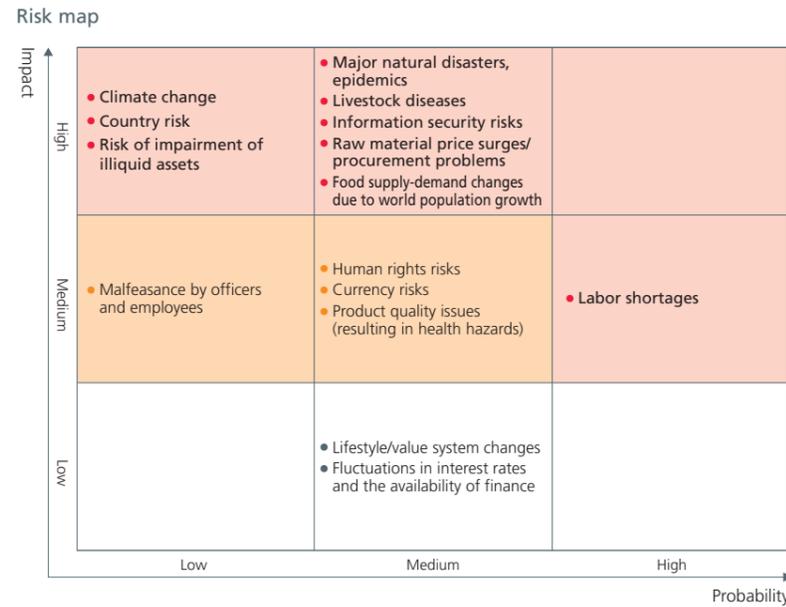
- Changes in food demand due to Japan's falling birthrate and demographic aging
- Changes in the supply-demand balance for food driven by global population growth
- Intensification of competition with other companies as trade agreements come into force
- Environmental risks, including climate change risks and water risks
- Food safety risks
- Diversification of diets due to lifestyle changes
- Global inflation due to the conflict in Ukraine
- Decrease in the number of domestic livestock farmers
- Soaring resource prices (grain, crude oil, etc.)
- Changes in consumer behavior due to the global pandemic
- Increasing focus on work style modification

Our Corporate Philosophies & Vision2030	☞ P. 11-	Segment data	☞ P. 31-
Protein and the NH Foods Group	☞ P. 13-	Sustainability management	☞ P. 53-
Capital utilization	☞ P. 20-	Corporate governance	☞ P. 75-
Progress on materialities	☞ P. 25-		

Market/industry trends and risks and opportunities

Each year the NH Foods Group formulates a risk map for use in prioritizing various risk factors and implementing countermeasures. In the risk map, risk factors are plotted along axes representing the level of impact and the probability of occurrence, based on changes in the social situation and other developments. The latest Risk Map is shown on the left.

The Risk Management Committee monitors the risk management status of group companies and addresses any risk factors that emerge. If necessary, group-wide actions are taken to address risks.



Market/Industry trends	Risks and opportunities
<p>Number of domestic livestock farmers (beef cattle, pigs, broilers)</p> <p>1970: 1,364,000 → 2022: 46,000</p> <p>Decline of approximately 97% over a 50-year period</p> <p><small>* Source: Ministry of Internal Affairs and Communications, e-Stat (portal site for official statistics of Japan)</small></p>	<p>Opportunity</p> <p>We are developing pig management technology based on the IoT and AI as part of our R&D efforts toward sustainable livestock farming. By packaging our expertise into a commercial product designed to support pig farmers, we aim to secure the future of livestock farming in Japan while contributing to growth.</p>
<p>Chicken prices</p> <p>Chicken thighs March 2019: ¥611/kg → March 2023: ¥713/kg Rise of approximately 17% over a five-year period</p> <p>Chicken breasts March 2019: ¥282/kg → March 2023: ¥377/kg Rise of approximately 34% over a five-year period</p> <p><small>* Source: Agriculture & Livestock Industries Corporation (ALIC)</small></p>	<p>Opportunity</p> <p>The market prices of chicken thighs and breasts have risen by 17% and 34% respectively over the past five years, thanks to firm demand from increasingly price- and health-conscious consumers. The NH Foods Group's involvement in this market begins at the production stage. We are expanding our profits by adjusting the prices of our products, including the <i>Sakurahime</i> brand of domestic chicken.</p>
<p>Compound feed</p> <p>March 2019: ¥61,910/ton → March 2023: ¥88,201/ton</p> <p>Rise of approximately 42% over a five-year period</p> <p><small>* Source: Agriculture & Livestock Industries Corporation (ALIC) (all prices calculated as simple averages)</small></p>	<p>Risk</p> <p>We are addressing sharply higher feed prices by working to reduce feed costs through the development of technology to improve feed conversion ratios. We are also engaged in joint development initiatives with feed manufacturers. In addition, we are verifying ways to ensure reliable access to feed by increasing the percentage of domestic ingredients used.</p>

Detailed information about other risk factors is included in the Annual Financial Report.

