

NH Foods Group Integrated Report 2023



NH Foods Group Integrated Report 2023

Chapter 1

Our value creation story

3 A message from the management



- 9 The story of the NH Foods Group
- 11 Our Corporate Philosophies & Vision2030
- 13 Protein and the NH Foods Group
 - 17 Value creation process
 - 19 Market/industry trends and risks and opportunities
 - 20 Capital utilization
 - 21 Progress under Medium-Term Management Plans 2023/2026
 - 27 Message from the CFO

Chapter 2

Business and growth strategies

- Segment data
 - 31 At a glance
 - 33 Processed Foods Business Division
 - 37 Fresh Meats Business Division
 - 41 Overseas Business Division
 - 45 Ballpark and Other Business

49 Hokkaido and the NH Foods Group



Chapter 3

Sustainability management

- 54 Basic views on sustainability and promotion framework

55 Focus 1: Human resource strategy

- 59 Employee development and respect for diversity
- 61 Respecting human rights

62 Focus 2: Responding to climate change

- 65 Contributing to a sustainable environment
- 67 Sustainability topics

69 Focus 3: Governance discussion (Chairperson of the Board of Directors, outside directors)



- 75 Corporate governance
 - 85 A Message from the Chairperson of the Executive Nomination Committee

Chapter 4

Corporate data

- 93 Consolidated financial statements (past 10 years)
- 95 Corporate data/Stock information



Information disclosure structure and the positioning of the integrated report

Editorial policy

Integrated Report 2023 was published with the aim of informing shareholders, investors, and other stakeholders about the annual results of the NH Foods Group, our initiatives toward the transformation of the NH Foods Group and the realization of Vision2030 in a challenging business environment, progress under the Medium-Term Management Plan, and the realization of the Materialities.

We hope that stakeholders will use this report to expand their understanding as the basis for a further deepening of dialogue.

When compiling this report, we referred to the Integrated Reporting Framework issued by the IFRS Foundation (formerly the VRF), and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0 issued by the Ministry of Economy, Trade and Industry.



Coverage

NH Foods Ltd. and its 70 consolidated subsidiaries in Japan and overseas (as of March 31, 2023)

Period covered

April 1, 2022–March 31, 2023. Some of the information contained in this report refers to times before or after this period.

Notes concerning accounting standards

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

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

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

At a meeting of the Board of Directors held on January 31, 2023, it was decided to sell all shares in our consolidated subsidiary, Breeders & Packers Uruguay S.A. (BPU) to Minerva S.A., with the aim of optimizing our business portfolio. As a result, the beef business relating to BPU was classified as a non-continuous business in the fiscal year ended March 2023. The business profit ratio (¥28.2 billion) was calculated after the adjustment of business profit for non-continuous businesses.

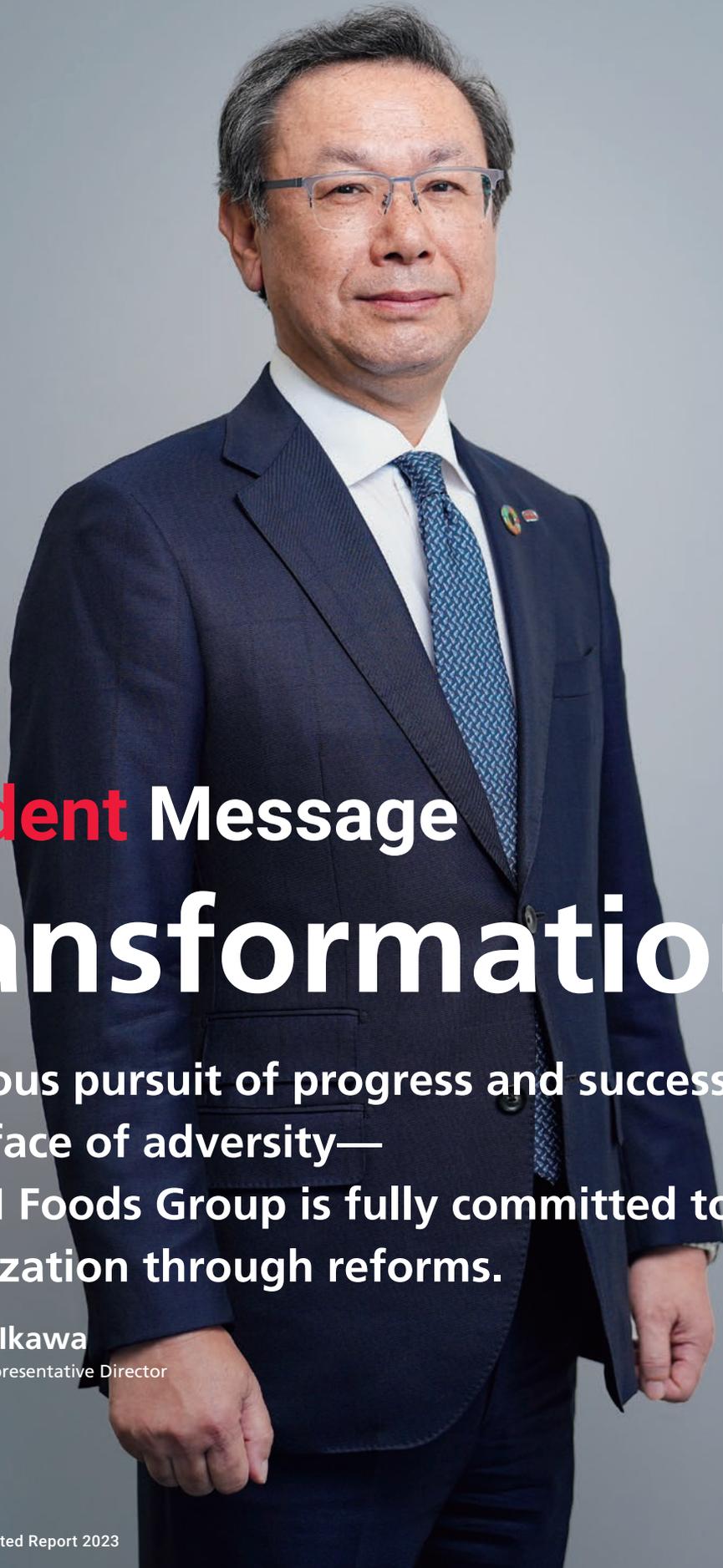
Forward-looking statements

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

■ Financial information ■ Non-financial information

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

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.

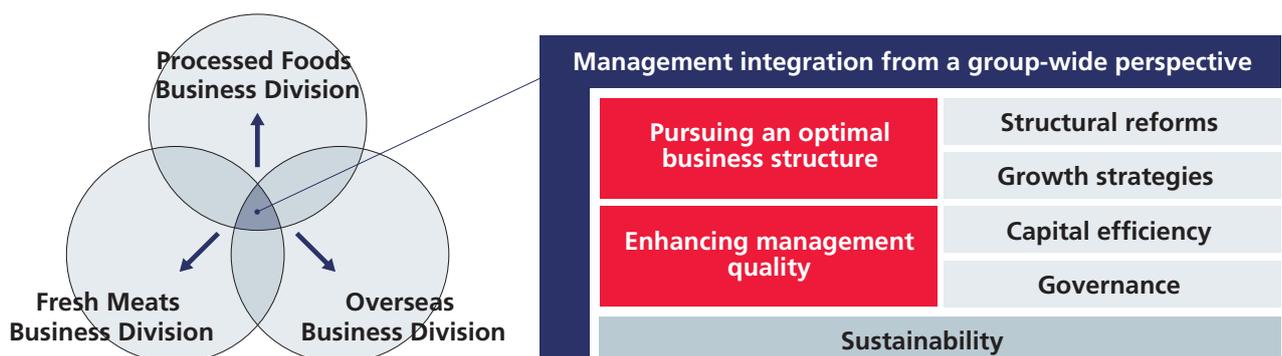
Accelerating our expansion into new business areas

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.

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.

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

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.

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.

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.

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.

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

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.

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

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 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.

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.

As we work toward the realization of Vision2030 under

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.

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.

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.

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 *Winny*®. 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 *Winny*® 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 *Winny*® 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

1988
Implemented integration system in Australia

1992
Expansion into dairy products business

[Graph] Net sales

[Graph] Total market value

1942
Establishment

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

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.

1940-

Supply of quality protein amid the food shortages of the postwar era

Social environment

- Rapid economic growth
- Westernization of the Japanese diet

1970-

Contribution to the evolution of new food culture through expansion into new food categories and overseas markets

- Shift to nuclear family lifestyle
- Growth of the restaurant industry
- Liberalization of pork imports
- Shift of women into the paid work force

1990-

Expansion of product lineup in step with lifestyle diversification

- Liberalization of imports of beef and oranges
- Growth of the ready-made meal market

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

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

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.

2006
Launch of the *Utsukushi-no-Kuni* range of gift products made exclusively from pigs raised at our own farms

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)

2000-

Commitment to being No. 1 in quality as a response to issues identified following a scandal involving the mislabeling of beef

- Growing consumer pressure for improved food safety and reliability
- Japan's first BSE outbreak

2010-

Creation of new paths to the future of food through the introduction of high-added-value products

- UN Sustainable Development Summit
- Signing of the Paris Agreement

2020-

Focus on the future of food 10–20 years into the future

- 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





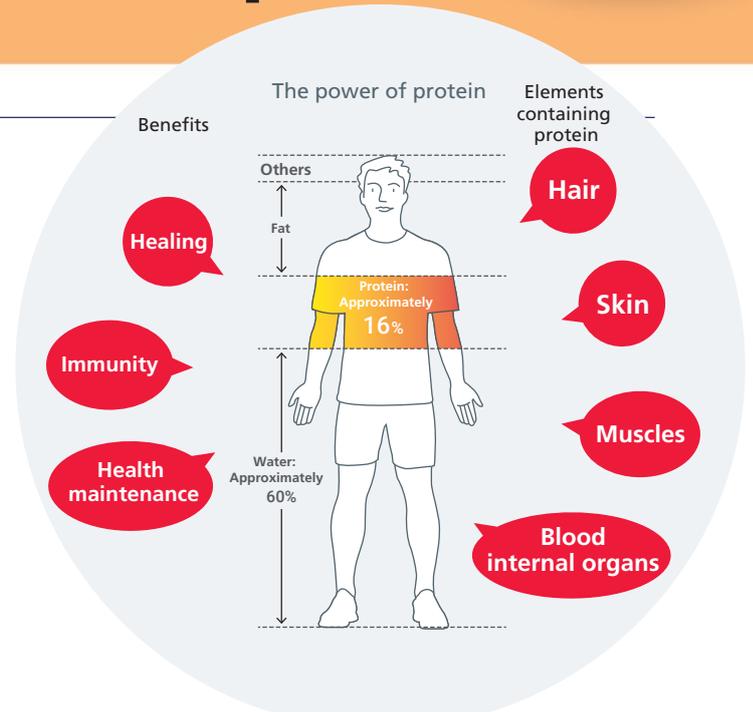
Protein and the NH Foods Group

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)





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 Protein content (g/100g)
Overall	71.4g	6.0%	
Animal protein	40.1g	10.6%	Beef 16.6g
			Pork 15.6g
Livestock-derived	27.9g	15.3%	Chicken 20.7g
			Eggs 12.3g
Meat	17.6g	23.5%	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

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)

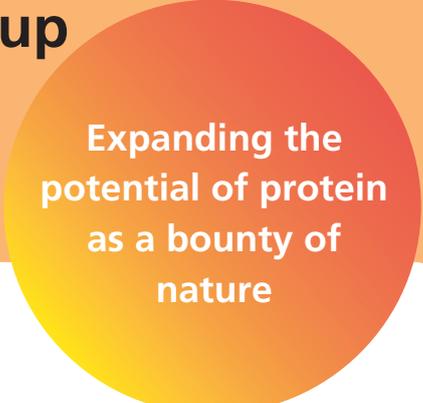




Protein and the NH Foods Group

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.

PIG LABO smart pig farming system





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.

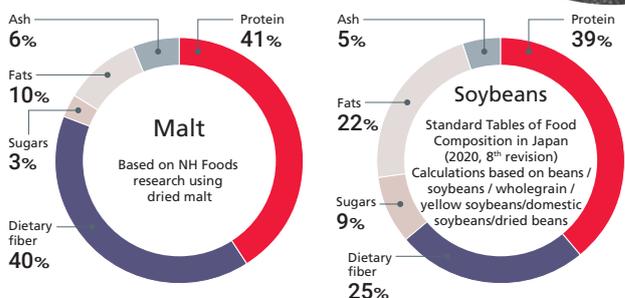
Please visit the following website for detailed information. (Japanese only)



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)



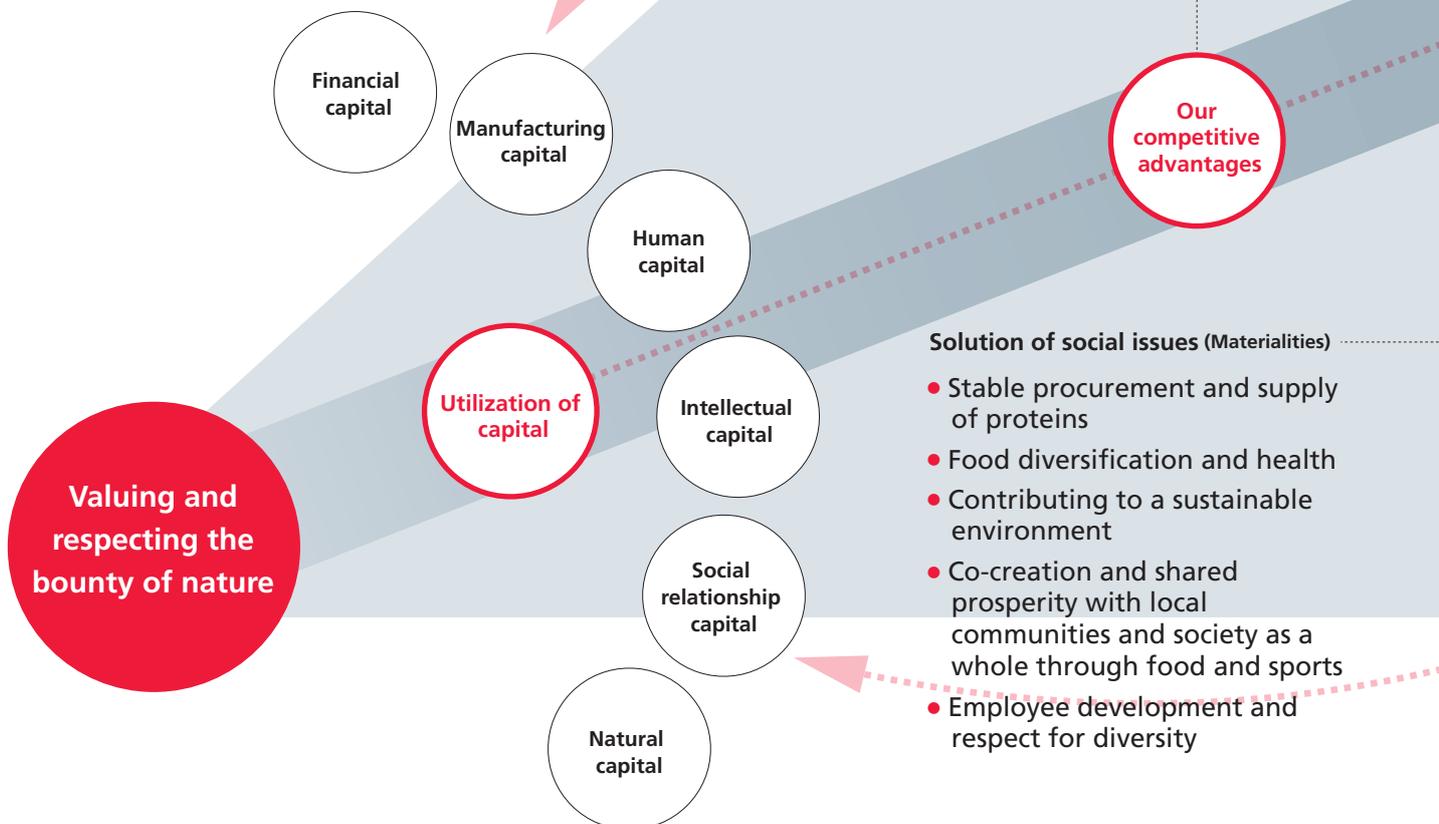
Value creation process

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

Increasing business value through the acquisition of new strengths and value

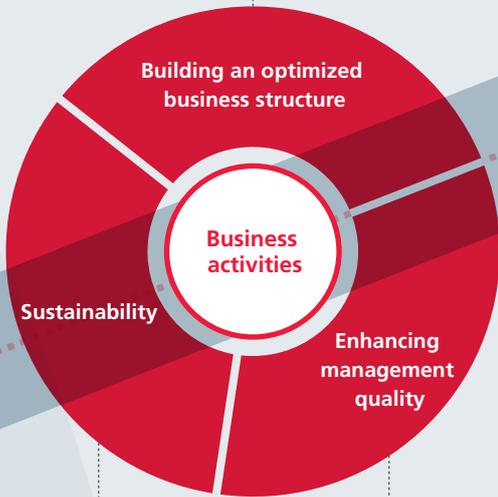
Sustainable supply of protein

Corporate philosophy
Joy of Eating

- Integrating management from a company-wide perspective
- Structural reforms
 - External co-creation activities

Vision2030
Unleash new potentials for protein

Creating diverse protein products



Business Segments

- Processed Foods Business Division
- Fresh Meats Business Division
- Overseas Business Division
- Ballpark and Other Business

Corporate governance

Solution of social issues
Increase social value

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-		

- 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

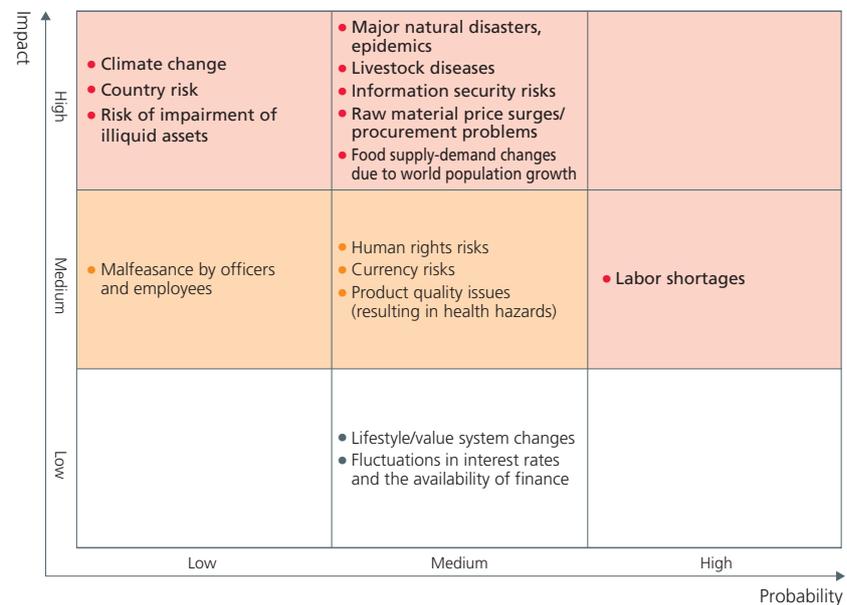
- Increasing focus on work style modification

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.

Risk map



Market/Industry trends

Number of domestic livestock farmers (beef cattle, pigs, broilers)

1970: 1,364,000 → 2022: 46,000

Decline of approximately **97%** over a 50-year period

* Source: Ministry of Internal Affairs and Communications, e-Stat (portal site for official statistics of Japan)

Chicken prices

Chicken thighs

March 2019: ¥611/kg → March 2023: ¥713/kg

Rise of approximately **17%** over a five-year period

Chicken breasts

March 2019: ¥282/kg → March 2023: ¥377/kg

Rise of approximately **34%** over a five-year period

* Source: Agriculture & Livestock Industries Corporation (ALIC)

Compound feed

March 2019: ¥61,910/ton → March 2023: ¥88,201/ton

Rise of approximately **42%** over a five-year period

* Source: Agriculture & Livestock Industries Corporation (ALIC) (all prices calculated as simple averages)

Risks and opportunities

Opportunity

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.

Opportunity

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 *Sakurahime* brand of domestic chicken.

Risk

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.

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)

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

* 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

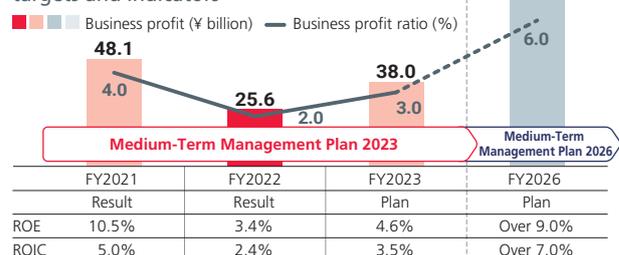
Our first step is to restore our earning power by enhancing our strengths and transforming our systems.