Capital utilization

The NH Foods Group uses all of the different forms of capital that it has built up during its history to create value and maintain and strengthen its competitive advantage. The following chart shows the role of each form of capital in our value chains.

Capital in our value chains

	Procurement	Development	Production and breeding	Packing and processing	Consignment and distribution	Sales and marketing
Financial capital	<ul style="list-style-type: none"> Operating cash flow: ¥11,300 million (fiscal year ended March 2023) 	<ul style="list-style-type: none"> R&D expenditure: ¥3,339 million (104% year on year) 	<ul style="list-style-type: none"> Disease prevention expenditure 	<ul style="list-style-type: none"> Capital expenditure Automation investment 	<ul style="list-style-type: none"> Environmental expenditure (reduction of logistics-related GHG emissions) 	<ul style="list-style-type: none"> Cash generation
Manufacturing capital	—	<ul style="list-style-type: none"> Research/inspection centers: 3 	<ul style="list-style-type: none"> Production/breeding sites: 151 	<ul style="list-style-type: none"> Processing and packaging sites: 87 Plant specializing in food allergy-related products (Tohoku) 	<ul style="list-style-type: none"> Distribution bases: 39 	<ul style="list-style-type: none"> Sales offices: 221
Human capital	—	<ul style="list-style-type: none"> R&D talent working on the development of new proteins 	<ul style="list-style-type: none"> Training of human resources to ensure the future of livestock farming 	<ul style="list-style-type: none"> Cumulative total of 64 quality assurance specialists*1 	<ul style="list-style-type: none"> Collaboration among group companies 	<ul style="list-style-type: none"> 24 digital transformation (DX) specialists * The number of people attending DX training courses in fiscal 2022 (training provided for selected personnel each year)
<ul style="list-style-type: none"> Enhancing the diversity of our human capital 						
Intellectual capital	<ul style="list-style-type: none"> Knowledge about the procurement of key raw materials Reliability and safety knowledge 	<ul style="list-style-type: none"> Number of patent applications: 18 (FY2021)*2 Knowledge from protein research spanning many years 	<ul style="list-style-type: none"> Specialized technology and knowledge about livestock R&D relating to use of biological resources to improve health 	<ul style="list-style-type: none"> Specialized technology and knowledge about ham and sausages Meat processing and packing technology and knowledge 	—	<ul style="list-style-type: none"> Specialized customer response skills*3 Original surveys by the Lifestyle Research Office
Social relationship capital	<ul style="list-style-type: none"> Cooperative relationships with suppliers 	<ul style="list-style-type: none"> Joint research with external partners (Kansai Medical University, the University of Tokyo, Hokkaido University, etc.) Opportunities for communication with people affected by food allergies and their families 	<ul style="list-style-type: none"> Cooperative relationships with (support for) livestock farmers 	<ul style="list-style-type: none"> Development of meat cuts and processed food products based on the needs of individual customers 	<ul style="list-style-type: none"> Reliable supply of products through our domestic and overseas logistics networks Nationwide logistics to ensure the safe distribution of products, including distribution in times of disaster 	<ul style="list-style-type: none"> Unique monitoring system (Consumer Delegate Committee) established over 50 years ago Interaction with large numbers of consumers through social media and website memberships, etc. Development of highly competitive product brands High shares of domestic fresh meat markets: 20.1% (beef: 16.2%, pork: 19.9%, chicken: 22.2%)
Natural capital	<ul style="list-style-type: none"> Reducing GHG emissions 	<ul style="list-style-type: none"> Plant-derived proteins New protein resources Key raw materials 	<ul style="list-style-type: none"> Cooling water GHG emission reduction Use of livestock waste as fuel, composting 	<ul style="list-style-type: none"> Use of by-products (bones, skin, etc.) as resources 	<ul style="list-style-type: none"> Installation of non-CFC freezers/refrigerators using natural coolants 	—

*1 In April 2023, we amended our quality policy, which now applies to services as well as products. We address quality at all stages in our value chains, from breeding and manufacturing through to sales and logistics, and we are constantly training personnel, developing technologies and creating systems for this purpose. People selected from all group companies can become specialists by acquiring advanced skills and passing special exams created by NH Foods. We maintain a cyclical approach to specialist training, whereby employees certified as specialists contribute to the development of future generations by acting as instructors for educational programs and basic and advanced training courses.

*2 We have obtained patents for various advances, including alternative meat products, and a smart pig farming system to support farmers.

*3 We have received the top three-star rating in the customer support (telephone) category of the HDI Benchmarking system in five consecutive years.

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

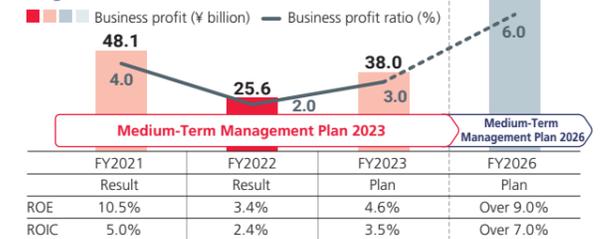
Our first step is to restore our earning power by enhancing our strengths and transforming our systems.

<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.

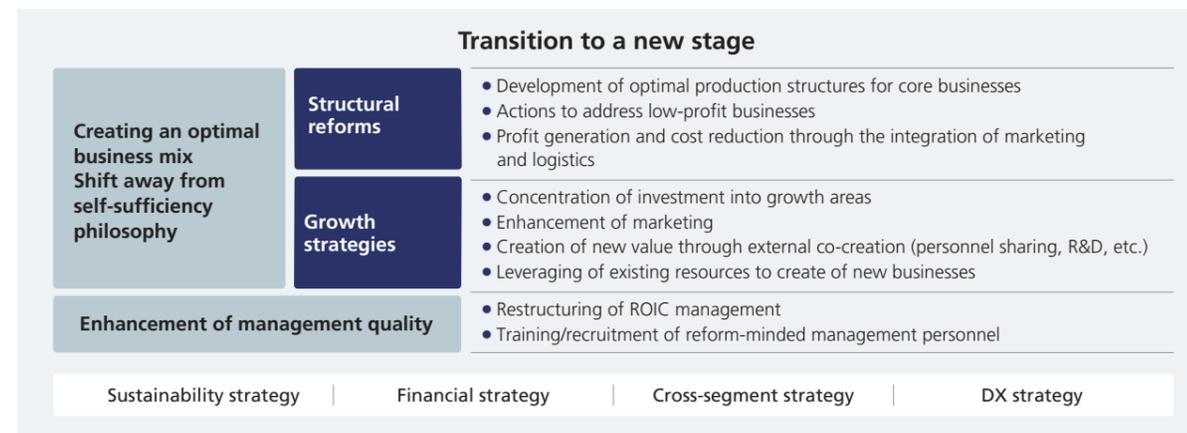
Achieving sustainable growth

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

Message from the CFO

CFO message



Our goal is to improve our corporate value by regaining the confidence of the stock market and linking our business, financial, and sustainability strategies.

Masahito Kataoka
Director and Managing Executive Officer

Financial overview of fiscal 2022

Fiscal 2022 brought dramatic changes in the external environment, such as soaring raw material costs and the sudden weakening of the yen. One serious issue was the fact that our business profit was significantly lower than predicted, necessitating repeated downward adjustment of our earnings forecasts. We addressed these issues by implementing price revisions and improving internal operations. However, the effect of these measures was significantly outweighed by fluctuations in the external environment, and there was a substantial downturn in profit.

This situation also impacted our asset and liability position, and the amounts shown in our balance sheet have been inflated by increases in raw material prices and other costs. Reduced profits and increases in working capital have meanwhile affected our cash flows, with the result that cash flows from operating activities were considerably below the level projected in our initial plan. Cash used for investing activities was lower because of a reduction in fixed asset acquisitions, but free cash flows were negative by a substantial margin. We have maintained our debt-to-equity (D/E) ratio at an appropriate level.

We see the achievement of a profit recovery as our first

and most urgent priority for fiscal 2023, which we have positioned as a year for a turnaround that will restore the confidence of the stock market.

Our financial and investment strategies

Fiscal 2023 will be the final year of Medium-Term Management Plan 2023. There will be no major changes to our financial strategy of maintaining an optimal D/E ratio. However, we will carry out a review of our capital expenditure, which is expected to reduce the three-year total for Medium-Term Management Plan 2023 to around ¥30 billion. In fiscal 2023, we will keep investment to the minimum required to maintain and update facilities through a policy of rigorous selection and focusing.