<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.

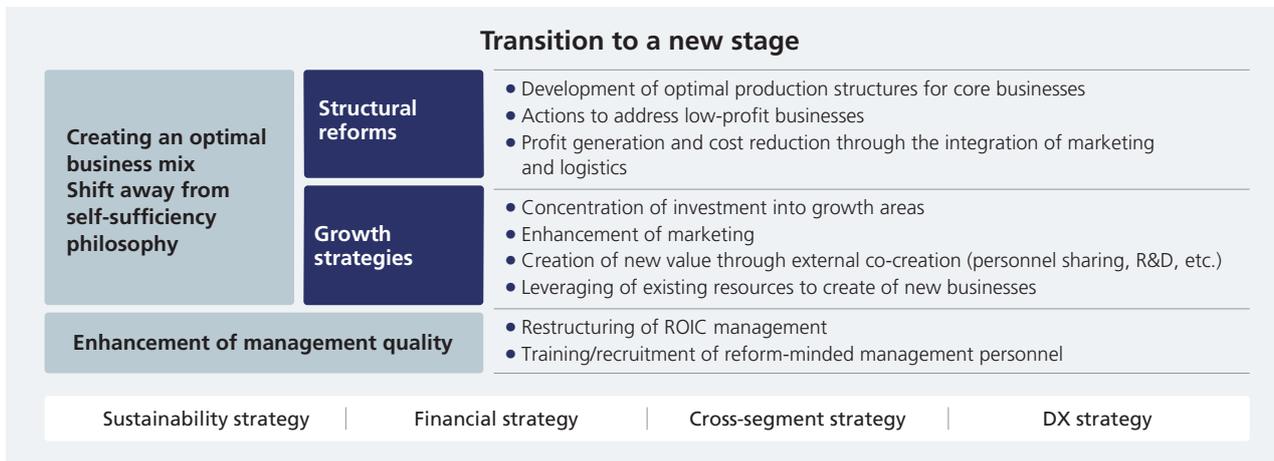
Achieving sustainable growth

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

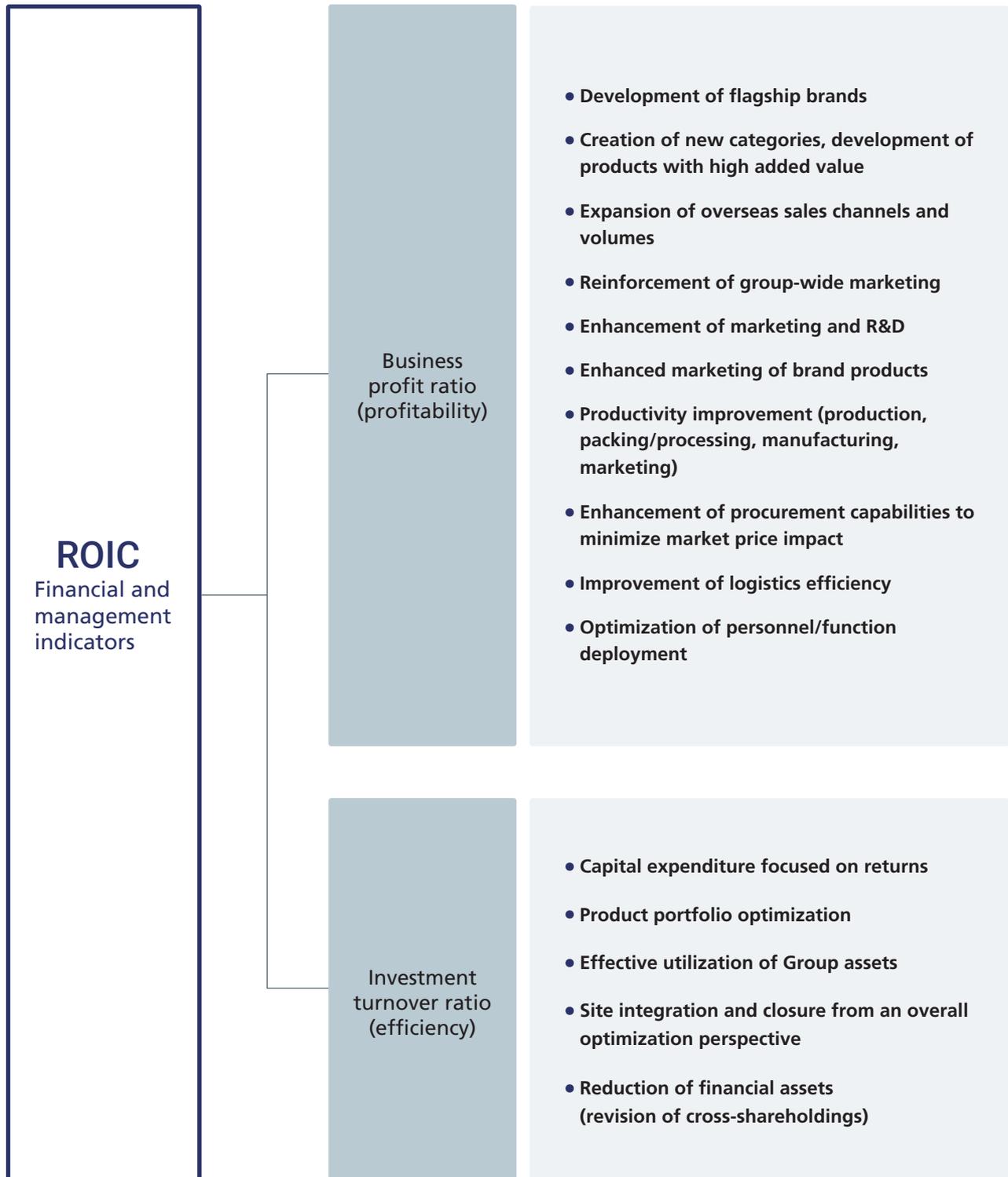
The benefits achieved through the development of the *Connect* company-wide core system under our digital transformation strategy are likely to be delayed by planning changes. We will continue our efforts to maximize the benefits of this initiative. We will leverage infrastructure sharing, which is one 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 2

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
<p>Promote sustainable procurement</p> <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. 	<ul style="list-style-type: none"> The SAQ covers 59 important suppliers, which we define as suppliers of raw materials, packaging, materials, livestock, feed, etc., with large domestic and international transaction amounts, and for which no alternatives are available. Implementation rate: 100%.
<p>Promote initiatives that take animal welfare into consideration</p> <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 	<ul style="list-style-type: none"> Elimination of gestation crates on all farms in Japan (pigs) Implementation rate: 9.5% Installation of drinking water facilities in lairage pens at all meat processing plants in Japan Installation rate Cattle: 100.0%, pigs: 88.8% Installation of cameras on all farms and meat processing plants in Japan to ensure environmental quality Installation rate Cattle (processing plants): 100.0%, pigs (processing plants/farms): 100.0%, chickens: 20.0%
<p>Expand sales of plant-derived protein products</p> <ul style="list-style-type: none"> FY2030 shipment value: ¥10 billion 	<ul style="list-style-type: none"> Shipment value: ¥660 million (291.0% that of the previous year)
<p>Promote acquisition of third-party certification. (FSSC22000, SQF, BRC, JFS, etc.)</p>	<ul style="list-style-type: none"> Number of third-party certifications acquired: 130
<p>Develop human resources through specialized technical certification and other training</p> <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
<p>Expand our lineup of food allergy-related products and raise awareness</p> <ul style="list-style-type: none"> FY2030 shipment value: ¥4 billion 	<ul style="list-style-type: none"> Shipment value: ¥1.16 billion (107.4% that of the previous year)
<p>Research and commercialize new ingredients for improving cognitive function</p> <ul style="list-style-type: none"> Supply the equivalent of 3 million meals per year by FY2026 	<ul style="list-style-type: none"> Provision of IMIDEA materials and products: 1.68 million meals
<p>Develop products that contribute to health (e.g., low-salt, zero-sugar products)</p>	<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 	<ul style="list-style-type: none"> • 18.7% reduction • 2.0% reduction • * Initiatives began in 2022
Reduce waste emissions in Japan* ¹	<ul style="list-style-type: none"> • FY2030 target of 5% per production unit compared to FY2019 	<ul style="list-style-type: none"> • 7.2% reduction
Improve the waste recycling rate in Japan	<ul style="list-style-type: none"> • Achieve a waste recycling rate of at least 92% by FY2030 	<ul style="list-style-type: none"> • Recycling rate: 91.9%
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 	<ul style="list-style-type: none"> • 1.3% increase • 3.7% increase
Switch to certified palm oil	<ul style="list-style-type: none"> • Use 100% RSPO-certified palm oil by FY2030 (including book & claim) 	<ul style="list-style-type: none"> • 0% • * Steps were taken to reduce the use of non-certified palm oil.

*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 	<ul style="list-style-type: none"> • Percentage of women in management positions: 9.8%
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} 	<ul style="list-style-type: none"> • Employment rate of people with disabilities: 2.6%
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 	<ul style="list-style-type: none"> • Total working hours: 1,970 • Overtime hours: 226
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 	<ul style="list-style-type: none"> • Health checkup reexamination rate: 81.0% • Smoking rate: 23.6% • Stress check coverage: 97.9%

*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

Fiscal 2022

Flow situation (profit and loss, cash flows)

- Increased demand for working capital
- Lower business profit
- **Reduced investment capacity due to lower cash flows from operating activities**

Stock situation (balance sheet)

- Maintenance of an optimal debt-equity structure
- Increased interest-bearing liabilities
- Rise in debt-to-equity ratio

Debt-to-equity ratio = interest-bearing liabilities / shareholders' equity

Fiscal 2023

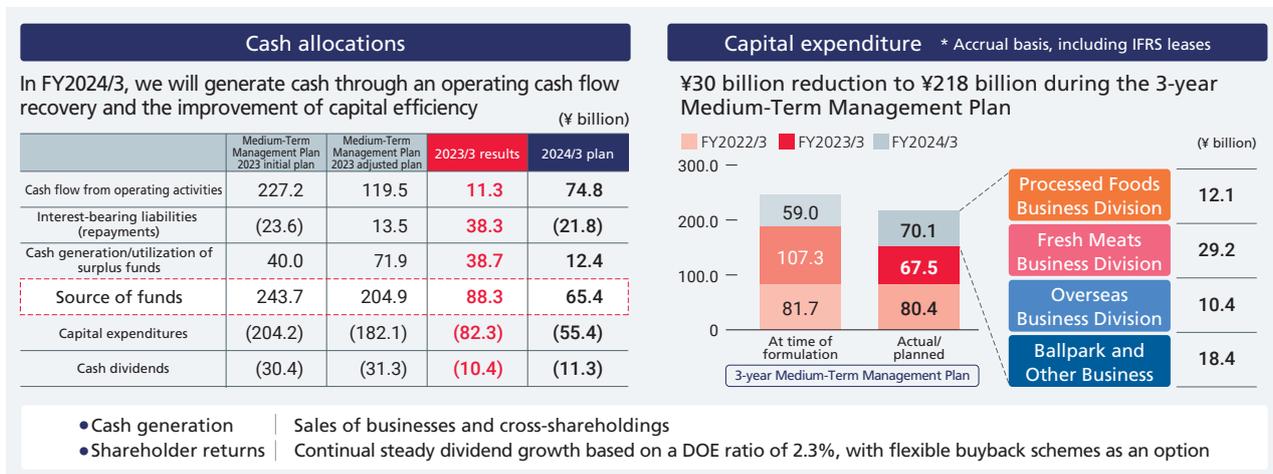
Financial strategy

- Investment scrutiny and allocations to priority areas
- Normalization of existing invested capital (working capital, fixed assets)
- Maintenance of stable dividend growth

Anticipated benefits

- **Increased investment capacity**
- **Future improvements in ROE and ROIC**

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 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

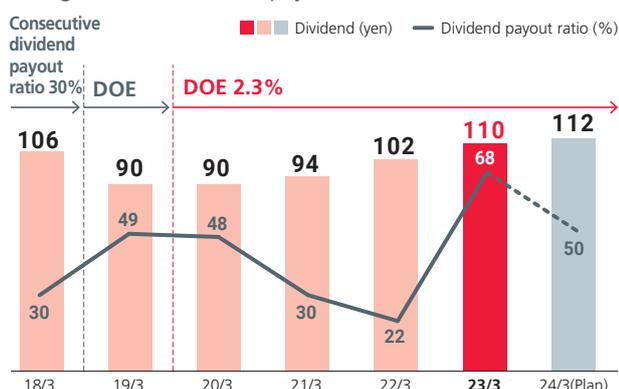
fluctuate in response to changes in the external environment, market prices, and other factors. However, shareholders' equity fluctuates more slowly, which means that we can return medium- to long-term equity growth to shareholders in the form of increased dividends. At the same time, the figure of 2.3% 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.

Segment data

At a glance

Processed Foods Business Division

The Processed Foods Business Division develops, manufactures, and sells ham, sausages, processed foods, dairy products, seafood, and extract seasonings. It contributes to the enjoyment of food in many areas through the development of long-selling products, including *Schau Essen*, *Chuka Meisai*, and *Vanilla Yogurt*. Supplied not only to consumers, but also to convenience stores and restaurants, these products have achieved top market shares in a wide range of categories.

Main products handled

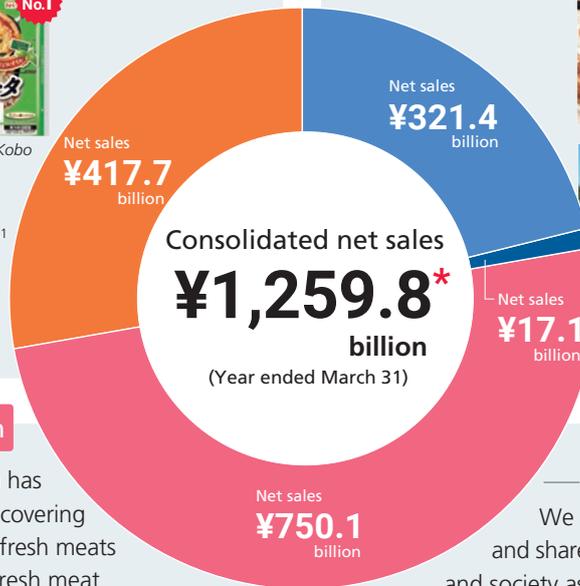


Overseas Business Division

The activities of the Overseas Business Division include cattle and chicken breeding and production, trading of various meat types, and the manufacture and sales of processed products in Asia, Europe, the Americas, Australia, and other regions.

In addition to local and third-country sales and exports to Japan, it also offers products and services to match diverse local dietary culture and values in various countries and regions.

Main products handled



Fresh Meats Business Division

The Fresh Meats Business Division has built a vertical integration system covering all stages from the production of fresh meats through to sales, together with fresh meat procurement networks and the Nippon Food companies sales networks in Japan and overseas.

We currently handle approximately one-fifth of all meat sold in Japan in volume terms.

Main domestic fresh meat brands



Main imported fresh meat brands



Ballpark and Other Business

Ballpark Business

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

Other Business

The NH Foods Group is building new D2C businesses in three areas. In the Entertainment Business segment, we have responded to diversification of diets by developing products and services and establishing *Meatful* as a new doorway to the enjoyment of handmade foods. In the Wellness Business segment, we have launched *Table for All* as the food industry's first comprehensive platform for food allergy care. We have also established the Sustainability Business Segment.

* The sum of segment net sales does not match consolidated net sales because these figures have not been adjusted on a company-wide basis.

Overview of results for the fiscal year ended March 2023

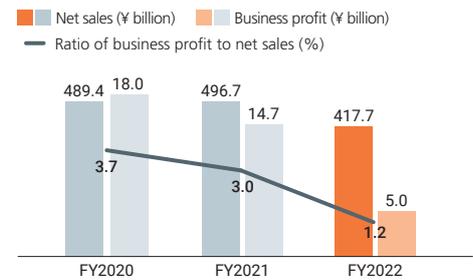
Processed Foods Business Division

Net sales in the Processed Foods Business Division in the fiscal year ended March 2023 were 15.9% lower year on year at ¥417.7 billion, while business profit declined by 65.8% to ¥5.0 billion.

Sales of commercial products increased, in part because of lockdowns in response to the COVID-19 pandemic, but sales of consumer products fell due to shifts in demand trends following price revisions. This led to a downturn in total net sales.

Profit was lower because of reduced net sales and rising prices for raw materials, energy, and other inputs, as well as advance expenditure relating to the development of digital transformation systems.

Net sales, business profit, business profit ratio



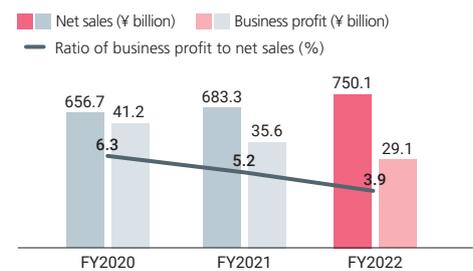
Fresh Meats Business Division

Net sales in the Fresh Meats Business Division in the fiscal year ended March 2023 increased by 9.8% year on year to ¥750.1 billion, but business profit was 18.2% lower at ¥29.1 billion.

The higher result for net sales reflects firm trends in the market prices of pork and chicken, as well as increased sales, especially through the restaurant channel, after the easing of COVID-19 restrictions.

Reasons for the lower profit figure included persistently high feed prices and fuel costs, and an increase in domestic inventories, which hindered efforts to pass on cost increases through prices.

Net sales, business profit, business profit ratio

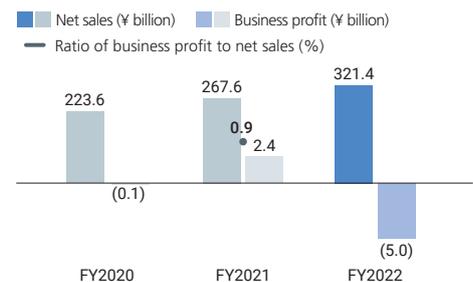


Overseas Business Division

Net sales in the Overseas Business Division increased by 20.1% year on year to ¥321.4 billion, and there was a business loss of ¥5.0 billion, compared with a business profit of ¥2.4 billion in the previous fiscal year.

In addition to firm trends in sales of processed foods in Asia and Europe, chicken sales increased thanks to the maintenance of high prices. However, profit was impacted by negative factors, including higher prices for processed food raw materials and feed grain. Profit from our business in the Americas was higher thanks to strong trends in processed food sales and pork exports, combined with the stabilization of raw material prices. Net sales from the Australian business were higher because of strong domestic sales and high export prices. However, profit declined due to persistently high cattle collection prices.

Net sales, business profit, business profit ratio

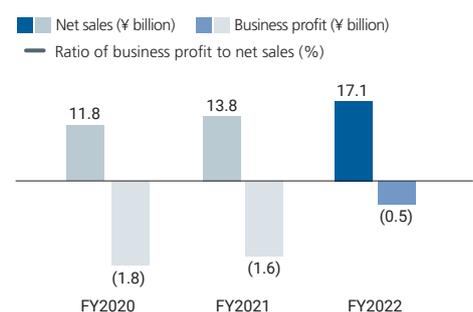


Ballpark and Other Business

Net sales from the ballpark and other businesses increased by 23.5% year on year to ¥17.1 billion in the year ended March 2023. There was a business loss of ¥500 million, compared with a ¥1.6 billion business loss in the previous consolidated fiscal year.

The ballpark business benefited from a major increase in spectator numbers resulting from the creation of a safe, secure viewing environment and initiatives to attract visitors. We actively marketed our health support business in China following the easing of the zero-COVID policy. We also developed and launched a food detection kit designed to detect walnuts, which have been newly designated as an allergenic ingredient. New business initiatives included the promotion of our D2C business and the start-up of the *Mealin' Good* brand as a new sustainable business.

Net sales, business profit, business profit ratio



Segment data

Processed Foods Business Division



We aim to maximize earnings across all business areas through a brand recovery driven by marketing, and the minimization of production costs.

Yukihiro Matsumoto

Managing Executive Officer,
General Manager of Processed Foods Business Division

Risks

- Market shrinkage due to a falling birthrate and demographic aging
- Raw material cost increases due to shifts in the global supply-demand balance
- Procurement risks from climate change
- Dramatic exchange rate fluctuation (weaker yen)
- Rising personnel expenses and labor costs due to a falling working-age population
- Growing concerns about food safety

Opportunities

- Diversification of diets due to lifestyle changes
- Global population growth
- Expanding demand for products that match the consumer focus on health
- Increased demand for reserve and emergency supplies that can be stored at room temperature
- Evolution of new markets through the emergence of diverse food cultures, such as veganism
- Growth in demand for eco-friendly products
- Market expansion through growth in demand for meat substitutes

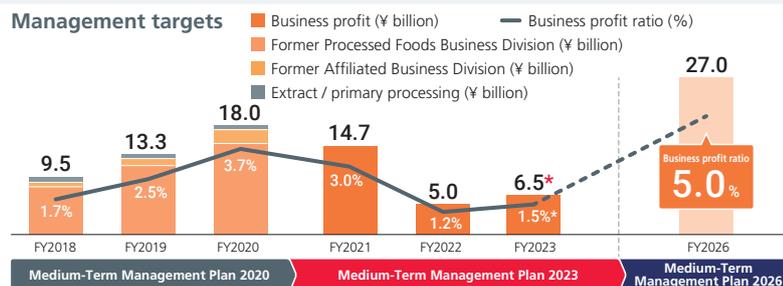
Responses

- Develop products for different meal scenarios in each target area.
- Pursue cost competitiveness
- Optimize the product mix.
- Optimize the production structure.
- Diversify resource procurement sources.
- Expand into overseas markets, including exports.
- Develop meat substitutes.
- Expand lineup of food allergy-friendly products.
- Reduce resources used in packaging.

Overview of Medium-Term Management Plan 2023

Enhancing profitability across the entire value chain through structural reforms targeting production and marketing

1. Concentrate on high-profit categories.
2. Enhance productivity in manufacturing plants.
3. Enhance of marketing capabilities.



*Adjusted in May 2023

Review of fiscal 2022, recognition of issues

Our goals for fiscal 2022 were to develop a lean manufacturing structure through overall optimization, and to expand sales from a marketing perspective. While we made progress with business development efforts focused on these goals, this was not enough to offset all of the greater-than-expected impact of changes in the external environment, including sharply high costs for raw and processed materials and energy, as well as exchange rate movements.

In our ham, sausage, and deli product business, sales of flagship products slowed due to the effects of two rounds of price revisions implemented in the previous fiscal year. The resulting change in the product mix led to lower business performance.

In the area of dairy products and marine products, we made progress with price revisions to reflect sharply higher prices in the mainstay category of commercial cheese raw materials. This resulted in higher sales, especially through the restaurant channel. However, performance was adversely impacted by a decline in sales

volumes. There was also a decrease in sales of *Vanilla Yogurt* because of the price revisions, our flagship consumer product, but the overall business profit result for the dairy foods category was similar to the previous year's level.

In the extracts and primary processed products category, there was a decline in sales of unheated processed products through the ready-made meal channel. However, we recorded strong sales of soups and other products to restaurants, especially *ramen* shops, after the easing of COVID restrictions.

We also made progress on the creation of systems to develop hit products. However, we became keenly aware that we would need a new approach rather than the business models of the past in today's rapidly changing business environment. We believe that the biggest issue is inadequate awareness of a crisis that will necessitate changes to the methods of the past. We will transform ourselves into a new business organization capable of adapting quickly and effectively to the changes that will impact our business environment in the future.

Results for fiscal 2022, initiatives going forward

Achievements and issues

- Additional price revisions
- Expansion of sales of commercial products via the restaurant channel
- Expansion of range of products with reduced packaging materials
- Climate change prevention initiatives (fuel conversion, installation of waste oil boilers, solar panels)
- Expansion of food education areas
- Decline in sales volumes following price revisions
- Creation of hit product development systems
- Increased sales of low-margin products
- Flexible production structure

Future measures

- Effective countermeasures against rapid changes in the external environment
- Recovery of sales volumes after price revisions
- Achievement of a full recovery for the three flagship brands (*Schau Essen*, *Chuka Meisai*, chilled pizza range)
- Creation of new core business categories
- Minimization of production costs
- Tightening of investment criteria, pursuit of returns
- Increased use OEMs
- Exploration and implementation of energy-saving measures



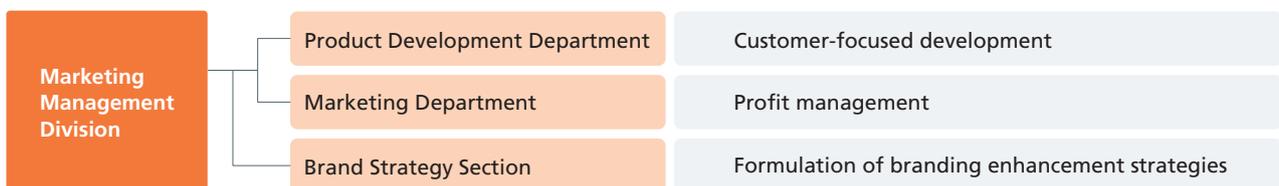
Key role for Marketing Management Division in concentrating resources toward major brand

Our top priority in fiscal 2023 is the achievement of a sales recovery for our mainstay consumer brands, especially *Schau Essen, Chuka Meisai*, and the chilled pizza range. A recovery in sales of these high-margin consumer brands will drive the recovery of the entire Processed Foods Business.

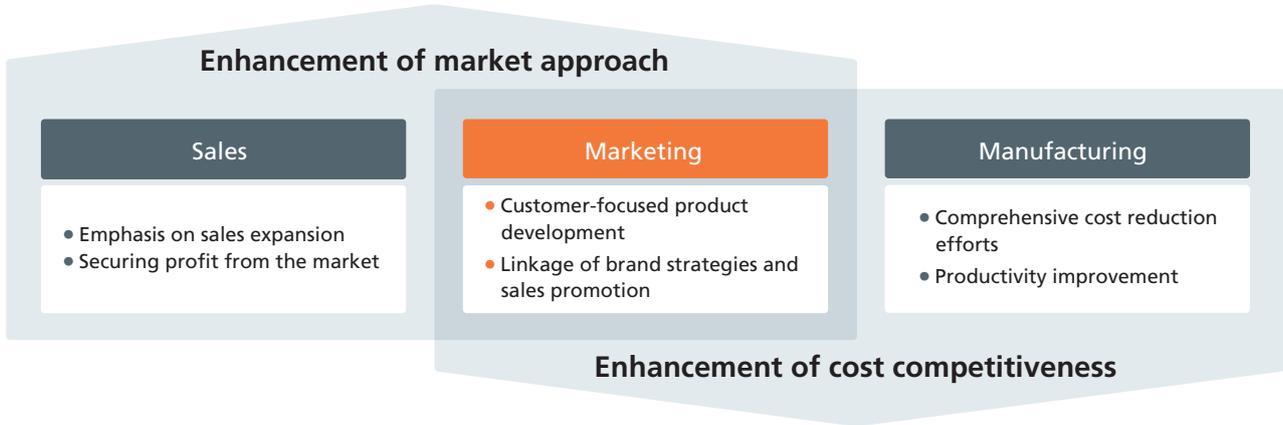
Although the price revisions implemented in the previous fiscal year caused a temporary decline in sales volumes, unit prices are improving, and we will shift fully onto the offensive in our marketing activities. We established the Marketing Management Division for that purpose in the current fiscal year. Product development

functions that were formerly handled by production units will be transferred to the new division, which will introduce a new approach to branding strategy development and pursue market-focused product development.

In addition to conventional marketing activities, the Marketing Management Division will also manage earnings across entire value chains, including decisions on what products to sell, when, and in what markets in order to maximize profitability. These major changes to our organizational structure will allow us to integrate production and sales across all of our processed food business operations.



The role of the new Marketing Management Division



Enhancing cost competitiveness through production structure optimization

The reduction of production costs is a priority goal. In the past, individual plants have been strongly aware of their own profitability and have worked individually to maximize their operating rates. In some cases, this approach has resulted in inefficiencies due to the continued operation of production lines even when production volumes declined.

We are currently centralizing production in order to achieve overall optimization. In line with this approach, we will further concentrate production at the plants with the highest productivity. We will also level production by strengthening collaboration between production and sales.

In addition to these initiatives to improve production efficiency, we will also pursue environmental investment at our plants. At the same time, we will adapt to the

dramatic rise in energy costs in recent years by working aggressively to reduce energy consumption through energy-saving initiatives.

We will ensure that all investment yields high returns by setting clear priorities for capital expenditure across the entire Processed Foods Management Business. While minimizing the amount of capital invested, we will concentrate our resources toward investments with the potential for high returns, while also working to improve ROIC.

Through these initiatives, we will align our development, sales, and production activities toward the same goals. By focusing on socially and environmentally responsible business activities, even in challenging business conditions, we aim to improve both our brand value and corporate value.

The Processed Foods Business Division's priorities for sustainable growth

Priority measures	Targets for FY2030	Situation
Expansion of lineup of plant-derived protein products	External sales of plant-derived protein products: ¥10 billion	<ul style="list-style-type: none"> • Expansion of commercial area • Facilitation of trial marketing
Reduction of fossil fuel-derived CO ₂ emissions	Reduction by at least 46% (compared with 2013)	<ul style="list-style-type: none"> • Installation of solar panels • Implementation of energy-saving measures
Reduction of water use	5% reduction in water use (compared with 2019)	<ul style="list-style-type: none"> • Review of industrial water utilization methods • Review of water defrosting
Improvement of waste recycling ratios	92% or more	<ul style="list-style-type: none"> • Reduction of final waste disposal quantities

Segment data

Fresh Meats Business Division



We will profitably expand our share of the fresh meats market, while strengthening our procurement structures and prioritizing external co-creation.

Fumio Maeda

Director and Managing Executive Officer
General Manager of Fresh Meats Business Division

Risks

- Decrease in the livestock farmer population due to a lack of successors
- Escalating competition for supplies due to epidemics
- Higher prices for grains used for feed raw materials
- Manufacturing cost increases resulting from the aging of facilities and the need to meet quality requirements
- Cost increases caused by sudden shifts in overseas market environments
- Growing pressure to reduce the environmental footprint of the livestock industry
- Cost increases due to efforts to reduce the environmental impact of the livestock industry
- Logistics issues in 2024

Opportunities

- Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements
- Increased demand for brand meat due to growing awareness of food safety
- Growth in meat consumption by seniors
- Increasing demand for simple, time-saving products because of labor shortages, etc.
- Increasing animal welfare demands reflecting contemporary perspectives

Responses

- Promote the use of IT and mechanization, such as smart pig farming.
- Reinforce quarantine systems.
- Expand sales of branded fresh meats.
- Strengthen marketing of high-added-value products, such as farm packs and primary processed products.
- Transition to stall-free sow farming.
- Expand the range of sustainable products.
- Extend “best before” dates.
- Use livestock waste for biomass power generation.

Overview of Medium-Term Management Plan 2023

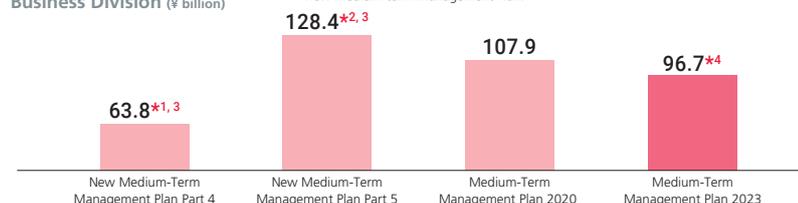
We aim to stabilize our business performance by profitably expanding our market share.

1. Strengthen procurement capabilities

2. Strengthen sales

Management targets

Trends in 3-year cumulative profits of the Fresh Meats Business Division (¥ billion)



- *1 The figure for the New Medium-Term Management Plan Part 4 was calculated through simple deduction of the figure for the Overseas Business Division.
- *2 In the New Medium-Term Management Plan Part 5 the International Financial Reporting Standards (IFRS) have been applied retroactively only to the final year of the plan.
- *3 Based on the above, reference values have been provided in Part 4 and Part 5 of the new Medium-term Management Plan.

*4 Adjusted in May 2023

Review of fiscal 2022, recognition of issues

The main themes for our efforts to maximize business profit in fiscal 2022 were the enhancement of our procurement and sales capabilities, and the development of co-creation networks.

Despite challenging business conditions, including rising energy costs and higher feed prices, we worked to strengthen our procurement capabilities by improving productivity in Japan and expanding external procurement. We focused in particular on the development of new import sources and packers.

We also restructured our domestic business organization and sought to improve our profitability and cost competitiveness by optimizing inventories and reducing logistics costs. Achievements from our efforts to expand our portfolio of branded fresh meat products included the development of the new *Kitanokomekokko* brand of Hokkaido chicken.

Initiatives to strengthen our sales capabilities centered on the expansion of market share and earnings. We created organizations specializing in specific channels, such as volume retailers and restaurants. We also established a new marketing unit.

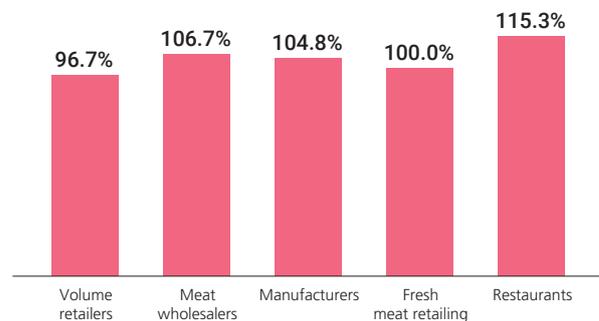
However, dramatic changes in the external environment caused a decline in the market prices of imported fresh meats, while prices for feed produced in Japan rose. These factors were reflected in reduced profitability. Production costs and selling, general and administrative expenses also continue to rise, resulting in sharply lower profit.

External causes of this decline in our earning power included the weak yen, rising feed prices, and expanding environmental costs. These trends are expected to continue, and we are strongly concerned that the present situation may not be a transitional phase.

Our priority now is to break out of this situation by transforming our traditional business models. This will be a difficult process requiring actions on many levels, including the selection of meat categories for prioritized expansion, the fine-tuning of investment priorities, and the development of procurement and inventory management systems based on anticipated demand risk in an increasingly unstable procurement environment for imported fresh meats. However, the entire NH Foods Group will work with determination to make progress on these priorities.

Yearly net sales of the four Nippon Food companies (by channel) in FY2022

Overall volume growth: 101.1% (109.8% in value terms)



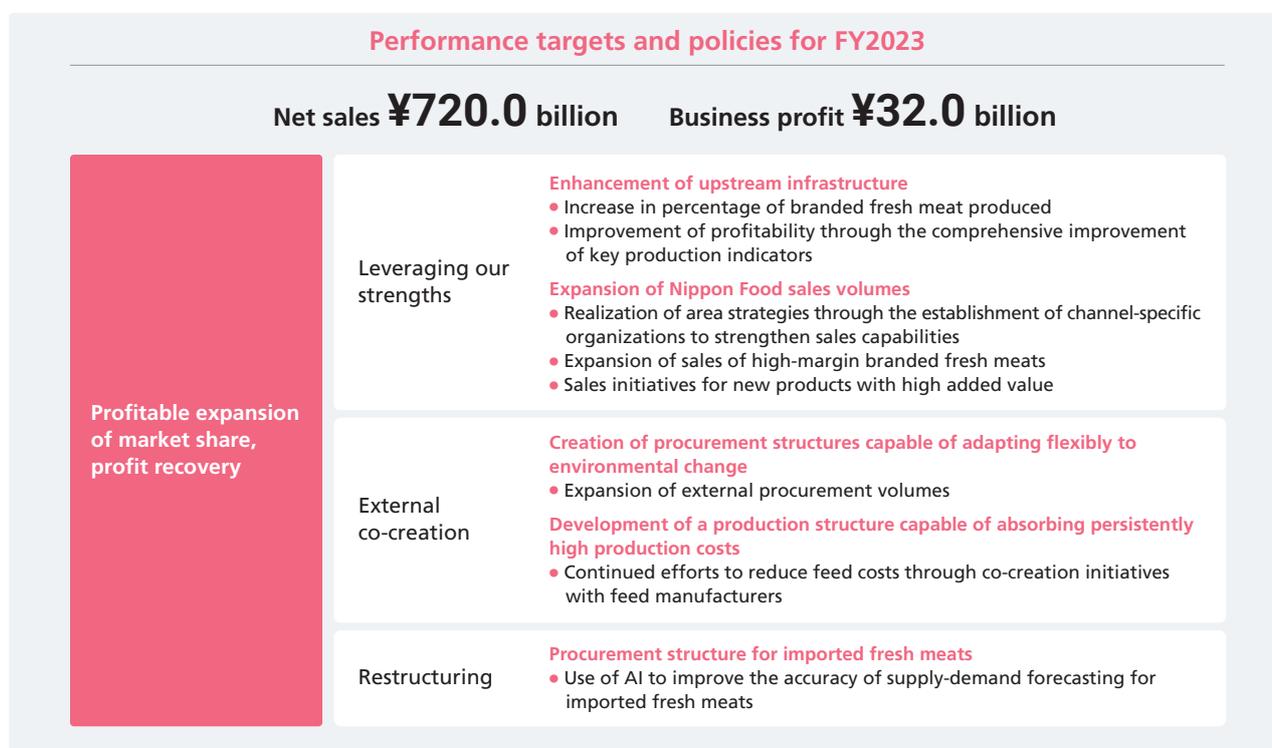
Results for fiscal 2022, initiatives going forward

Achievements and issues

- Improvement in the earnings of the four Nippon Food companies following the resumption of economic activities
- Persistently high feed prices
- Impact of disease outbreaks on business performance
- Deteriorating profit margins on imported fresh meats

Future measures

- Profitable expansion of our share of the fresh meats market through enhanced Nippon Food sales activities
- Enhancement of procurement structure for imported fresh meats
- Expansion of profit through external co-creation



Combining market share expansion with profitability

Business profit from the fresh meats business has expanded significantly from around ¥20 billion 10 years ago to approximately ¥40 billion today. However, it has become increasingly difficult to achieve further growth by building up profit through the accumulation of volume growth by each function in the value chain. We expect profit to recover to some extent in the current fiscal year, in part because of an improvement in the external environment. Even so, we will need to adapt our business models to put the fresh meats business back on a growth track.

This process will begin with collaboration between our consignment and sales units. We will identify priority livestock types, channels, and areas and work with the Nippon Food companies, which are our consignment and sales units, to strengthen our sales systems. Another focus will be the use of digital technology in marketing. Our sales units will accelerate initiatives toward the reduction of production costs in anticipation of persistently high feed costs. We will ensure that our investments for this purpose have the potential to yield good returns.

We will also accelerate our efforts in relation to branded fresh meats. In addition to the continuing expansion of sales of the core *Sakurahime* brand of domestic chicken, we will also improve added value by expanding our product

categories, including farm packs and processed products.

Another priority is the creation of future flagship brands. Production, consignment, and sales units will work together to develop brands that match market needs and will be supported by consumers.