We will secure funds for cash allocations in fiscal 2023 through a major improvement in cash flows from operating activities resulting from a business profit recovery, the peak-out of working capital, and other factors. We will also repay some of our interest-bearing liabilities. On the cash out side, we will curb capital expenditure, but we anticipate an increase in cash dividends.

I will next address our policies in preparation for the next medium-term management plan. Our policy in

relation to capital expenditure will be to adjust our investment in scale expansion and growth areas to reflect priority areas under our overall business strategy. We will discuss our approach during the current fiscal year and start to execute investment in line with our strategy in the next fiscal year.

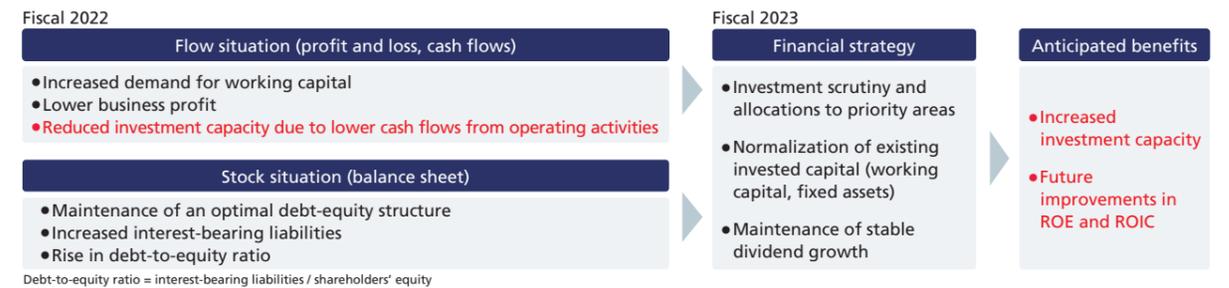
We will also review our existing assets. As part of our structural reforms, we will identify and review low-profit assets.

While recycling our assets, we will also need to strengthen our business fundamentals and improve our capital efficiency. With interest rates likely to rise, we see this as part of the normalization process after a prolonged period of abnormally low interest rates. Any rise in interest

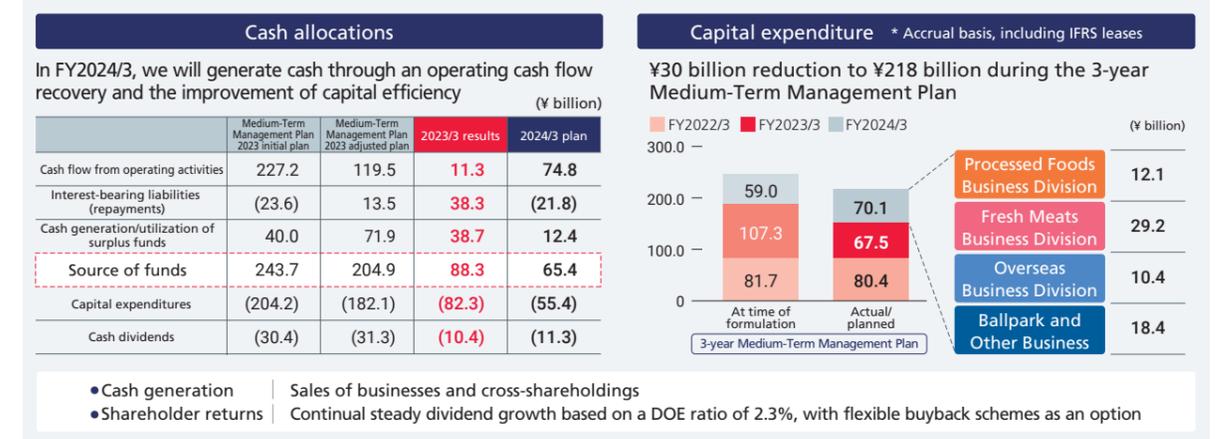
rates will also cause an increase in our weighted average cost of capital (WACC), which means that we will need to achieve returns that outweigh this increase. Until now, low margins have clearly been tolerated because of a WACC that reflected low risk-free rates. Going forward, we believe that it will be impossible to create corporate value without reflecting the possibility of future WACC increases in capital expenditure decisions.

We will keep ROIC above the WACC level by improving profitability and determining the appropriate scale of invested capital.