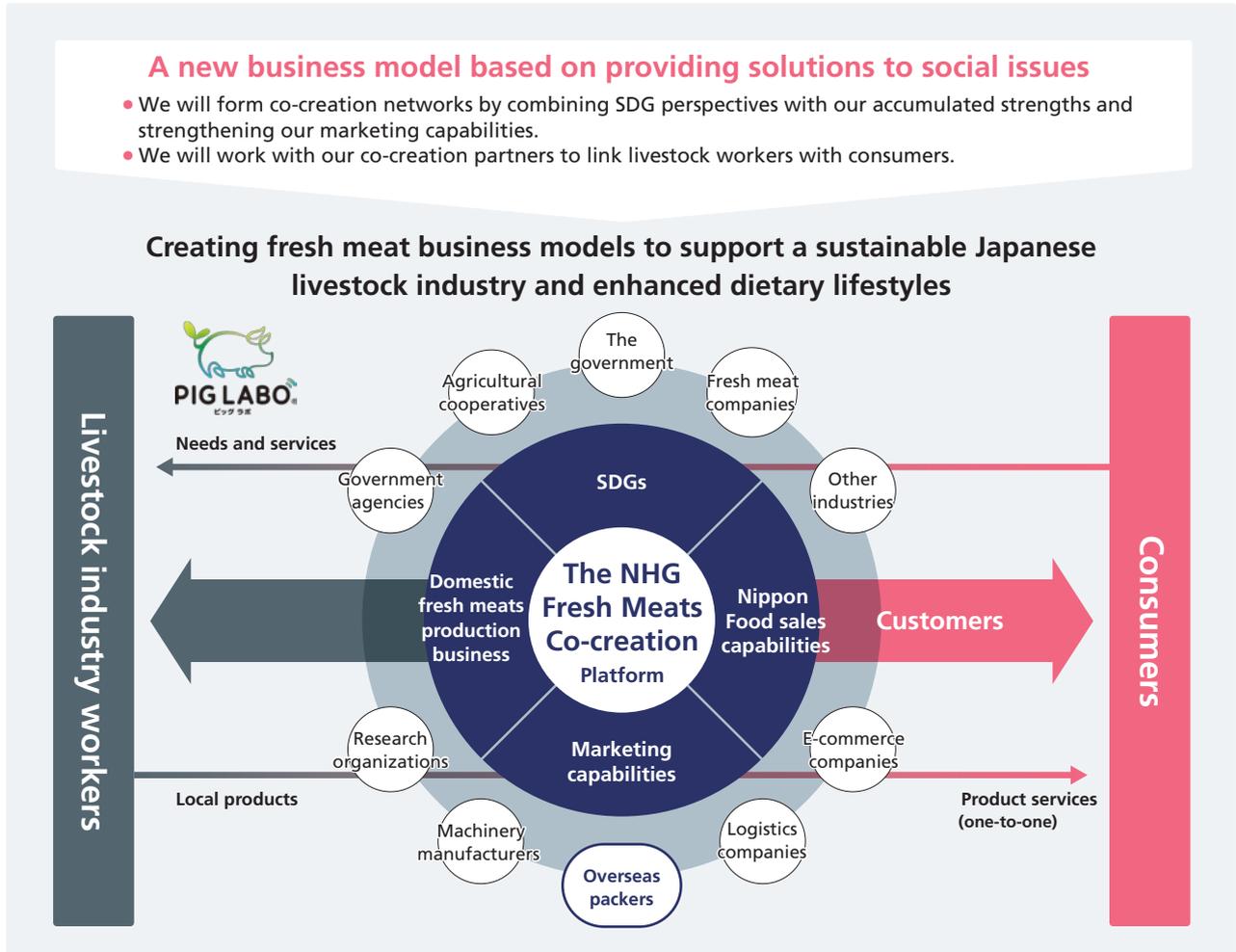
To achieve profit growth, we will also need to build inventory management systems that will allow us to reduce volatility and expand our market share. Our continuing efforts toward these goals will include the use of digital technology.

Building a brighter future through organizational reforms—co-creation network development

As in the previous fiscal year, we will continue to strengthen our co-creation networks. The first step will be the transformation of the NH Foods Group’s business models. We will then combine SDG perspectives with our accumulated strengths, while also focusing on the solution of issues affecting the livestock industry, and strengthen our marketing efforts, leading to the formation of co-creation networks. We will also work to create business models designed to address issues affecting the entire livestock industry in ways that reflect consumer needs.

We believe that these initiatives will lead to improvement in the corporate value of the NH Foods Group as an entity that plays an essential role in society.

Co-creation network concept



The Fresh Meats Business Division's priorities for sustainable growth

Priority measures	Targets for FY2030	Situation
Initiatives focused on animal welfare	Installation of free access stalls at all pig farms Provision of drinking water facilities all beef cattle and pig processing sites Installation of environmental quality monitoring cameras at all farms and processing sites	<ul style="list-style-type: none"> • Progressive installation of free access stalls at all pig farms • Installation of animal welfare water systems (to be completed by FY2023) • Installation of cameras for the purpose of improving the livestock breeding environment and quality (to be completed by FY2024)
Reduction of fossil fuel-derived CO ₂ emissions	46% or higher (compared with FY2013)	<ul style="list-style-type: none"> • Fuel conversion in plants • Installation of solar power systems at business sites • Updating of freezer equipment at NH Foods Group logistics centers • Reduction of fuel consumption through vehicle replacement • Implementation of energy-saving initiatives
Improvement of waste recycling ratios	92% or higher	<ul style="list-style-type: none"> • Promotion of recycling of livestock-derived waste products

Segment data

Overseas Business Division



Profit recovery through concentration on the North American market and reduction of volatility in Australia

Nobuo Oda

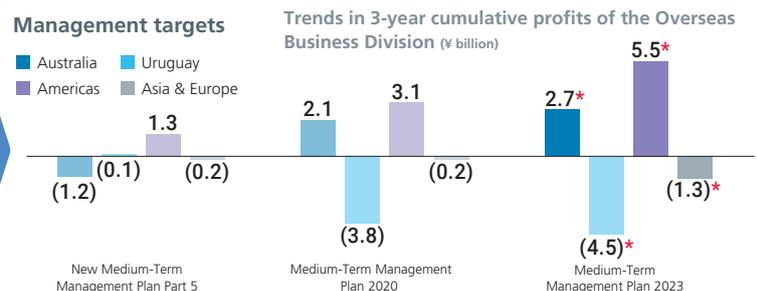
Managing Executive Officer,
General Manager of Overseas Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> Higher prices for grains used in raw feed Decline in the livestock farmer population due to a lack of successors Escalating competition for supplies due to epidemics Performance volatility Cost increases due to aging facilities Rising production costs due to more stringent quality measures Expanding demand for religious foods due to growth in the number of foreign workers and other factors Growing pressure to reduce the environmental footprint of the livestock industry 	<ul style="list-style-type: none"> Increased demand for meat due to global population growth Increased demand for Japanese foods due to heightened health consciousness Resurgence of new markets for processed foods in response to lifestyle changes Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements Increasing animal welfare demands Brand development based on environmental appeal 	<ul style="list-style-type: none"> Upgrade feed plants in Australia. Develop future generations of farmers and manufacturing workers through worksite visits. Strengthen disease prevention systems on farms and in production and breeding facilities. Extend "best before" dates by enhancing production and preservation technologies. Sell BPU beef business in Uruguay. Expand feedlots and strengthen branding in Australia. Expand processed food production in North America. Pursue GHG reduction initiatives in Australia (feed-related experiments). Provide workplace experiences and tours for local residents and students.

Overview of Medium-Term Management Plan 2023

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

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



*Adjusted in May 2023

Review of fiscal 2022, recognition of issues

In fiscal 2022, we worked toward the creation of a growth model for our overseas business through further stabilization of earnings and increased efforts to optimize production structures.

Earnings from the North American processed food business expanded. Despite price revisions, there was no downturn in sales, and earnings increased thanks to the expansion of production lines through subsequent capital expenditure.

In January 2023, we announced the sale of all shares in our consolidated subsidiary, Breeders & Packers Uruguay S.A. (BPU), to the Brazil-based company Minerva S.A., following a review of low-profit businesses. We also made steady progress on changes to our business models under

the Medium-Term Management Plan.

Rapid changes in the environments for our beef and chicken businesses in Australia and Turkey highlighted the impact of volatility on earnings from these operations. As a result, the overall result for the Overseas Business Division was an operating loss.

While processed foods will play a key role in our growth model, the scale of sales is still small, and this business area has not yet grown to a level at which it can contribute to the stabilization of overseas earnings. Our earnings in the ASEAN and Greater China markets declined due to adverse conditions affecting an initiative to produce commercial products in Thailand for the Japanese market.

Business structure centered on processed foods, fresh meats, and trading

		Processed foods	Fresh meats	Trading		
		In addition to using some output to supply the Japanese market, we will also develop domestic sales in each location.	We will reduce volatility by concentrating our beef business capital in Australia. We will respond to demand growth, especially in Asia.	We will maintain exports to the Japanese market, primarily through supplies to the Fresh Meats Business Division.		
Business area	ASEAN	6 group companies Vietnam/Malaysia/Indonesia/China/Thailand		4 group companies China/Thailand/Singapore/Taiwan	Local sales Exporting to third countries Exports to Japan	
	Oceania		4 group companies Australia	2 group companies Australia		
	Europe			1 group company United Kingdom		
	North America	1 group company United States	1 group company United States			
	South and Central America		1 group company Uruguay * Business sold at the end of August 2023	2 group companies Chile/Mexico		
	Middle East		1 group company Turkey			

Results for fiscal 2022, initiatives going forward

Achievements and issues

- Profit growth resulting from price increases and higher sales volumes made possible by the addition of more production lines for the North American processed foods business
- Expansion of trading in Chilean and Brazilian pork
- Emergence of volatility in the beef business

Future measures

- Use of branding and other methods to increase added value and address the volatility of the beef business
- Optimization of our production structure in Australia
- Expansion of the processed foods business and development of new categories and sales channels
- Enhancement of the competitiveness of the trading business and improvement of our procurement capabilities

Performance targets and policies for FY2023

Net sales ¥295.0 billion Business profit ¥1.7 billion

We aim to achieve a profit recovery by concentrating on the North American processed foods market and expanding sales, by reviewing low-profit businesses, and by reducing volatility in Australia.

Profit recovery	Concentration on growth areas	<p>Expansion of processed foods business</p> <ul style="list-style-type: none"> • Expansion of sales by North American processed foods business • Expansion of marketing of processed foods in the ASEAN region <p>Recovery of profitability of the beef business</p> <ul style="list-style-type: none"> • Alignment of manufacturing operations with improvement in the external environment and the supply-demand balance • Enhanced branding of Australian beef • Expansion of sales of channels in the North American market with the aim of expanding supply chains
	Reducing volatility	<p>Review of low-profit businesses</p> <ul style="list-style-type: none"> • Improvement of these businesses through selection and concentration measures at all sites.
	Strengthening procurement	<p>Trading</p> <ul style="list-style-type: none"> • Continuation of initiatives to ensure reliable procurement for the Japanese market

Overseas processed food businesses

The high volatility affecting the Australia beef business has given us a renewed awareness of the importance of processed food businesses as a stable source of earnings in North America, Thailand, and other markets.

One of our growth areas is the North American processed food business. We have made progress toward the expansion of our supply capacity, which was a key priority for this business. Key factors include the expansion of our production lines, which we have already completed. While strengthening our collaboration with local category leaders in the distribution sector, we also plan to expand our main business areas to include the East Coast as well as the West Coast. Demand for frozen foods in the United States remains strong and is expected to stay on an expansionary trend. We will create a growth strategy that aligns with the expansion of distribution businesses.

In the ASEAN region, we will reconsider Thai Nippon Foods’ reliance on exports of processed chicken products to Japan. We are expanding processed pork production lines and taking steps to expand our sales of processed products locally and in other areas.

As a processed food manufacturer in the NH Foods Group, Thai Nippon Foods has built an advantage in terms of taste and quality. Its business opportunities are likely to expand if sales channels can be established. We see major opportunities in the markets of Singapore and Hong Kong, which are readily accessible from Thailand. We will expand sales and restore profits by concentrating our resources into markets with growth potential.

We are continuing to review low-profit businesses. Our goal is to build a stable earnings structure for the entire Overseas Business Division.



Day-Lee Foods, Inc. (U.S.A.)

Overseas production and breeding business

Earnings from the Australian beef business fell short of the projected level due to the previous year's lockdowns in China and higher cattle prices. As a result, profit was significantly lower. We expect the Australian beef business to recover in 2023, thanks to lower cattle prices, reduced beef production in the United States, and other factors. Our top priority going forward is to enhance the performance of the Australian beef business, which yields substantial profits, by further strengthening branding and fine-tuning our production structures in step with the supply-demand balance.

Overseas trading business

We will continue to improve our capacity to procure and supply fresh meat products and processed foods reliably for the Japanese market. We will also establish policies, including the development and expansion of sales channels outside of Japan, and the expansion of business partnerships with OEMs*. At the same time, we will work to clarify the roles of our business operations and enhance their competitiveness and procurement capabilities.

* Original equipment manufacturers (OEMs) manufacture products under other companies' brands.

Main brands sold in overseas markets



Priorities for sustainable growth

Priority measures	Targets for FY2030	Situation
Reduction of fossil fuel-derived CO ₂ emissions	CO ₂ emissions: Reduction by 24% or more (compared with FY2021)	<ul style="list-style-type: none"> • mplementation of internal environmental survey (energy-conservation survey) • Consideration of environmental load reduction measures (fuel conversion, installation of biogas facilities)
Reduction of water use	5% reduction (compared with FY2021)	<ul style="list-style-type: none"> • Consideration of environmental load reduction measures (e.g., proposal of water use improvements, including water recycling) • Addressing environmental accident risks
Responding to dietary diversification	Development and sale of products to meet diverse needs in terms of culture and religion, etc.	<ul style="list-style-type: none"> • Addressing demand for halal and kosher products

Ballpark and Other Business



An exciting new business model combining leisure facility development with community building

Building a stable income base and ensuring future growth through business model innovation

In March 2023, we opened Hokkaido Ballpark F Village (“F Village”), with our new ballpark, ES CON FIELD HOKKAIDO, as its centerpiece.

We substantially modified the business scheme in 2023 following the relocation from the Sapporo Dome stadium. By owning and operating the ballpark within the NH Foods Group, we will gain a greater degree of freedom, as well as the potential for significant growth in revenues from merchandise, food and beverages, and advertising. Our yearly sales target is ¥23.4 billion, an increase of ¥7.7 billion. We expect business profit in the fiscal year ending March 2024 to rise by ¥2.6 billion.

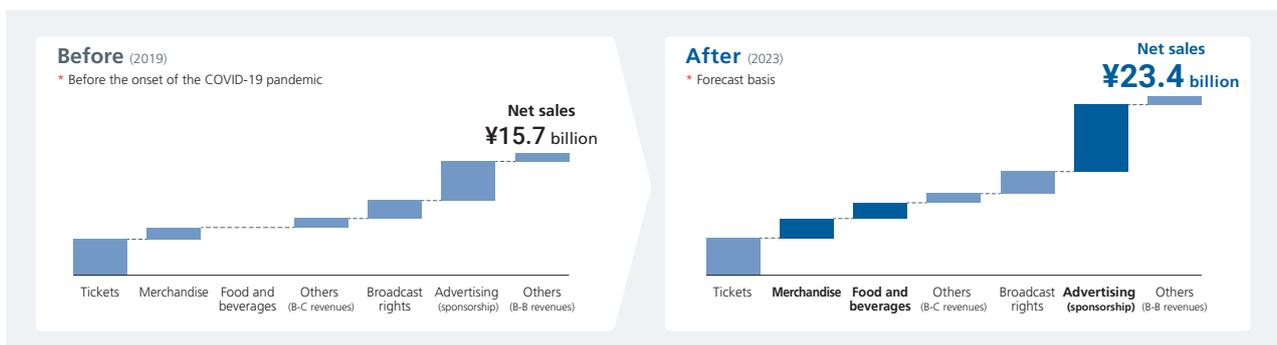
We are projecting that the F Village complex will attract three million visitors per year, with two million attending on match days and one million on non-match days. On match days, we will enhance visitor satisfaction by providing an entertainment experience that combines food and sports. Some of the food and beverage and merchandise outlets will also open on non-match days,

and the stadium itself will be open 365 days a year. Stadium tours will also be available. By attracting not only baseball fans but also visitors who are not interested in the sport, we will be able to generate profit even on non-match days.

In the first three months after the opening of the ballpark in March 2023, the facility attracted 1.53 million visitors (a daily average of 13,900), with 37% visiting on non-match days. Around 27% of the visitors were from outside of Hokkaido, including a significant number of overseas visitors. In June 2023, there were over 165,000 group visitors, a five-fold increase over the 2019 level.

During the off-season starting in October, we will work to capture overseas inbound tourist demand by organizing a variety of events. In 2024, we will open the senior residence facility and medical mall. We aim to achieve sustainable growth at F Village by continuing to expand our co-creation initiatives with our partners.

Sales mix before and after



A co-creative community space

Our philosophy for the F Village complex has earned the support of our partners in the business, government, and academic sectors. In addition to generating financial value, we will work with our partners to develop the complex as an exciting co-creative community space. This sustainable community development perspective will lead to improvement in our corporate value, including non-financial value.

In addition to the ballpark, the complex already includes residential units, a certified childcare support center, glamping facilities, and athletic facilities. We will work with our partners to create not just a leisure destination, but an entire community. We see initiatives such as this as a way to contribute to regional development and enhance our

corporate value from a wide range of perspectives.

Visitors to tourist attractions in Hokkaido (FY2019)

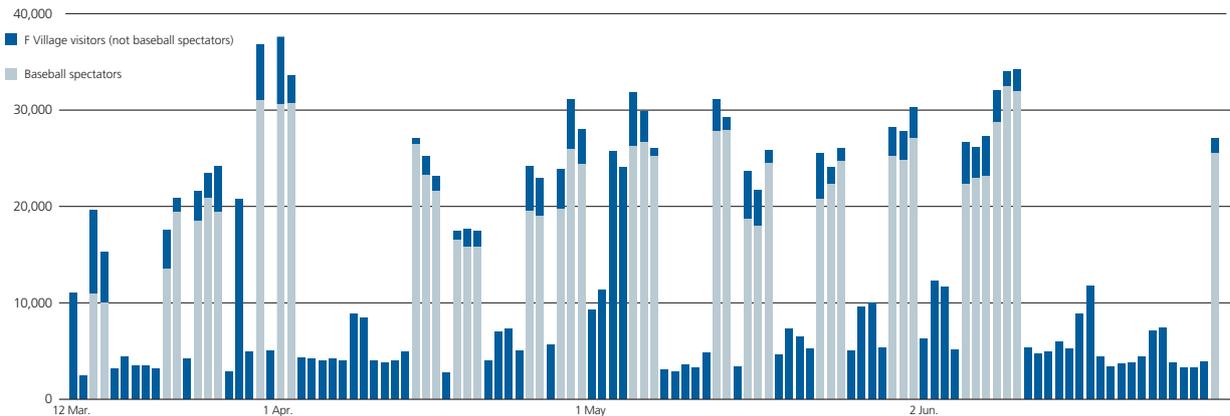
Attraction	Visitors
Hokkaido Ballpark F Village	3,000,000*
Asahiyama Zoo (Asahikawa City)	1,391,428
Noboribetsu Onsen (Noboribetsu City)	1,024,470
Sapporo Maruyama Zoo (Sapporo City)	1,021,281
Nakayama Pass (Kimobetsu-cho)	977,798
Rice Land Fukagawa Road Station (Fukagawa City)	949,743
Yunokawa Onsen (Hakodate City)	841,461
Niseko View Plaza Road Station (Niseko-cho)	751,916
Nakasatsunai Road Station (Nakasatsunai Village)	720,283
Toyako Onsen (Toyako-cho)	627,638
Akanko Onsen (Kushiro City)	515,910

Based on Hokkaido Open Data CC-BY4.0 (with modification)
Source: Survey of Tourist Destination Trends (2019)

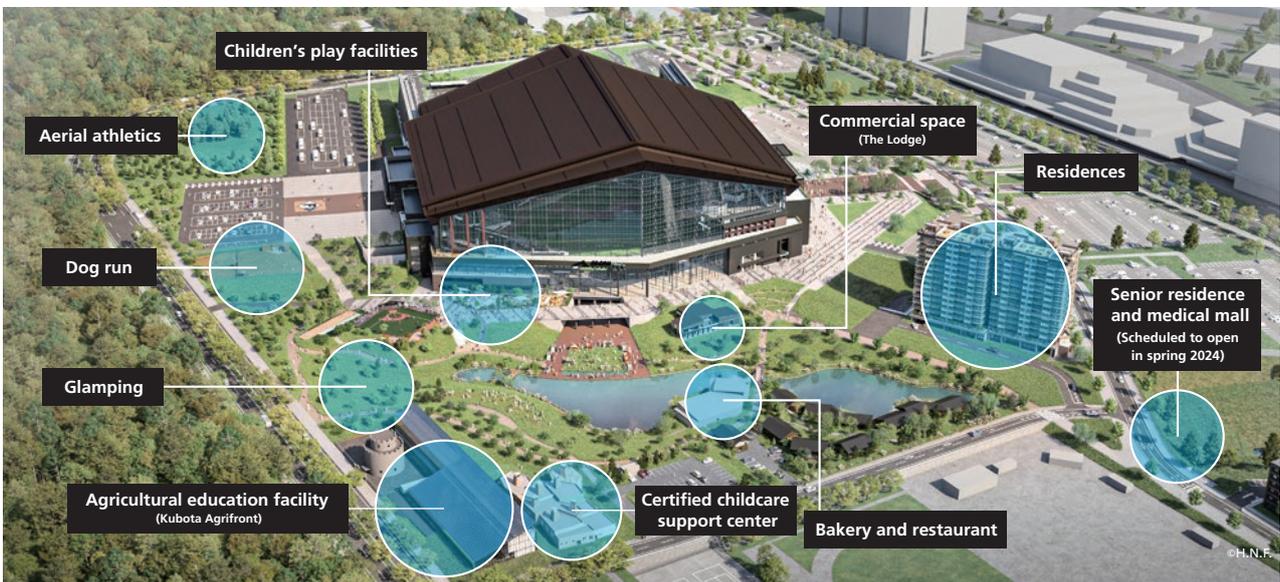
* With a yearly visitor number target of 3 million, the F Village is expected to become Hokkaido's number one leisure destination.

37% of F Village visits for non-baseball activities

* Of the 1.53 million people who visited the F Village between March 12 and June 30, 2023, 960,000 attended baseball games.



Spaces for co-creative community initiatives by Fighters Sports & Entertainment and partners



Sustainability bonds used to finance the new ballpark

Our goal in creating Hokkaido Ballpark F Village was not only to build the new ES CON FIELD HOKKAIDO ballpark at the heart of the complex, but also to deepen our regional roots and work with stakeholders to create a space that will become a symbol of Hokkaido, and a sustainably growing community that will be viewed with pride and affection by the people of Hokkaido.

We will also create social value by making the complex available as an evacuation facility in times of emergency. Another important characteristic of the new ballpark is its environment-friendly design, which minimizes both energy and resource use.

Recognition of these efforts includes a five-star rating under the DBJ Green Building certification system. Administered by the Development Bank of Japan, this system was established to support environmentally and socially responsible initiatives by real estate developers and businesses.

This support enabled us to raise finance through a

sustainability bond issue. The funds were used to cover the cost of constructing the new ballpark, and for refinancing. Sustainability bonds can only be used for projects designed to mitigate environmental and social issues and provide positive outcomes. One of the Five Materialities (key issues) identified by the NH Foods Group in fiscal 2020 was “contributing to a sustainable environment.” The use of the sustainability bond issue to finance the new stadium aligns with our commitment to environmental sustainability and social initiatives.

Sustainability bond issue

Issue dates:	February 2021	October 2022
Maturity:	10 years	5 years
Amount:	¥10 billion	¥20 billion
Lead managers:	SMBC Nikko Securities Inc. (administration) and others	Nomura Securities Co., Ltd. (administration) and others

Fund allocation reporting

Amount raised*1: **¥29,813 million** Amount allocated*2: **¥29,813 million** Unallocated balance: **¥0 million**

*1 The amount raised from the bond issue after deduction of issuance costs

*2 This amount was allocated to expenditure on the construction of the new ballpark through refinancing and investment and loans to affiliated companies.

Impact reporting

(April 2022–
March 2023)

Green project Eligibility category: Green building

5-star rating under the DBJ Green Building certification system

Energy usage: —*

CO2 emissions: —*

Water usage: —*

* Completed in January 2023, opened in March 2023. The figures have not been disclosed in this report due to the difficulty of monitoring levels accurately since the opening.

Social project Eligibility category: Improvement of access to essential services

The following facilities have been provided.

- Multipurpose toilets (four on 1F, 4 on 2F, and 2 on 3F)
- 118 disability parking spaces
- 154 spaces for spectators in wheelchairs
- Spaces for spectators with guide dogs (access to all areas)
- 6 wheelchair slopes
- 2 escalators in the main stairwell on the third base side
- Stockpiles of emergency provisions*
- 11 free amusement facilities for children (5 swings, 2 ziplines, 1 immobile car ride, 1 immobile ladybird ride, 1 slide, log steps)
- Multilingual signage within the urban park area (5 locations)

* The quantities of stockpiles are not disclosed, since they are the property of the Hokkaido Government.

New businesses

In line with our commitment to unleashing new potentials for protein, we are developing the Entertainment Business to create new ways of enjoying protein, the Wellness Business as a way of providing diverse people with opportunities to enjoy food through protein and the Sustainability Business to build future generations with protein.

Three business areas

Entertainment Business *Meatful*



Meatful is a D2C sales promotion website focused on food entertainment. It was established to help people break out of the sense of isolation caused by the COVID-19 pandemic by offering meat-based meal ideas that can be turned into opportunities for

dialogue with family and friends.

Content includes information about pairing sake with foods, and a free research program through which people learn to make sausages during the summer vacation. One example of the site's support for dietary diversification is its promotion of jerky as a snack food for mountain climbers.

In fiscal 2023, we have started to pursue collaborative initiatives with Hokkaido Ballpark F Village. We have also established a commercial site to sell products to corporate customers.

Wellness Business *Table for all*



We have responded to the diversification of food and health needs by creating the Japanese food industry's first comprehensive Internet platform for food allergy support. We help people with various food allergies by maintaining a website where people can buy

food allergy support products and obtain information and dietary advice.

New products developed and added to our lineup in fiscal 2022 include *nikuman* (steamed pork buns) made with rice dough, and chocolate cakes made with rice flour.

In fiscal 2023, we will further expand and enhance the community site that we created in fiscal 2022. We will also explore opportunities to develop overseas websites based on success stories in Japan.

Sustainability Business *Mealin' Good*



The *Mealin' Good*^{*1} website went on line in March 2023 as a platform for introducing sustainability initiatives and new products created by the NH Foods Group. The purpose of the site is to help people and the Earth to feel good and enjoy good times by offering new food ideas based on new concepts.

The first product to be offered was *Gras*

Foie, a new sustainable product created using a process^{*2} exclusively developed by the NH Foods Group to utilize chicken livers, which have food potential that has not been fully realized in the past. The aim was to recreate the rich flavor and smooth texture of foie gras.

In fiscal 2023, we will continue our efforts to create foods that can be produced sustainably, including the use of ingredients that have not previously been employed.

^{*1} The name "*Mealin' Good*" was chosen for its good sound in Japanese, and as an expression of the idea of feeling good and enjoying good times through food.

^{*2} A patent application has been submitted for this process, which combines formulation and manufacturing methods.

Hokkaido and the NH Foods Group

A history of partnership

Hokkaido has been the highest ranked region in the Brand Research Institute’s Tiiki Brand Survey for 14 consecutive years. Around 20% of the over 500 NH Foods Group business sites are concentrated in this region, which is famed for its vast natural landscapes. In 1961, long before the baseball team’s relocation to Hokkaido, we began to breed pigs and chickens in the region for use in the production of meat and processed foods to supply protein within Hokkaido and nationwide.

The NH Foods Group will continue to turn the bounties of nature into reliable supplies of protein through the collaborative efforts of its group companies under a vertical integration system encompassing all stages from production to sales. We will also continue to expand our co-creation initiatives with a diverse range of partners.

1 Group’s main ham and sausage producer

Nipponham Hokkaido Factory Ltd.

This company has been supplying ham and sausages for over 60 years. In May 2021, a new factory with production capacity for 5,000 tons per year was opened in Asahikawa. Since 2023, Nipponham Hokkaido Factory Ltd. has been manufacturing Hokkaido pork gift packs for distribution nationwide under the *Utsukushinokuni* brand.



2 Processing plants

Nippon Food Packer Group

Beef and pork are processed by a nationwide network of seven facilities—the Doto, Donan, Aomori, Tsugaru, Shikoku, Kawatana, and Isahaya Plants. The facilities in Hokkaido account for around 50% of beef production and 30% of pork production.

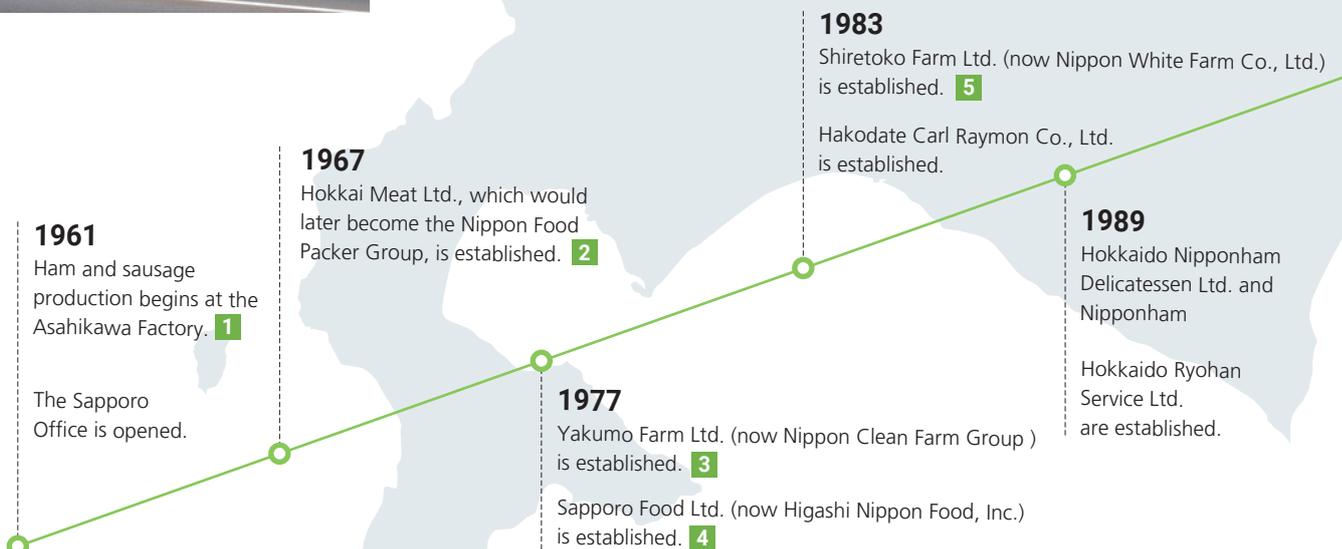


New Donan Plant to open in 2024

3 Pig farms

Nippon Clean Farm Group

The Nippon Clean Farm Group has been breeding pigs and producing pork for over 40 years at four locations throughout Japan—Shiretoko, Donan, the Tohoku region, and Kyushu. It is Japan’s biggest producer of pork, with annual shipments totaling approximately 600,000 head, of which about 50% comes from Hokkaido.





4 Sales company

Higashi Nippon Food, Inc.

This company has handled fresh meat sales since 1977. It has a total of 23 sales offices located in Hokkaido and Tohoku. Hokkaido is its biggest source of products, accounting for over 30% of total sales.

5 Chicken farming business

Nippon White Farm Group

The Nippon White Farm Group has handled the NH Foods Group's chicken farming operations for over 40 years. The company itself and its contract farmers ship approximately 72 million domestically produced chickens each year. It has five facilities located in Sapporo and Shiretoko, Hokkaido, as well as in Aomori, Miyazaki, and Niigata.

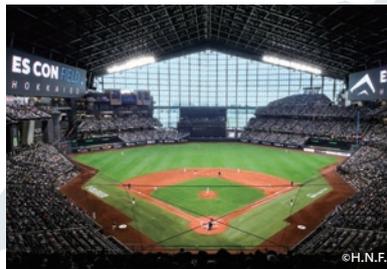


6 Baseball team

Hokkaido Nippon-Ham Fighters

The NH Foods Group originally established the team as the Nippon-Ham Fighters in 1973 with the aim of contributing to society through food and sports. The team became the Hokkaido Nippon-Ham Fighters in 2004.

As a member of the regional community, the team aims to thrive in partnership with its region by realizing its commitment to the creation of a "sports community" in which sport is a part of everyday life. In addition to baseball, the team is also working to promote health and contribute to the solution of regional issues.



7 Entertainment complex

Hokkaido Ballpark F Village

The new ballpark, ES CON FIELD HOKKAIDO, is the centerpiece of an expansive complex that also includes a water feature, lawns, accommodation facilities, and a certified childcare facility.

Opened in March 2023, the complex is the result of collaboration among industry, government, and academia. Its mission is to contribute to progress and development in Hokkaido as a new symbol of the region.



Hokkaido's advantages

Rich resources

Hokkaido accounts for approximately 20% of Japan's total land area. Around 70% of Hokkaido's area is covered by forests. In 2020, the region's agricultural output amounted to ¥1,266.7 billion, or 14.1% of the national total. Hokkaido is Japan's leading producer*1 of many agricultural products, including wheat, onions and other vegetables, raw milk, and beef. Another example of the region's rich food resources is its fisheries catch, which is the biggest in Japan.

*1 Hokkaido Data Book 2022 (Agriculture)

The power of the "Hokkaido" brand

In 14 consecutive years, Hokkaido has been voted the most attractive of Japan's administrative regions, while Sapporo City has been ranked first among Japan's municipalities eight times, including twice in consecutive years*2. In addition, Hokkaido is among the top 10 regions in Japan that people from overseas want to visit*3.

*2 Based on surveys conducted by Brand Research Institute, Inc. *3 Japan National Tourism Organization, 2019

Commitment to co-creation in Hokkaido

We will continue to contribute to Hokkaido by expanding our initiatives in the region.

The NH Foods Group has maintained reliable supplies of protein through its business operations in Hokkaido for over 60 years. We have also built close relationships with many stakeholders, including local communities, the government, and supporters of the Hokkaido Nippon-Ham Fighters.

The opening of Hokkaido Ballpark F Village in March 2023 was the starting point for the further expansion of our initiatives in Hokkaido, as part of our efforts to realize Vision2030 by unleashing new potentials for protein. We will continue to promote the value of the “Hokkaido” brand in Japan and overseas, while contributing to the region through co-creation and shared prosperity.



Hirohide Fujiwara

Executive Officer In charge of the Corporate Planning Department and Sports Business Department

A new development model combining leisure facility creation and community development

Ballpark F Village is a co-creation space developed through wide-ranging partnerships involving industry, government, and academia. The concept calls for expansion from a facility centered on a ballpark to a complex that includes a ballpark. Our aim is to work with our partners to create a new community encompassing the ballpark and other business and market facilities. For the NH Foods Group, this project represents evolution from a business based

solely on sport to a real platform business.

In 2024, we plan to open a senior residence and medical center. We will continue to evolve the facility into a new-model community combining leisure and community facilities, by deepening our industry–government–academia collaboration and actively encouraging businesses and universities to establish facilities in the area.

We are committed to sustainable community development with diverse partners in the industrial, government, and academic sectors. We will prioritize activities that create new options for children and contribute to their growth as citizens of the future.



- Free admission to ES Con Field for children up to elementary school age
- Development of safe play areas for children of all ages within and outside of the ballpark, development of training programs
- Provision of opportunities to learn about issues in regional communities and engage in workplace experiences (e.g., simulated experiences of the baseball team business and match management)
- Various food education activities, etc.



- The complex is designed to function as a disaster prevention facility and wide-area evacuation center in times of emergency.
- There will also be spaces and community development areas where people of all generations, from children to adults, can gather and exchange ideas.
- Electric buses will be used to transport people between the various locations.
- Electric work vehicles will be actively deployed within the complex.



- Government agencies, regional governments, business corporations, and academics have formed the All-Hokkaido Ballpark Collaboration Council. Theme-based subcommittees of this organization will work to develop solutions for various issues.
- Industry, government, and academia will collaborate and cooperate seamlessly to promote businesses that create broadly applicable value.



We will explore wide-ranging initiatives.

Examples:

- Job creation with respect for diversity
- Introduction of flexible workstyles
- Efficient energy use
- Separation of smoking areas throughout the F Village area

Support for the creation of a sport community

The corporate philosophy of the Hokkaido Nippon-Ham Fighters calls for the creation of a sport community (SC) through the utilization of resources and expertise relating not only to sporting environments, but also to community life and regional environments, to support the development of the next generation and build a healthy society. In 2009, we established the Fighters' Fund to support activities relating to sport, the natural environment, and communities. Income for the fund consists of a share of proceeds from sales of tickets and goods, as well as money raised through charity auctions.



Since 2019, donations from the Fighters' Fund have been used to repair and improve youth baseball grounds through the Diamond Brush Project.

Infrastructure to support day-to-day meal experiences

Around 40% of the chicken shipped by the nationwide Nippon White Farm Group comes from Hokkaido, which is also the source of about 30% of domestic chicken sold under our *Sakurahime* brand. In addition, shipments from Hokkaido make up over 50% of pork supplied from farms operated by the Nippon Clean Farm Group throughout Japan. Our sales company, Higashi Nippon Food, Inc., supports day-to-day mealtime experiences by serving as distribution infrastructure for a wide variety of fresh meat products, especially beef, pork, and chicken, supplied to volume retailers, restaurants, and other customers throughout Hokkaido.

Starting in 2023, Higashi Nippon Food, Inc. also supplies Aeon Hokkaido Corporation with meat from Japanese Black and Tankhorn cattle, as well as pigs and sheep, raised by students at Rakuno Gakuen University. The animals are raised on feed jointly developed by

Coca-Cola and Rakuno Gakuen University and produced using tea dregs from the production process for the *Yakan no Mugicha* and *Sokenbicha* tea drink range manufactured by Hokkaido Coca-Cola Bottling Japan. Under this joint initiative, Higashi Nippon Food, Inc. buys the meat, which is then sold in Aeon stores.

Calculation method: Sales volumes of the Hokkaido Area Sales Division ÷ population of Hokkaido area × meat consumption per person



Our challenges: Improvement of food self-sufficiency, development of a sustainable livestock industry

The Nippon White Farms Group supplies chicken manure from its farms to local farmers in Hokkaido for use as manure. In April 2023, we launched the *Kitanokomekokko* brand of Hokkaido-produced chicken, which was developed using brown rice grown in Hokkaido as feed. Nippon Clean Farm Ltd. processes manure from its pig farms into fertilizer for spraying onto farmland. Some of the wheat grown on that land is used as feed. We are helping to achieve sustainability in the livestock industry by

using this wheat as part of the feed for pigs used to produce *Mugikomachi* brand pork.



Conclusion of a comprehensive cooperation agreement with the Obihiro University of Agriculture and Veterinary Medicine

For details, see "Challenges for the NH Foods Group" (P.15).

Sustainability management

54 Basic views on sustainability and promotion framework

Focus 1

55 Human resource strategy

59 Employee development and respect for diversity

61 Respecting human rights

Focus 2

62 Responding to climate change

65 Contributing to a sustainable environment

67 Sustainability topics

Focus 3

69 Governance discussion (Chairperson of the Board of Directors, outside directors)

The NH Foods Group's proposals for the future

Realizing Vision2030 "unleash new potentials for protein"

Corporate governance

75 Achievements in reinforcing the corporate governance system

77 Officers

79 Skills, attendance, and reasons for election of directors (FY2022)

81 Reasons for election and attendance of Audit & Supervisory Board members (FY2022)

82 Evaluation of effectiveness of the Board of Directors

83 Officer compensation

85 A Message from the Chairperson of the Executive Nomination Committee

87 Ensuring the diversity of the Board of Directors / Developing next-generation executives

88 Audits by Audit & Supervisory Board members

88 Accounting audits

89 Internal audits

89 Reducing cross-shareholdings

89 Dialogue with shareholders

90 Compliance

91 Risk management

92 Information security

Basic views on sustainability and promotion framework

Basic views

In March 2021, the NH Foods Group formulated Vision 2030—Unleash new potentials for protein— as a milestone in efforts to achieve its corporate philosophy.

This is a vision of where we want to be in 2030. In addition to our existing values of safety and reliability and deliciousness, it represents our desire to expand the possibilities of protein by thinking outside the box to create a variety of food scenes that respond to changes in the social environment and people’s lifestyles and to continue

to support happy daily eating.

On the occasion of the formulation of this vision, we reviewed the previous Five CSR Material Issues and re-identified the Five Materialities (key issues) as the social issues to be solved on a priority basis toward the realization of Vision2030.

The Group aims to achieve these Five Materialities to realize a sustainable society.

Sustainability promotion system

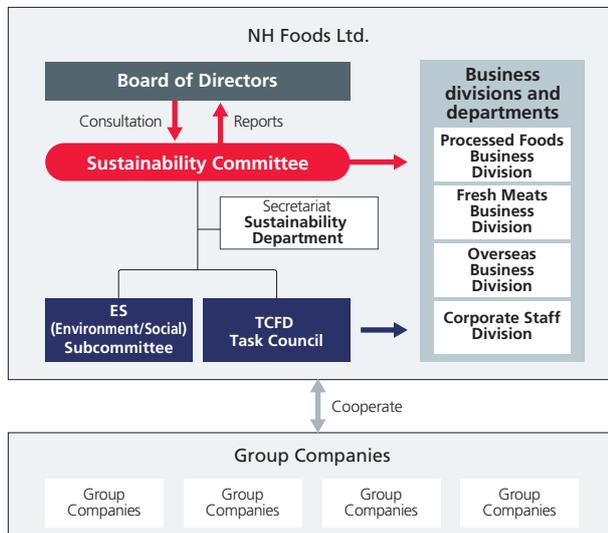
We have established a Sustainability Committee with the chairperson of the Board of Directors of NH Foods Ltd. serving as chair. In principle, the committee meets at least once every quarter in order to hear the opinions of external experts and outside directors who have expertise in ESG matters and to carry out activities such as formulating sustainability policies and strategies, and checking the progress being made by each Group company. The details of these discussions are reported to the Board of Directors, which makes decisions if necessary.

The ES (Environment/Social) Subcommittee and TCFD Task Council operate under the committee and comprises the director in charge of sustainability and the heads of major departments and divisions. It has been tasked with formulating specific strategies that correspond to discussions by the committee and developing measures to be carried out by business divisions.