Key elements of our financial strategy for fiscal 2023



Cash allocation and capital expenditure in fiscal 2023 (Projection as of March 31, 2023)



Shareholder returns as part of capital policy

Shareholder returns are an important aspect of our management policy and form part of our capital policy, through which we work to achieve an optimal debt-to-equity ratio and improve our medium- to long-term corporate value.

Our goal under this policy is to maintain steady dividend growth at the level needed to achieve a dividend-on-equity (DOE) ratio of 2.3%. Because of the characteristics of our business, our net profit tends to

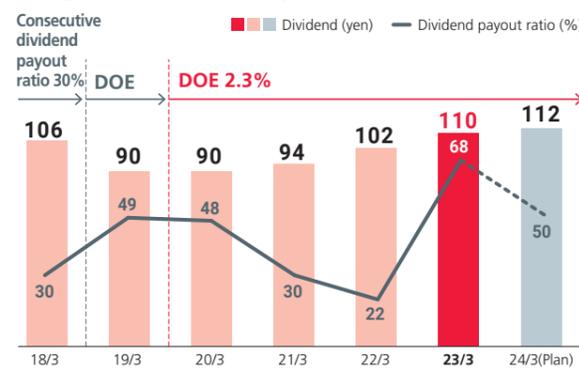
fluctuate in response to changes in the external environment, market prices, and other factors. However, shareholders' equity fluctuates more slowly, which means that we can return medium- to long-term equity growth to shareholders in the form of increased dividends. At the same time, the figure of 2.3% is not fixed, since we believe that it is also necessary to take the level of the payout ratio into consideration. Furthermore, our policy under the next medium-term management plan calls for the steady accumulation of free cash flows, which is expected to give us greater freedom in relation to cash allocations.

Message from the CFO

Our indicator for the optimal debt-equity structure is the D/E ratio, which we aim to maintain at around 0.5. Our D/E ratio was 0.49 as of March 2023 and is expected to fall to 0.46 in the fiscal year ending March 2024 because of a recovery in our business performance and the reduction of capital expenditure. Assuming that we achieve a certain level of profit growth, and that surplus dividends remain at their present level, we will need to pursue a capital policy that combines surplus dividends at the level needed to maintain an optimal debt-equity structure with share buyback programs.

Our surplus distribution in fiscal 2022 resulted in a dividend per share of ¥110, an increase of ¥8 over the previous year's figure. Based on our forecasts for fiscal 2023, we plan to increase the dividend by a further ¥2 to ¥112.

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.

Price book value ratio

Our price book value ratio (PBR) has fallen below 1.0 and reached 0.8 as of March 2023. We attribute this primarily to a major decline in business profit, and reduced growth expectations due to delays in our overseas expansion. At the same time, we also need to address our low capital efficiency.

We take the market's appraisal very seriously. We will work to restore our business performance through short-term measures, while also linking our financial and business strategies. The achievement of our performance forecasts for the current fiscal year will be our most important priority.

In the medium- to long-term perspective, we believe that it will be necessary to create a roadmap for improving efficiency indicators, such as ROE and ROIC, through the improvement of business profitability and the normalization of invested capital. Our targets for the final year of Medium-Term Management Plan 2023 were ROE of 8% and ROIC of 6%. These are unlikely to be achieved because

of the decline in profitability. We will consistently apply a three-axis approach encompassing not only sales and profits, but also invested capital, and we will explore efficiency improvement scenarios for our next medium-term management plan. We will also need to implement growth strategies. We will pursue returns by identifying growth areas and strategically allocating resources. We are confident that the steady implementation of this combination of short- and medium- to long-term measures will contribute to the improvement of our share price.

Reduction of cross-shareholdings (For details, see page 89)

In 2021, we adopted a policy that, in principle, we will not maintain cross-shareholdings. In accordance with that policy, we are now engaged in sale negotiations with the individual issuers concerned. Like the NH Foods Group, other issuers are increasingly seeking to divert their management resources toward growth investment. Many have also adopted the principles set down in the Corporate Governance Code. For these reasons, the negotiations are progressing relatively smoothly, and the reduction of cross-shareholdings is generally proceeding according to plan. We will continue to negotiate with issuers.

Pursuing a sustainability strategy alongside our financial strategy

In April 2023, I was given responsibility for sustainability promotion in addition to my existing role as chief financial officer. I believe that my mission is to improve corporate value by pursuing both financial and sustainability strategies. Neither policy will yield the desired results alone, and both will need to be linked to our business strategy.