Activities by Organization

Organization entity	Role	Organization	Frequency of meetings
Sustainability Committee	Formulation of the Group’s sustainability policy and consideration of strategy	<ul style="list-style-type: none"> Directors Outside directors General managers of business divisions Audit & Supervisory Board members / outside experts 	4 times / year
ES (Environment / Social) Subcommittee	Incorporation of strategies determined by the Board of Directors into business units and formulation of measures and indicators concerning key issues	<ul style="list-style-type: none"> Director in charge of sustainability Heads of departments and sections 	4 times / year
TCFD Task Council	Evaluation of the risks and opportunities related to climate and formulation of scenarios	<ul style="list-style-type: none"> Director in charge of sustainability Director in charge of management of each business division Heads of departments and sections and relevant personnel 	2 times / year

Sustainability promotion framework



Composition of the Sustainability Committee As of June 2023

Position	Name	Role
Chairperson and Director	Tetsuhiro Kito	Committee chairperson
President and Representative Director (President and CEO)	Nobuhisa Ikawa	Committee member
Director and Managing Executive Officer	Fumio Maeda	Committee member
Director and Managing Executive Officer	Masahito Kataoka	Committee member
Director and Managing Executive Officer	Kohei Akiyama	Committee member
Director (Outside)	Yasuko Kono*	Committee member
Director (Outside)	Hideo Arase*	Committee member
Director (Outside)	Tokushi Yamasaki*	Committee member
Managing Executive Officer	Nobuo Oda	Committee member
Managing Executive Officer	Yukihiro Matsumoto	Committee member
Executive Officer	Hirohide Fujiwara	Committee member
Audit & Supervisory Board Member (Outside)	Shigeru Nishiyama*	Observer
Outside expert’s Position, Name of the company	Name	Role
External Director, Kurita Water Industries Ltd.	Keiko Tanaka	Committee member
General Manager, CSR & Global Environment Center, Daikin Industries, Ltd.	Satoru Fujimoto	Committee member
Satoshi Okazaki Certified Public Accountant Office	Satoshi Okazaki	Committee member
Part time lecturer, Department of Preventive Medicine and Public Health, School of Medicine, Keio University	Itsuko Horiguchi	Committee member

* Independent officers

Focus 1: Human resource strategy

Focus 1

Interview with the Executive Officer
in Charge of Human Resources,
NH Foods Group Human Resources Strategy

We will nurture the capabilities of individuals to build an organization that “creates value together” with both internal and external partners.

Kohei Akiyama

Director and Executive Officer in charge of the Human Resources Department, Legal Affairs Department, Public & Investor Relations Department, and Secretarial Office



Overview of our human resource strategy

— Please share a little about the human resource strategy overview and the background behind its formulation.

The NH Foods Group’s goal is the realization of our corporate philosophies. We are engaged in discussions on what is needed to realize these philosophies and to survive within a rapidly changing business environment, amid transforming social values and work sensibilities. In 2021, we identified our current human resources materialities. Actually, we implemented reforms to our human resource systems in fiscal 2019 with the aim of moving away from a focus on age and years of experience within the Group and enabling exceptional talent to advance quickly. Furthermore, in fiscal 2021, we further revised our compensation and appraisal systems in accordance with our materiality initiatives and also reviewed our systems in response to the diversification of the values held by our employees. In the discussions that followed, we decided we should also readjust our human resource strategy in

order to further transform the Group.

The diagram at the top of the righthand page shows an overview of our human resource strategy. While formulating Medium-Term Management Plan 2023, our current medium-term management plan, we decided that we would aim to realize our corporate philosophies by working to increase social value (non-financial value) and business value (financial value) in order to maximize corporate value. Our human resource strategy clarifies the direction we will take to link together the abilities of individual employees with our corporate value. We will aim to improve employee engagement and to foster value creation and innovation with the goal of maximizing human capital. This will be achieved through initiatives focused on three pillars—“personal growth,” “organizational growth,” and “diversity, equity, and inclusion (DE&I).” These initiatives will create human resources management systems in the form of a cycle consisting of hiring, education/development, evaluation/treatment, and transfer/assignment.

Details of personal growth initiatives and current progress

— Please tell us about the personal growth initiatives.

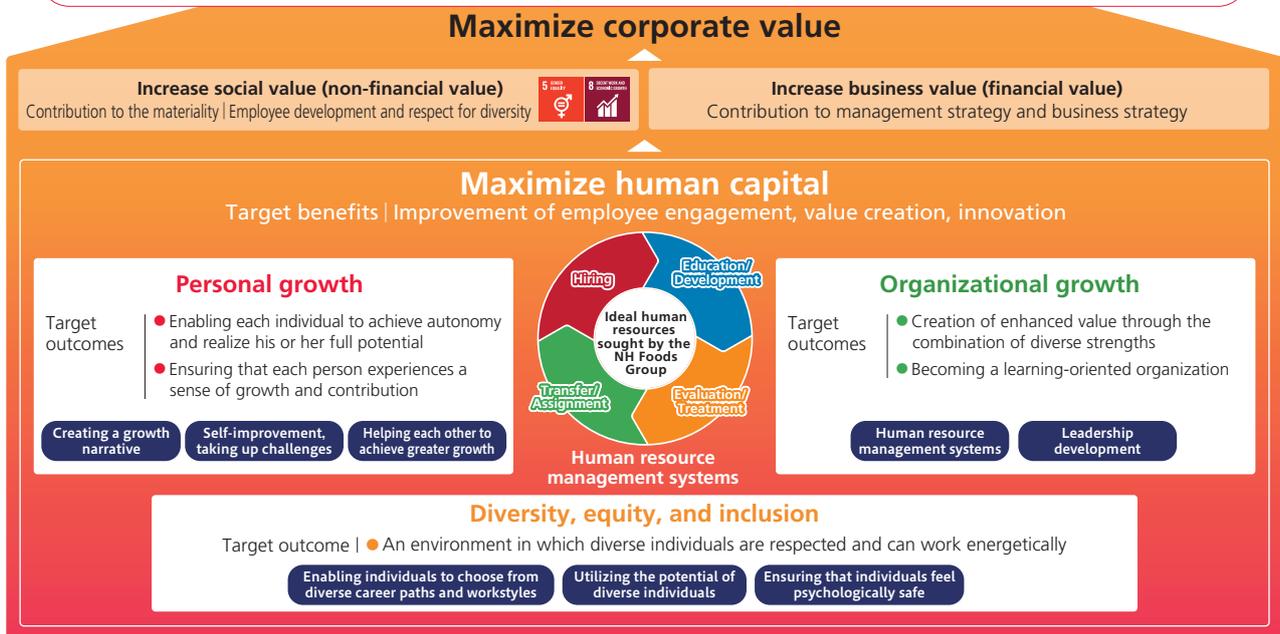
Personal growth involves each individual employee creating their own growth narrative, engaging in self-improvement, taking up challenges, and helping each other to achieve greater growth. In other words, it focuses

on autonomy. One of the qualities we seek in our ideal human resources is the willingness to take on challenges. We want employees to drive their own growth by proactively achieving ambitious goals. At the risk of being misunderstood, we could just focus on enhancing learning opportunities, such as education and training programs.

Overview of our human resource strategy

Realization of corporate philosophies

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



However, there are many different paths to self-realization, so we also want to help employees to take on their own individual challenges and respond to their motivation to actively learn the skills they need to achieve their goals.

In fiscal 2021, we added “challenge” as one of the items in our employee management by objectives system. At the start of every fiscal year, employees are asked to set a goal for the coming year with Vision2030, our vision of “unleashing new potentials for protein,” in mind. As the interpretation of the word “challenge” can differ between people, these goals are set through discussions between supervisors and their team members, ensuring proper communication. At the end of the year, each employee’s achievements and progress toward their goal are evaluated and the results are reflected in their personnel appraisals, and we also hold career counseling to provide employees with advice that will help them reach the next stage of their growth. Additionally, we have set up a system for recognizing employees who achieve exceptional results in their “challenge” endeavors, and in fiscal 2022, 13 employees received commendations.

We also provide reskilling support for employees who want to learn new skills in their pursuit of self-realization, and we are training in-house assessors as specialists in providing objective and fair appraisals. In addition to the above, we also hold career planning seminars and career interviews for employees in the fiscal year before they turn 30, 40, 50, and 55 so that they can review their career path so far and consider their future.

— Are you introducing employee surveys?

We have introduced employee surveys. Since 2021, we have been implementing a PDCA cycle that covers “challenge” and “engagement” among other items as a framework for monitoring the employee engagement situation. Recent data shows that the percentage of employees who say that they have opportunities to take up new work challenges has risen from 63.8% in fiscal 2021 to 66.8% in fiscal 2022. However, it also shows that engagement is an issue, as the percentage of employees who say that they have motivation toward work has decreased from 68.9% in fiscal 2021 to 67.1% in fiscal 2022. We have set engagement as one of the items we will focus on toward realizing our materiality and based on the fiscal 2023 survey results, we will work on areas such as revising and strengthening the operation of human resources systems that enable employees to feel motivation and growth.

Percentage of positive responses in employee surveys



Focus 1: Human resource strategy

Details of organizational growth initiatives and current progress

— Please tell us about the organizational growth initiatives.

Organizational growth primarily involves the enhancement of value creation. We are implementing human resource management systems and leadership development that will strengthen organizational capabilities and nurture our ability to create even greater value.

Our human resource management systems aim to produce the ideal human resources shown in the diagram below. These systems take the form of a cycle consisting of hiring, education/development, evaluation/treatment, and transfer/assignment.

Defining optimal human resources

Absolute Reliability	Human resources who can communicate bilaterally, inside and outside the company Understand our social mission, including quality (of products/people) and compliance, and can build relationships of trust with all people
Novel Creativity	Human resources who are not satisfied with the status quo but who can create something new in terms of products and services Create new value, and increase brand value by leading in the vanguard of the times
Endless Challenges	Human resources who can constantly strive to reach higher goals Proactively achieve ambitious goals for the continuous growth of the NH Foods Group

For leadership development, we are implementing initiatives in three categories—executive talent, management talent, and specialist talent—under the theme of securing and cultivating talent who can lead value creation in each business area. The cultivation of executive talent is an extension of the cultivation of management talent, so we are carefully building a talent pool while also advancing initiatives in line with our training programs for next-generation managers. We define management talent as employees who can provide leadership for the improvement of organizational/functional productivity, enhancement of organizational potential, and value

Details of DE&I initiatives and current progress

— Please tell us about the DE&I initiatives.

We think that is critical that we adapt to the diversification of work values by creating environments in which employees can demonstrate their full potential and in which individuals can choose from a variety of workstyles in accordance with life events and life stages. Therefore, we are advancing DE&I initiatives that aim to realize workplaces where diverse values are respected and individuals can work energetically. Although the general direction of initiatives remains the same, it has been expanded to cover themes such as career development for women, workstyle reforms, the enhancement of work-life balance support systems, and health management. For example, we are working to prevent employees having their careers derailed by taking childcare leave. This includes increasing the number of counseling sessions available to relevant employees and enabling them

creation, while specialist talent refers to employees who can provide leadership for the creation of added value and promotion of innovation through the use of specialist skills. Specifically, we are building programs that will strengthen training for producing employees who can lead in the areas such as quality, development, IT, and internal controls.

We are also advancing reforms in regard to recruitment. Previously, we focused almost entirely on hiring and training new graduates and did not carry out much mid-career recruitment. However, in recent years we have been hiring mid-career candidates who have the skills we need in both specialist and management positions.

From a talent management perspective, we need to advance recruitment along two axes in order to secure talent with skills in areas that our current workforce is lacking and talent with skills that will drive strategic business development. We will realize this by training existing employees and recruiting mid-career personnel.

— Could you provide a little more detail about the cultivation of executive talent?

We define executive talent as employees who can provide leadership for the enhancement of group value through group-wide productivity improvement, enhancement of organizational potential, and value creation. We also require executives to possess five human resources characteristics, which are integrity, devotion, deliberation, endeavor, and empathy. Employees who demonstrate these characteristics are cultivated through the training programs for next-generation managers I mentioned before. In 2021, we formalized training programs specifically for officers.

to participate in training during childcare leave.

In regard to career development for women, which we receive a lot of questions about from the stock market, we are gradually seeing the effects of the efforts we have been advancing since 2005, including implementing measures to prevent female employees quitting, building a pool of female management candidates, and transforming organizational cultures. We have set the KPI of having a percentage of women in management positions of 20% or higher by fiscal 2030 and as of fiscal 2022, this figure is 9.8%.

Touching once again on the relationship between the three pillars of our strategy, if we can achieve personal growth, then it will lead to organizational growth, and we have positioned DE&I as the foundation that underpins this.

Relationship to the materialities

Please explain the relationship between the three pillars and materialities concerning human resources

First of all, our human resources materiality is “employee development and respect for diversity,” which was formulated as part of efforts to realize Vision2030. The three pillars of our human resource strategy were set based on the recognition that we needed to adapt and further evolve in accordance with changes in social values. We also think that each individual measure should be formulated in the same way.

However, once we had clarified our goal of maximizing

human capital in order to maximize corporate value, we made personal growth into one of the pillars, representing a shift in our values as a group. Previously, the Group first considered initiatives for growing stronger as an organization, and then positioned personal growth within these initiatives. The reason we moved away from this thinking is that we wanted to demonstrate to people within and outside the Group that if each employee feels like they are growing, then they become more engaged in their work, which results in the growth of personal abilities. The combination of these individual improvements then leads to greater creation of new value on an organizational level.

Overview of initiatives on key priorities



KPIs

Please tell us about human resource-related KPIs.

Up until we identified our materialities in 2021, each Group company was responsible for setting its own qualitative and quantitative KPIs. However, we now have 33 KPIs that are pursued on a Group-wide basis in Japan, including KPI related to improvements in employee engagement and the percentage of women in management positions. The Group’s operations include farm management and professional baseball operations and our companies engage in a wide range of businesses both in Japan and overseas, so we also have companies set their own individual targets based on their industry and business activities.

Going forward we intend to reconsider our KPIs with a focus on two directions. Firstly, our current indicators are weighted heavily toward DE&I, so we plan to increase the number of indicators related to personal and organizational growth. Secondly, we will set KPIs that link together human resources and corporate value. For example, we think we need KPIs that address the creation of a culture conducive to challenges, employee engagement, and the building of environments that encourage personal growth. Currently we disclose targets for seven of our 33 indicators, but we plan to further increase this number. In order to maximize human capital, we will set human capital-focused indicators and also provide visualizations to enhance effectiveness.

Finally, please share your message as the executive officer in charge of human resources.

In 2021, we released Vision2030 and launched initiatives for increasing business and social value with the goal of maximizing corporate value. As stated in our corporate philosophies, our people are the starting point of everything we do. In the coming era, values will become even more diverse and the speed of social change will continue to accelerate. In this environment, there are limits to the challenges that we can overcome by ourselves, so we will need to practice co-creation in various forms. Going forward, we should be looking to fulfill the role of a group that raises the capabilities of individuals to create organizations that can take on the challenge of co-creating value with partners both inside and outside the Group. Under our human resource strategy, we will continue to work toward realizing our corporate philosophies of “creating a culture that marks an epoch and contributing to society” and being “a place where employees can feel truly happy and fulfilled.”

Employee development and respect for diversity

Improving employee engagement

NH Foods Ltd. implements an Employee Self-Realization System in which employees discuss their careers with their supervisor once a year. Alongside this, it also carries out an employee engagement survey. The Company carries out these surveys as part of efforts to improve employee engagement and to create value and innovation by grasping how well various measures are taking root within the Company and then using the results to revise and improve their content.

Creating a positive work culture

NH Foods Ltd. is implementing various initiatives that aim to foster a culture in which employees receive a real experience of challenge and growth.

In 2021 it started an awards system that recognizes individual employees who contribute to the realization of Vision2030—Unleashing new potentials for protein. This initiative not only raises the motivation of award winners, but also contributes to fostering a drive to take on challenges across entire workplaces as successful examples are shared on a company-wide basis. In addition to this company-wide awards system, the company is also enhancing initiatives such as an awards system for business divisions and departments with the goal of creating an organizational culture in which employees can independently take on challenges within a framework that ensures their efforts are evaluated appropriately.

Supporting career self-direction

NH Foods Ltd. holds career planning seminars for employees in the fiscal year before they turn 30, 40, 50, and 55 so that they can review their career path so far and consider and adjust their future career plans.

In fiscal 2022, it also introduced the following two career support channels on a trial basis.

- Consultations with an external career consultant
Target: Employees who have turned 54
- Consultations with an inhouse career consultant
Target: Employees who have been with the company for two or three years

Trials of both initiatives have been completed and plans are in place to enhance their functions.

In fiscal 2023, the company started providing support for reskilling by introducing subscription-based e-learning, which enables employees to choose freely from a range of educational courses. It believes that enabling employees to take control of their careers and acquire skills that will help them make an impact within the company will lead to not only individual growth, but also organizational growth.

Strengthening management capabilities

We have replaced former performance evaluations with interviews with employees that facilitate self-directed career formation, with the aim of strengthening management capabilities. Implementation included updating interview manuals and raising awareness of the importance of these interviews to career building.

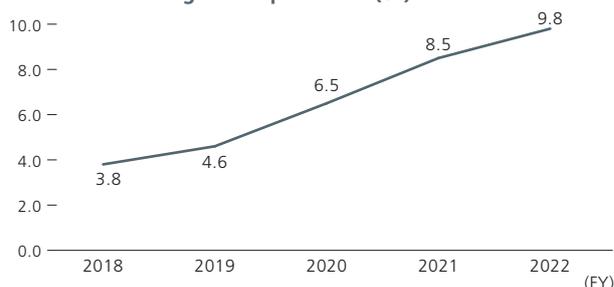
In fiscal 2023, we enhanced the content of assessor training for employees in management positions. In addition to this, we are carrying out initiatives that support self-directed career formation by employees, including incorporating programs into training that provide managers with the ability to adapt flexibly to change.

Career development for women

NH Foods Ltd. is working toward achieving the target of a percentage of women in management positions of 20% or higher by fiscal 2030 by expanding its pool of candidates for management and supervisory positions. In fiscal 2022, it strengthened interviews with employees eligible for childcare leave both before and after taking the leave to avoid employees leaving or having their careers derailed due to childcare.

Going forward it will further expand the pool of female talent by tackling issues faced on a departmental level and planning and implementing training and other initiatives for developing the skills of female employees.

Women in management positions (%)



* NH Foods Ltd.

* Data regarding the percentage of women in management positions at each Group company is the same as in the Group's Annual Securities Report.

Supporting work-life balance

NH Foods Ltd. is enhancing various systems that can help employees achieve a work-life balance.

In fiscal 2022, it helped support the balancing of work and childcare by establishing 20 days of special leave that can be used by employees taking paternity or childcare leave, five days of which must be taken consecutively, with the aim of raising the percentage of male employees taking childcare leave to 100%.

It also revised its flextime system for child and nursing care to enable employees to adopt workstyles that fit their life situation, including pregnancy, childcare, and nursing care, and these systems are now being used more effectively. Going forward, it will work to enable employees to realize workstyles adapted to the circumstances of each individual, including measures for supporting the balancing of work and healthcare.

Closing the gender pay gap

At NH Foods Ltd., although there is no difference in wages at the time of recruitment, employees who have been with the company for many consecutive years tend to have higher salaries, and a high proportion of these are men. At the same time a high proportion of associate workers, which includes locally employed employees and temp staff, are women. This has resulted in a gender wage gap and the figures for fiscal 2022 are shown below.

Please note that figures in the statutory disclosure items section of the table below have been calculated based on the Act on the Promotion of Women’s Active Engagement in Professional Life, and the figure for “all employees*1” includes both career employees and contract employees working full-time hours on an unlimited-term contract. Therefore, in order to provide a picture that more clearly represents the situation at the company, we also calculated figures for the wages of career employees only (as well as a breakdown of managers and general employees) as voluntary disclosure items. For career employees, there are no discrepancies in the wages of employees in the same position, so the gap is due to factors such as the proportion of employees by rank, the proportion that are locally employed, number of consecutive years worked, and number of working hours.

Difference between the wages of male and female employees*2 (%)

Item		FY2022
Statutory disclosure items	All employees*1	58.0
	Full-time employees*3	61.0
	Temp employees*4	75.2
Voluntary disclosure items	Career employees	68.1
	Managers	91.7
	General employees	76.3

*1 All employees: Employees and temp employees

*2 Gender pay gap refers to the percentage difference between the wages of male and female employees calculated based on the Act on the Promotion of Women’s Active Engagement in Professional Life

*3 Full-time employees: Career employees and contract employees working full-time hours on an unlimited-term contract

*4 Temp employees: Part-time employees and non-career employees on a fixed-term contract. Excludes dispatch employees.

Going forward, we will work to close the wage gap between male and female employees by introducing workstyles that fit different life stages, increasing the percentage of women in management positions, and strengthening career development support for women.

Promoting health management

We are promoting health management under the Health and Safety Declaration made by top management.

For example, NH Foods Ltd. is working to help employees avoid lifestyle-related diseases and prevent mental unwellness through initiatives such as enhancing health guidance by occupational health professionals and using stress checks to improve workplace environments. It is also focused on raising employee health literacy in order to increase the effects of these initiatives and in fiscal 2022, it started distributing a health-focused e-mail newsletter and providing e-learning (self-care and line-care). Going forward, we will strive to improve employee health literacy by providing more opportunities for dialogue between employees and occupational health professionals and using health data to develop effective health support initiatives.

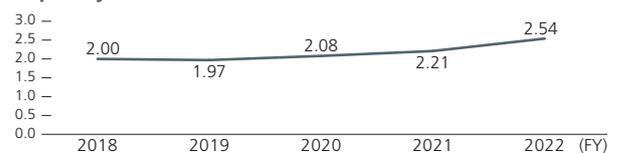
Strengthening occupational safety

We operate an occupational health and management system centered around our manufacturing plants. We strive to build and maintain safe, employee-friendly work environments by implementing PDCA cycles, which helps prevent workplace accidents.

We also use a database to record information such as the causes of accidents that occur and subsequent measures taken. This is shared Group-wide in a timely manner to prevent similar accidents from occurring.

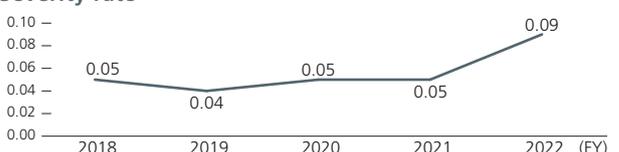
Going forward, we will focus on further enhancing the knowledge and awareness of our safety officers through study sessions and the introduction of sensory education using technologies such as VR.

Frequency rate



*NH Foods Group average

Severity rate



*NH Foods Group average

Respecting human rights

Formulating the NH Foods Group Human Rights Policy

The NH Foods Group believes that our people are our most important asset and we recognize that we have a social responsibility to respect their basic human rights.

In December 2020, we formulated the NH Foods Group Human Rights Policy, which is based on the UN Guiding Principles on Business and Human Rights determined by the UN Human Rights Council, in order to reaffirm and demonstrate to society our approach and commitment to respecting human rights and to meet the expectations placed on us.

We are implementing human rights initiatives that put this policy into action across the Group as we work to be a corporate group that is trusted by wider society.

Practicing human rights due diligence

In order to implement our human rights policy and respect the human rights of all people that are affected by our business activities, we carry out human rights due diligence in accordance with the UN Guiding Principles on Business and Human Rights.

Human rights education and training

The NH Foods Group Action Standards (Japan version) stipulates respect for basic human rights and forbids any discriminatory action or behavior on grounds including gender, age, nationality, religion, creed, social status, or disability. We work to spread respect for human rights among all employees, including by ensuring the standards are read periodically at each workplace.

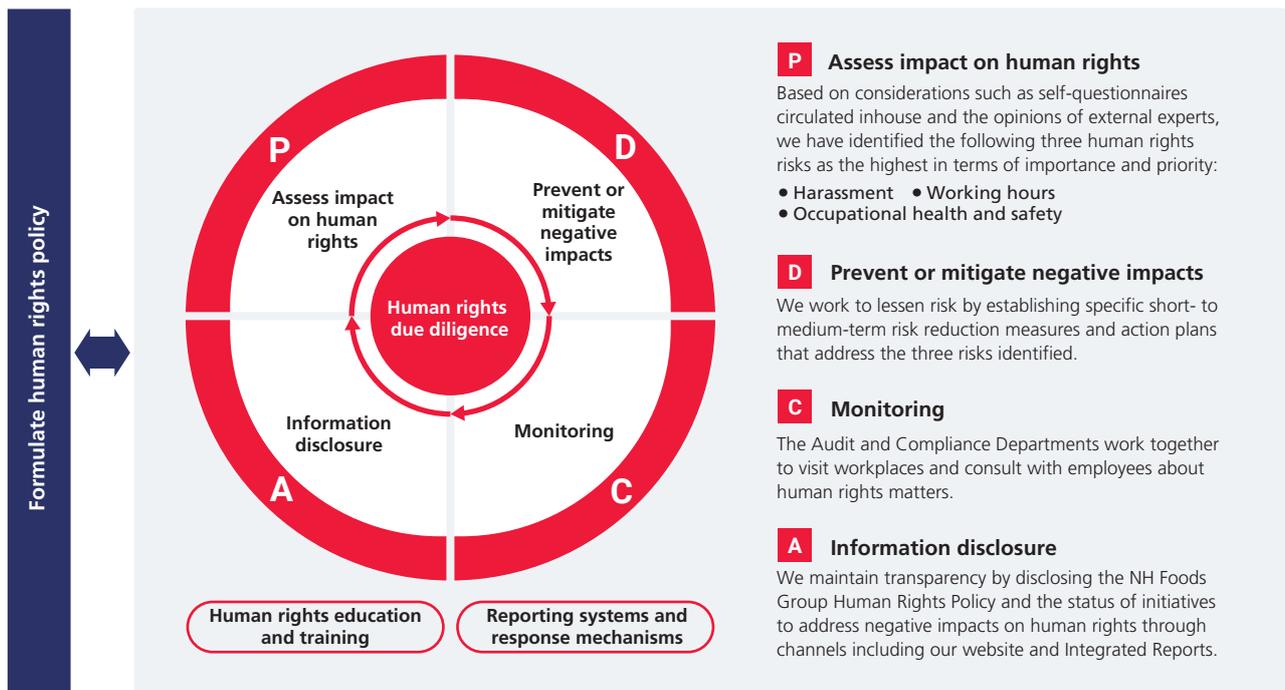
Training at each level, including new employee training and management training, incorporate a Business and Human Rights program that teaches the necessity of fulfilling the corporate responsibility to respect human rights and implementing initiatives to achieve this.

By continuously advancing these kinds of initiatives, we are fostering a corporate culture that ensures human rights violations will not and cannot occur.

Reporting systems and response mechanisms

We have established three channels for reporting human rights-related issues (including sexual harassment and bullying), both internally and externally. Reports can be made anonymously. We also ensure that employees are aware of these channels by placing posters in each workplace and distributing cards to all employees.

Human rights due diligence cycle



Focus 2: Responding to climate change

Focus 2

The NH Foods Group joined the Japan Climate Initiative*¹ in 2018, and in June 2020, we endorsed the proposal presented by the Task Force on Climate-related Financial Disclosures*² (TCFD) and became a member of TCFD Consortium*³.

In May 2022, we disclosed information including the results of scenario analysis and during fiscal 2022 we considered and implemented specific measures to tackle the effects of climate change based on these results. From fiscal 2023 onward, we will reassess risks and opportunities in line with the social environment and we will continue to adapt and disclose information.



*¹ Japan Climate Initiative: A network that aims to strengthen the distribution and exchange of information among companies, local governments, NGOs, and others in Japan in order to achieve a low-carbon society. CDP Worldwide-Japan, WWF Japan, and the Renewable Energy Institute serve as the secretariat.

*² Task Force on Climate-related Financial Disclosures: A task force established in 2015 by the Financial Stability Board (FSB), an international organization in which central banks and financial regulators from major countries participate. In June 2017, the final report released recommendations on voluntary disclosure with the aim of encouraging companies and other organizations to identify and disclose the financial impacts of climate change risks and opportunities.

*³ TCFD Consortium: The consortium was established to discuss measures by companies and financial institutions that endorse the TCFD to effectively disclose information and use disclosed information to make appropriate investment decisions by financial institutions and other entities.

Information Disclosure Based on the TCFD Framework

Governance

We have identified “contributing to a sustainable environment” as one of our materialities. Policies on sustainability and measures regarding climate change, etc., are discussed by the Sustainability Committee. The committee is chaired by the President and Representative Director (from fiscal 2023, by the chairperson of the Board of Directors) and consists of directors, general managers of business divisions, outside directors, and outside experts. The results of discussions held by the Sustainability Committee are then reported to the Board of Directors for deliberation and decision.

The TCFD Task Council was established in fiscal 2021 as a subcommittee of the Sustainability Committee. It is composed of the director in charge of sustainability, officers in charge of overall management at each business

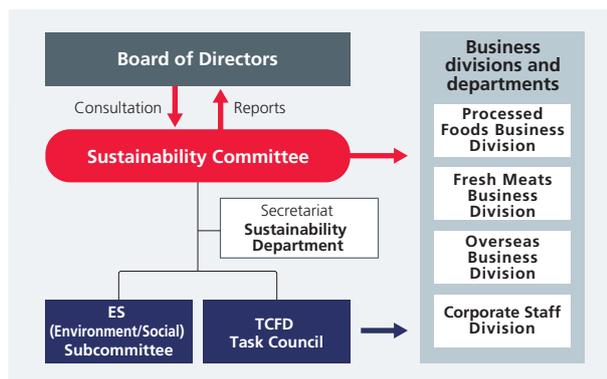
division, the person in charge of the corporate staff unit, and the person in charge of the Research and Development Center. The TCFD Task Council identifies risks and opportunities related to climate change, analyzes scenarios, and examines the effects of business impacts and the status of responses on a company-wide level.

Furthermore, we established the Sustainability Department, which is part of the Corporate Planning Division, as the secretariat for these committees and the director in charge is responsible for overseeing the sustainability field.

Meetings of organizations and main discussion content in fiscal 2022

Timing	Name of meeting body	Main points of discussion
April 2022	TCFD Task Council	Shared ongoing measures, initiatives, and issues from the previous year and confirmed the promotion system
May	TCFD Task Council	Regarding response and adaptation measures, it was decided to limit the increase in production procurement costs and focus on low-carbon and decarbonization measures. It was agreed to hold a separate meeting to discuss specific measures in detail.
July	TCFD Task Council	Shared progress of each measure and potential forms for disclosure
August	TCFD Task Council	Explained the results of analysis of storm surge risks, and confirmed the response and situation for the applicable sites
October	TCFD Task Council	Confirmed progress on measures for feed and livestock growth and reviewed draft disclosure documents (1)
November	Sustainability Committee	Progress report on the status of responses discussed at the TCFD Task Council
January 2023	TCFD Task Council	Confirmed progress on measures and reviewed draft disclosure documents (2)
February	TCFD Task Council	Agreed on a disclosure outline and shared how to proceed with next year's TCFD Task Council

Sustainability promotion framework



Strategy, risk management, indicators and targets, and scenario analysis are being disclosed through the website. This report mainly focuses on fiscal 2022 changes and developments regarding identified risks and progress on handling these.

Risks and opportunities identified based on scenario analysis

Major risks and opportunities attributable to climate change		Impact/Prospect	Measures
Physical risks	1 Increase and instability in feed costs	Large	<ul style="list-style-type: none"> Improving feed conversion ratio Improving feed with in-house formulations and by strengthening cooperation with feed companies Considering new procurement of meat from low-risk areas
	2 Effect of rising temperatures on livestock growth	Medium	
	3 Higher risk of disasters at sites	Small	<ul style="list-style-type: none"> Strengthening equipment against flood risks Strengthening product supply systems in times of disaster Efficient use of water resources at sites with high water stress risks
	4 Greater water stress at sites	Small	
Transition risks	5 Rising energy costs from the introduction of a carbon tax	Large	<ul style="list-style-type: none"> Efficient energy use and fuel conversion in processing and manufacturing processes Expanding use of renewable energy Reducing logistics emissions by converting to low-emission vehicles and improving logistics efficiency
Opportunities	Increase in environmentally conscious consumption	Medium	<ul style="list-style-type: none"> Developing products with high sustainability value Product development using new proteins Research and development of new proteins
	6 Growth of the market for new proteins	Large	

Physical risk | 1 Increase and instability in feed costs—status of response

We have already been tackling steep rises in feed costs by improving feed conversion ratios (the amount of feed required per unit of animal weight gain), and we are working to reduce costs through technological development. Going forward, we will continue to enhance feed conversion ratios. Furthermore, we are working together with feed companies on measures to ensure stable feed procurement in times when imported feed grain is in short supply or prices are too high. Specifically, we are testing whether

stable feed procurement can be realized by expanding the use of grains grown in Japan within feeding operations, including jointly developing proprietary feed formulas that use domestic grains such as brown rice. We are also preparing for cost increases and shortages concerning the procurement of livestock meat from outside the Group by building a meat procurement network that can more stably maintain supplies, including by cultivating new suppliers in countries and regions we already procure from.

Physical risk | 2 Effect of rising temperatures on livestock growth—status of response

Of the Group’s farms, domestic pig and poultry farms (Nippon Clean Farm Ltd. and Nippon White Farm Co., Ltd.) and Turkish poultry farms (Ege-Tav) are expected to face

risks due to rising summer temperatures. Therefore, we are developing measures that consider the characteristics of each area in which we have farms.

Results of an investigation into risk related to the effects of rising temperatures on livestock cultivation and status of our response

Region		Status of response
Domestic	Miyazaki Prefecture, Niigata Prefecture	Cooling pads*1 or misting equipment*2 installed in all poultry houses
	Hokkaido	Cooling pads or misting equipment installed in approximately 67% of all poultry houses scheduled for installations
	Tohoku Region	As the use of misting equipment in semi-windowless poultry houses increases humidity and impacts operations, windows are being left open and fans installed as measures against heat
Overseas	Turkey	Cooling pads installed in all poultry houses
	Australia	Sunshades installed to protect cows from direct sunlight and UV rays

*1 Cooling pads: Cooling system that uses moistened pads placed at the outside air intakes to cool the air inside using the heat of vaporization as outside air passes through.
 *2 Misting equipment: Equipment that sprays misty water into a poultry house. As this misty water evaporates, the heat of vaporization lowers the air temperature.

Physical risk | 3 Higher risk of disasters at sites—investigation results and status of response

In fiscal 2022, we reinvestigated risk from flooding. We also conducted a new investigation into risk from storm surges. The results and the status of our response are as follows.

Results of investigation into disaster-related risk and status of response

	Region	Number of sites	Number of sites in high-risk areas	Status of response	Risk assessment
Flood risks	Domestic	206	6	• Review of BCP, including the supply structure of major products	Minimal
				• Considering how to deal with water damage coverage, as it may not be adequately covered depending on the site	
	Overseas	20	7	• Measures such as raising the floor level of equipment have been implemented (3 sites) • Measures are in place at an industrial park (1 site) • Local interviews and past disaster situations make the likelihood of occurrence low (3 sites)	Minimal
Storm surge risks	Domestic	206	2	• Review of BCP, including the supply structure of major products	Minimal
	Overseas	20	3	• Same sites as those with high flood risks, minor due to past disaster situation and flood control measures taken (2 sites) • Since the locations of the three processing plants in Australia are dispersed, even if some of them are damaged the impact on operations will be minor	Minimal

Physical risk | 4 Greater water stress at sites—status of response

In fiscal 2022, we reinvestigated risks. The results and the status of our response are as follows.

Results of investigation into water stress risk and status of response

	Region	Number of sites	Number of sites in high-risk areas	Status of response	Risk assessment
Water stress	Domestic	206	0	—	Minimal
	Overseas	20	8 (2°C scenario) 9 (4°C scenario)	• Minimal impact from the perspective of the scale of operations (4 sites) • Based on the business impact of past water stress and on-site interviews, the risk was judged to be minimal (5 sites)	Minimal

Transition risk | 5 Rising energy costs from the introduction of a carbon tax

In order to reduce fossil fuel-derived CO₂ emissions, we are installing energy efficient equipment, including as replacements for aging equipment, and expanding renewable energy use. From fiscal 2023 onward, we are also incorporating the internal carbon pricing (ICP) approach into the installation and renewal of equipment valued above a specific amount.

Regarding efforts to reduce greenhouse gas emissions

from livestock, in the Australian cattle business, we are verifying whether the addition of additives to feed can suppress the fermentation of methane in the digestive tract, as well as its effects on cattle fattening and meat quality. Alongside this, we are collaborating with a university on research into curbing methane emissions. In the domestic pig farming business, we are using biogas energy generated from waste and wastewater treatment.

Solar panel / waste oil boiler installation status

Equipment	Number of sites for installation	CO ₂ reduction
Solar panels	Operating: 24 sites (6,400 MWh)	2,400 t-CO ₂
	Operation planned: 5 sites (5,500 MWh)	2,000 t-CO ₂
Waste oil boilers	6 sites	2,600 t-CO ₂

Research partners and themes

Partner	Research theme
Hokkaido University	Development of methane emission suppression method in bovine lumen
Osaka University	Study of porous organic salts with specific adsorption ability for methane
Tokushima University	Research on greenhouse gas emissions in pigs

Opportunity | 6 Growth of the market for new proteins—status of response

We are developing and expanding sales of plant-based protein products with the goal of achieving sales of 10 billion yen by fiscal 2030. In addition to fresh meat substitutes, we are also developing seafood-substitutes and in fiscal 2022, we launched deep-fried fish products

for both the restaurant and consumer markets in Japan.

Regarding cellular foods (cultured meat) made from a large number of livestock-derived cells, we have successfully cultured cells using food-based culture media instead of costly animal serum.

Contributing to a sustainable environment

Contributing to a sustainable environment

Following the formulation of Vision2030—Unleashing new potentials for protein—and the Five Materialities (key issues), the NH Foods Group has set medium- to long-term targets based on the materiality of “contributing to a sustainable

environment.” These targets are to be achieved by 2030.

For details regarding fiscal 2022 results and progress regarding these targets, please see the NH Foods Ltd. website.

Medium- to long-term environmental targets

Priority	Indicators: Targets to be achieved by 2030	Results
Responding to climate change	Reduce fossil fuel-derived CO ₂ emissions in Japan by 46% or higher compared to fiscal 2013 (Fiscal 2013: 550,518t-CO ₂ → fiscal 2030: 297,279t-CO₂)	Reduction rate: 18.7%
	Reduce fossil fuel-derived CO ₂ emissions overseas by 24% or higher compared to fiscal 2021 (Fiscal 2021: 143,340t-CO ₂ → fiscal 2030: 108,938t-CO₂)	Reduction rate: 2.0%* ¹
	Promote research and technological development to control and reduce greenhouse gases from livestock	Joint research through industrial-academic collaboration
Resource saving and recycling	Reduce waste emissions per production unit in Japan by 5% compared to fiscal 2019 (fiscal 2019: 134.6kg/t → fiscal 2030: 127.9kg/t)	Reduction rate: 7.2%
	Realize a waste recycling rate in Japan of 92% or higher (fiscal 2019: 84.1%)	Recycling rate: 91.9%
	Reduce water consumption per production unit in Japan by 5% compared to fiscal 2019 (fiscal 2019: 15.2m ³ /t → fiscal 2030: 14.4m³/t)	1.3% increase
	Reduce water consumption per production unit in overseas by 5% compared to fiscal 2021 (fiscal 2021: 14.7m ³ /t → fiscal 2030: 14.1m³/t)	3.4% increase
	Identify areas with high water risk around business sites in Japan and overseas, implement risk reduction measures in line with actual conditions in each area, and use water resources sustainably	Carried out continuous monitoring in line with TCFD recommendations
Addressing biodiversity	Use 100% RSPO-certified palm oil (including book & claim)	0%* ²

*¹ Initiative started in fiscal 2022

*² Activities to reduce usage of uncertified palm oils were carried out

Reducing greenhouse gas emissions

To reduce fossil fuel-derived CO₂ emissions, we are continuing to implement measures such as switching to energy-saving equipment and LED light fittings, introducing CFC-free refrigerators and freezers, installing solar power generation equipment, and adopting waste oil

boilers that help reduce consumption of heavy fuel oil and natural gas. In our logistics operations, we are working to further reduce the number of truck deliveries made through initiatives such as integrating Group logistics and carrying out joint deliveries.



The Isesaki Plant of Nippon Pure Food, Inc.



The Shizuoka Factory of Nipponham Factory Ltd.



The Hokkaido Factory of Nipponham Delicatessen Ltd.

Reducing plastic use

We are reducing plastic use within the Group by reviewing the packaging of products while still taking quality into account.

Wiener sausage products

In 2022, we switched the packaging of *SCHAU ESSEN* from a drawstring-style bag to newly developed eco-friendly pillow-type packaging. By removing the “topknot” drawstring section of the previous packaging, we were able to decrease the amount of plastic used by 28%*¹, reducing annual plastic use by 248 tons*².