As I have already described, we will develop our financial strategy according to our business strategy. Convergence with our business strategy is also a basic feature of our sustainability strategies, and we will continue to strengthen that linkage while prioritizing measures to address risks. Environmental action will also influence our financing activities. In addition to our past financing methods, we will also consider raising funds through sustainability bond issues.

In addition to my duties as chief financial officer, I am also responsible for dialogue with investors. There are increasing opportunities for dialogue with people in the responsible investment sector. We will quickly reflect input from that dialogue in our sustainability policies.

Companies today need to work along both the

financial and non-financial axes to improve their corporate value. I believe the combination of these roles under the same officer brings benefits on both sides, since I am able to speak with authority about our policies and strategic directions in both areas when I participate in dialogue.

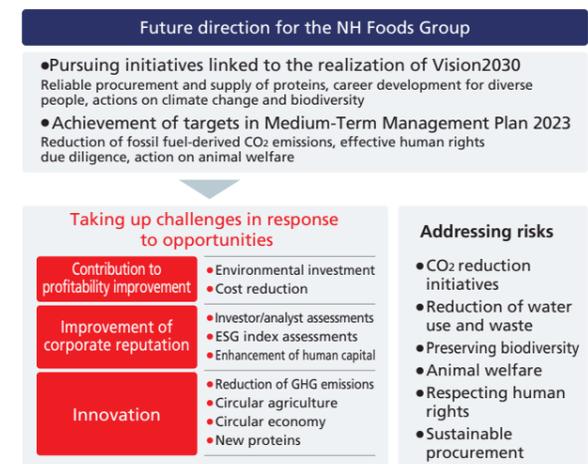
Sustainability management —current situation and policies

Sustainability initiatives are an essential aspect of corporate management. In recent years, the range of issues has expanded to include climate change, human rights, human capital, and biodiversity, all of which require new initiatives in addition to our past efforts. We need to take action in these areas, because we recognize that while failure to address any of these issues would have a negative impact on corporate value, by taking action we can create business opportunities. We will continue to monitor change carefully, so that we can identify risks that could affect our business and opportunities that could lead to corporate growth, while considering key policies and pursuing initiatives.

In fiscal 2023, we will continue to work toward the realization of Vision2030 through actions in various areas, including the reliable procurement and supply of proteins, career development for diverse people, and action on climate change and biodiversity. We regard biodiversity as especially important, since the Group's business depends on the bounties of nature. The current fiscal year will be the starting point for significant initiatives in this area. We will also carry out analyses and assessments in preparation for disclosure in fiscal 2024.

We will continue to work toward our targets for 2030, including the target for reducing emissions of fossil fuel-derived CO₂. Initiatives relating to individual goals will

Choosing the best way forward



be expanded with the aim of heightening the probability that those targets will be achieved.

Under the next medium-term management plan, we believe that it will be necessary to expand our environmental investment budget, which is outside of our normal investment framework. We will consider and implement environment investments based on assessments of investment targets from the perspectives of both risks and opportunities.

Building a sustainable future for the NH Foods Group

One area in which there are particularly high expectations toward the Group is the improvement of sustainability as a company engaged in the livestock business. As a food manufacturer, we obviously need to reduce food losses and the use of plastic for packaging and other purposes. We will need to further expand our efforts and set group-wide targets for the reduction of plastic use.

We are also aware of issues relating to livestock farming. We need to reduce animal-related GHG emissions and improve the stability of access to feed supplies. Action is also needed in relation to changes in livestock breeding environments due to climate change, and a shortage of workers in the Japanese livestock industry. Another important issue is animal welfare. We will not be able to address and resolve these issues without innovation, which will depend to a large degree on external collaboration and co-creation.

In the current fiscal year, we will take up important challenges in the fresh meats category, including the establishment of carbon-neutral farms and circular livestock farming.

We see measures to address livestock-derived emissions of methane and other greenhouse gases as a vital priority. We are currently pursuing research into the reduction of these emissions in collaboration with external entities, including Japanese and overseas universities. We plan to accelerate our efforts toward the development of various approaches to the elimination of this problem.

The achievement of our 2030 target for the reduction of CO₂ emissions will require increased efforts to lower emission levels. In fiscal 2023, we introduced internal carbon pricing (ICP), which is used as reference data for capital expenditure decisions.

Respect for the bounties of nature is a core value for the NH Foods Group. As Japan's biggest supplier of proteins, we recognize our obligation to play an active role in the solution of various livestock-related issues. We will continue to build sustainable business supply chains by working to find solutions for sustainability issues.