*¹ Compared to the previous *SCHAU ESSEN* 127g double pack

*² Calculated based on sales data from February 1 to December 10, 2022



In order to further reduce plastic use, we have also changed the packaging for our mainstay sausage products *SCHAU ESSEN*, *Houjun*, *Winny*®, and *Mori-no-Kaori*. This includes reducing the width of the tape used to attach double packs together for sale from 18mm to 15mm.



The *Chuka Meisai* series

For some products in the *Chuka Meisai* series, we have removed the tray that was previously placed under the product, reducing the amount of plastic used by 19.3%, which amounts to approximately 111 tons* over a six-month period (compared to previous packaging).

* Calculated based on sales data for four products (*Subuta*, *Happosai*, *Chinjao Rosu*, *Hoikoro*) from October 1, 2022, to March 31, 2023



Chilled drinks

For chilled drink products such as *Vanilla Yogurt Drink*, *Torokeru Lassi Mango*, and *Nyusankin Green Smoothie*, we have switched the material we use to make the straw attached to containers from regular plastic to the more environmentally friendly and biodegradable biomass polyethylene. Biomass polyethylene is made from plant-based oil derived from sugarcane. Sugarcane absorbs CO₂ during photosynthesis which is thought to negate the CO₂ emissions generated when biomass polyethylene is burned.



Biodiversity initiatives

Rich soil and oceans, and clean air and water that provide the bounty of nature are essential for the business activities of the Group, whose work stems from these resources. In order to pass down rich soil and oceans to the next generation, we are working to prevent environmental pollution and to reduce environmental burden by appropriately managing environmental management systems at each business location as stipulated by the Environmental Policies of the NH Foods Group.

Our environmental preservation activities in Japan include encouraging employees to participate in forest development activities under the Corporate Forest program

sponsored by Japan’s Forestry Agency. Overseas, Thai Nippon Foods Co., Ltd., a Thailand-based company that primarily manufactures processed foods, has been participating in tree planting activities aimed at promoting greening since 2016 and it has planted a cumulative total of 2,700 seedlings to date. Furthermore, we support the C.W. Nicol Afan Woodland Trust as an official sponsor.

We have been participating in efforts aimed at restoring deteriorated forest in Nagano Prefecture and passing it onto future generations as the Afan Woodland since 2005 and we continue to support the trust’s activities.

Sustainability topics

Addressing food diversity and health

Supporting people with allergies and their families

Table for All Food Allergy Care



Table for All Food Allergy Care is a comprehensive food allergy platform established in February 2022. In addition to supplying food allergy information, it also provides a tool that enables users to consult with registered dietitians online and an online community. Products can be purchased directly through the site. Regarding the Group’s sales of food allergy-related products, the shipment value in fiscal 2022 was ¥1.16 billion and we aim to raise this to ¥4 billion by fiscal 2030.

Nipponham Foundation for the Future of Food

We established the Nipponham Foundation for the Future of Food in 2015 as a public service project specializing in food allergies. The foundation actively funds research, shares information, and works to raise awareness in the food allergy domain. In 2017 it became a public interest incorporated foundation.

In fiscal 2022, the foundation held a trial tasting of the winning recipe of the foundation’s recipe contest with a view to using it at an actual nursery. The tasters were the nursery staff and they assessed the recipe as suitable. Plans are in place to serve it to the children during fiscal 2023.



Project A—A joint initiative tackling food allergies

Project A is a collaborative project among five food manufacturers* who make allergy-friendly products. It

involves promoting allergy-friendly products, jointly developing recipes, sharing food allergy information, and raising awareness concerning food allergies, with the goal of contributing to the realization of a society in which everyone can enjoy food together, regardless of whether they have food allergies or not. Since May 2021, it has been creating pamphlets on food allergies and distributing them to elementary schools free of charge. In 2023, the third year of this initiative, it published 100,000 pamphlets and since late April, it has been informing elementary schools in 47 prefectures across Japan of their availability. It also sends instructors to give classroom lessons at elementary schools that request it and in fiscal 2022, online classes on food allergies were held at five schools.



* In no particular order: Otafuku Sauce Co., Ltd., Kenmin Foods Co., Ltd., Nagatanien Co., Ltd., NH Foods Ltd., and House Foods Corp.

Research into allergen prevention foods

Since 2017, NH Foods Ltd.’s Research & Development Center has been advancing joint research with national research institutions and healthcare facilities into allergen prevention foods. The research aims to ensure that more and more children can avoid the struggle of coping with food allergies and embrace the *Joy of Eating*. Going forward, we will carry out clinical studies with a focus on ensuring both preventative effects and safety.

Walnut allergy test kits

In recent years, the number of immediate-type allergic reactions caused by nuts has increased, and they have overtaken wheat to become the 3rd most common allergy trigger. This is due to a considerable increase* in reactions triggered by walnuts. Walnuts have been added to the list of specified allergens that must be stated on food labelling, so we have developed test kits that can detect walnuts and began selling them in March 2023. We will expand our lineup of test kits going forward.

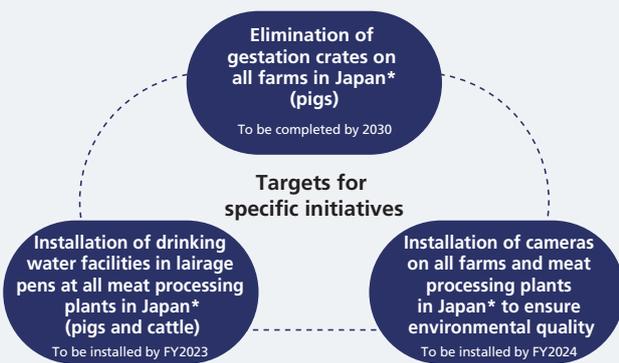


* 2021 Report on the Nationwide Health Impact of Immediate-Type Food Allergies by the Japan Consumer Affairs Agency

Addressing animal welfare

Initiatives under the animal welfare policy

We have formulated the NH Foods Group Animal Welfare Core Values and the NH Foods Group Animal Welfare Code of Conduct and we are working toward three targets, including the elimination of gestation crates for pigs by fiscal 2023 (see diagram below).



* For companies in which the NH Foods Group holds a majority stake



A free-range sow gestation pig house (Nippon Clean Farm Ltd.)

Nippon Clean Farm Ltd., which operates a pig rearing business, is working to reduce the stress of pigs being raised at its Oshamambe Chirai and Oshamambe Ayame Farms in Hokkaido by eliminating gestation crates. Reducing the stress of mother pigs raises productivity. We are also installing cameras at all farms and processing plants with the goal of enhancing the quality of livestock rearing and rearing environments.

Whyalla Beef Pty. Ltd., which operates a cattle business in Australia, is working to realize low-stress rearing environments for cattle at its feedlots. For example, it is installing sunshades to protect the cows from direct sunlight and providing water and feed in a way that takes into account safety and sanitation.

Ege-Tav, our chicken rearing business in Turkey, is paying attention to the rearing space, environmental temperature, and ventilation of its farms.



Sunshades installed to protect cattle from direct sunlight (Whyalla Beef Pty. Ltd., Australia)

Contributing to human resource development

Working toward co-creation through support for the students who will realize the future of food

Supporting ham production that takes animal welfare into account

We have been supporting ham production activities by Tokushima University's Faculty of Bioscience and Bioindustry since 2018. In addition to providing processing equipment, NH Food Ltd. employees responsible for providing technical guidance, including overseas, also share advice on meat processing and quality control. One of the features of the faculty's ham production activities is that the pigs due to be processed are raised on the faculty farm with animal welfare taken into account. The ham is also aged and finished using locally sourced salt and sugar. Until recently, it was distributed through Japan's Furusato Nozei hometown tax scheme, but in April 2023, a venture company was started at the university to handle sales.

Collaborating on product development and promotion planning

As part of our marketing strategy, since 2021, we have been collaborating with Tokyo Communication Arts College, a vocational school in the Jikei Group of Colleges, on a product development project that incorporates a Generation Z perspective. In addition to jointly developing home-use products for Hoko Co., Ltd.'s *Rolf* brand of cheeses, we are also jointly planning a promotion for canned mackerel products. Through this collaboration, we hope to incorporate diverse perspectives while also contributing to the development of young talent.



Focus 3: Governance discussion

Focus 3

The NH Foods Group's proposals for the future
Realizing Vision2030 "unleash new potentials for protein"



Tokushi Yamasaki
Outside Director

Tetsuhiro Kito
Chairperson and Director
Chairperson of the Board of Directors

Hideo Arase
Outside Director

Review of fiscal 2022

Question 1 Please review the past year from your perspectives as outside directors and executives.

Yamasaki • In last year's integrated report, I raised five management issues to be addressed. Namely, is the Company moving quickly enough toward the realization of its management policies? How are materiality-related initiatives being quantified and linked specifically and logically to the improvement of corporate value? How effectively are human and financial resources being utilized? How is brand value being enhanced? And is risk being managed adequately on a company-wide basis? I feel that the speed of management's handling of these is still a little slow. In particular, structural reforms, including portfolio revisions that are a key concern for investors and analysts, are a core part of our management direction and I think we need to further raise the speed at which they are being implemented.

Arase • One point I recognized as an issue was the growth strategies for overseas businesses. I previously worked for a medical devices manufacturer. While stationed in Europe, I experience things like discrepancies between the information I was given in Japan and the actual situation on the ground, and a gap in the way things were interpreted by head office and the frontline businesses. In order to build a competitive position in this kind of situation, we had to repeatedly use our wisdom and knowledge to come up with creative solutions. To build such a position within a different cultural environment, you need a process in which you go to the actual location, analyze the situation, take action, and then learn from the results. I think it will still take time to achieve this. If managers cultivate future leaders who possess a mix of idealism, logic, and patience, and who can implement future overseas strategy, then we should continue to grow.

Additionally, ensuring that governance is carried out on a Group-wide basis is extremely important. As the Hokkaido Nippon-Ham Fighters baseball team has a particularly big effect on the Group, I would like to make sure that proper governance is being practiced there, considering the shift to the new structure and opening of the new ballpark.

Yamasaki • Speaking of governance, we have been thoroughly discussing overall risk management and I think the content of these discussions is getting deeper. In the

2022 evaluation of the effectiveness of the Board of Directors, the evaluation of protective governance by both inside and outside officers produced good results, which is a positive development.

Arase • In fiscal 2022, one of our focuses was diversity, equity and inclusion (DE&I). An organization that has diversity produces innovation, which leads to long-term growth and an increase in corporate value. We have repeatedly told the Board of Directors that we want this to stimulate management thinking in terms of mindset and organizational culture and that we expect changes in behavior. Also, I have shared examples from other companies and my own views with the Human Resources Department, which considers diversity initiatives and human resource systems, and appealed to each committee about the importance of DE&I.

The Group decided that its first step toward realizing diversity management is to promote career development for women. We set the percentage of female executives as a KPI and this has been gradually improving, reaching 8.5% in fiscal 2021 and 9.8% in fiscal 2022. It is forecast to surpass the 10% mark during fiscal 2023. We are also encouraging the recruitment of mid-career employees for management positions. As an industry leader, we need to further accelerate these efforts.

Another focus was the evolving and deepening governance. An example of this was in risk management, where we expanded our discussion of cyber security measures to include considerations of how frontline workplaces should respond to a systems failure.

Kito • Looking back over fiscal 2022, there has been a significant change in our expense framework, including costs directly connected to our business such as electricity costs, and the prices of feedstuff, raw materials, and fuel. This has made the business environment harsher than ever before. Within this, we have been promoting ROIC management and although we failed to meet our targets, awareness has been spreading within the Company. This was demonstrated in the way our executive officers pursued the KPIs. I think that improvements in specific KPIs will accelerate management speed.

On the other hand, efforts to optimize our business

Focus 3: Governance discussion

portfolio are still underway, and I think that from a perspective of overall optimization, our portfolio needs to be more deeply tied to our business strategies.

I recognize that progress has been made on the

discussion of risk and that the Board of Directors has matured to a point where it can sufficiently fulfill its functions.

New Leadership Structure

Question 2 Please share your expectations of the new leadership structure.

Arase • Chairperson Kito has a wealth of experience in the Fresh Meats, Processed Foods, and Overseas business divisions, a deep understanding of the Group's business, and he is very empathetic. President Ikawa has plenty of vitality and a willingness to take on challenges. Therefore, we expect great things from the new leadership structure. First, I would like them to demonstrate leadership that uses the lessons learnt in fiscal 2022 to improve business performance in fiscal 2023 and that also starts reforms with a long-term perspective, including efforts to improve competitiveness by providing customers with unique value, strengthening human resources strategy, and enhancing capital strategy in a way that will raise share price.

Having Board of Directors meetings chaired by a non-executive chairperson also facilitates a smoother exchange of questions and answers. Although we still

need to come up with ways to realize long-term growth and an optimal approach in terms of management, I feel that Mr. Kito has found a good balance and often brings broad vision and a long-term perspective into discussions.

Yamasaki • Under the previous structure, we made progress on raising the effectiveness of the Board of Directors and improving internal control functions and coordination between businesses. I would like these kinds of efforts for strengthening our management foundation continue under the new structure. Furthermore, I also expect to see initiatives for increasing management speed and dramatically raising corporate value. Regarding the setting of agendas for Board of Directors meetings, I expect the focus to be on evolving and deepening discussions, as mentioned by Mr. Arase, while at the same time, I think that we outside directors should make it our role to propose agenda items and enhance discussions.

Arase • If I could add one more point, my expectation of Mr. Kito as chairperson is that he will leverage his non-executive position to act as an industry leader and to connect with public agencies.

Yamasaki • I agree with Mr. Arase. I want us to implement that kind of proactive communication with parties outside the Group to enhance brand value and contribute to solutions to social issues facing the industry.

Kito • I have experience of working in nearly all of our business areas so I have built a network that includes various industry organizations and public agencies. I will use my non-executive position to build a closer affinity between our business and various organizations through exchange and to start conversations about environmental improvement, including matters such as Japan's food self-sufficiency and food security. I recognize that there are high expectations for me in this regard and I will work to fulfill them.



Evaluation of the Governance System

Question 3

What are your thoughts on the issues concerning oversight, execution of duties, and evaluations of effectiveness?

Yamasaki • My evaluation of the current governance system is roughly the same as the general overview of the evaluation of the effectiveness of the Board of Directors. It is sufficiently effective. Regarding the issue of separating oversight and the execution of duties, this is something that involves both inside and outside officers, so we need to organize ourselves, including setting agendas and delegating authority for reporting items.

In regard to organizational structure, more and more companies are choosing to become a company with an audit and supervisory committee, as defined in the Companies Act. Although we are a company with an audit and supervisory board, this is not through choice of an organizational structure. I think we should discuss how we can use our organizational structure to facilitate faster management.

Arase • I feel there are some issues regarding the operation of the Board of Directors, deepening of discussions, and the handling of the execution of duties.

Firstly, looking at the operation of the Board of Directors, like Mr. Yamasaki said, when selecting agenda items for meetings, we should delegate authority for procedural items to the Management Strategy Committee so that we can deepen discussion of management issues. Also, issues concerning sustainability are being discussed by the Sustainability Committee but I feel these discussions are not sufficiently deep, so I think it would be better if the Board of Directors were to decide which direction conversations should take.

Secondly, on deepening discussions, we tend to have a lot of discussions about policy and management direction. I would like to hear more discussion and exchanges of opinion about strategies for actually implementing these. We probably also need to deepen discussion about the current situation concerning competition and the markets in order to properly evaluate these strategies.

Thirdly, regarding handling by executives, as outside directors we need to advise the executives of what the role of an executive officer should be. I also expect them to take this advice and turn it into executable wisdom, even if it is just a single idea. Also, once these ideas have been put into practice, I would like to hear the results so that they can be used in future discussions.



Kito • Until fiscal 2022, I was also on the executive side, so I understand the kinds of issues faced by executives and the business frontlines. Outside directors also have knowledge that we do not. Mr. Arase has a wealth of overseas experience, Mr. Yamasaki has experience as an analyst, while Ms. Kono brings a consumer organization perspective. Having access to this experience and these perspectives is invaluable for the executive side. As chairperson of Board of Directors meetings, I would like to enrich meetings by incorporating the opinions of outside directors, while ensuring that the choice of agenda items and time allocated to each item are appropriate. I feel that experiments like making a nomination and then asking everyone's opinions, regardless of whether hands are raised or not, are realizing more dynamic discussions on deeper topics.

One area where we need to further deepen discussions is medium- to long-term strategy, or in other words, our next medium-term management plan and the achievement of Vision2030. We will have more in-depth conversations about topics including restructuring our business portfolio and linking materialities to corporate value. I also think it is important that we disclose the content of these kinds of discussions to investors.

Focus 3: Governance discussion

Question 4 What are your expectations of Mr. Kito as chairperson of Board of Directors meetings?

Arase • I have three requests. The first is that you select and prepare agenda items, which means arranging and clarifying discussion points as the facilitator. The second is that you take a long-term perspective. Ultimately, the executive side tends to focus on the short term, so I would like to see more balance. Thirdly, I think there are cases where it would be better if outside directors submitted agenda item proposals, such as for non-financial issues.

Kito • In regard to selecting agenda items, I will do my best to solve operational issues and facilitate in a way that enables thorough discussion. I also agree that discussions

should include a long-term perspective. Regarding non-financial matters, if the outside directors can propose agenda items, I think it will lead to dynamic discussions.

Yamasaki • Since Mr. Kito started chairing Board of Directors meetings, I feel that the handling of reporting items has become more compact, the materials provided for each agenda item are easier to understand, and there is an environment that is more conducive to discussion. I agree with Mr. Arase in that I would like to see agenda items that draw more on the perspectives of outside directors.

Realizing Vision2030

Question 5 What initiatives should the NH Foods Group be advancing and what role should the Board of Directors play in order to realize Vision2030?

Arase • Innovation will be essential for realizing Vision2030. I want to see each business division coordinating with the Research and Development Center and interacting with customers in order to create new products and services that can compete at an international level. In order to raise our competitiveness overseas, we especially need to build a foundation of diverse creativity, flexibility, and resilience. When I served as president of the holding company for the Americas business in the U.S., I was able to witness how U.S. companies embrace diversity, not only in terms of different genders, ages, races, and nationalities, but also in terms of different cultures, values, and ways of thinking. This gave me firsthand experience of how this diversity accelerates innovation. I strongly feel that Japanese companies also need the vitality that comes from changing values by embracing the differences of each individual. I want to work with the Human Resources Department to increase the number of personnel we have who can create change by advancing human resource development focused on nurturing each individual's abilities.

I also expect to see innovation in terms of organization and management. Our Board of Directors already has a management element which focuses on the decision-making function regarding the execution of business, but I think we also need to further develop a

monitoring element more focused on the oversight function. The fundamentals of this monitoring element are 1) deciding management direction, 2) entrusting the execution of business to the management team, and 3) evaluating the results of this execution and then reflecting this in the handling of management personnel matters. Monitoring the execution of business by the management team is an important responsibility of Board of Directors. If we understand the thinking of influential overseas institutional investors and act accordingly, I think it will be recognized in the stock market, leading to an increase in corporate value.

Yamasaki • Realizing Vision2030 is inextricably linked to "strive for a highly functional organization," one of our Management Principles. At present, I think we have yet to achieve organic connections between the Group's most promising management resources. As Mr. Kito mentioned earlier, it is essential that we restructure our portfolio, and if we are to hold discussions at Board of Directors meetings that envision as far ahead as 2050, then we must do so with our purpose firmly in mind. I think that this will lead to organic connections between various resources and businesses.

Kito • I think that the most important role of the Board of Directors is to achieve both social value with economic value.

Our mission is to provide stable supplies of safe, dependable, and delicious foods with a focus on protein. This helps to solve social issues, including food security and self-sufficiency in Japan. Therefore, you could say that steadily growing our business will create both social and economic value. However, to realize Vision2030, I feel it will be essential to

accelerate portfolio restructuring, overcome the 2024 problem facing Japan in the logistics industry, and free ourselves from the tendency to keep everything inhouse. I recognize that there are questions to be addressed regarding further enhancing the functions of the Board of Directors and carrying out appropriate risk management.

Future Aims and Objectives

Question 6 What are your future aims and objectives toward increasing corporate value?

Yamasaki • I'm sure you are aware that since fiscal 2022, our price to book value ratio (PBV ratio) has been trending at the low level of less than one. In other words, our evaluation by the stock market has fallen, as the market thinks we are not effectively using the funds we have procured from our shareholders. The management team must address this issue with sincerity. Against the backdrop of this low PBV ratio, it is important that we move proactively and swiftly to solve medium- to long-term financial and non-financial management issues.

Specifically, financial issues include significantly raising ROIC and ROE levels, while non-financial issues include building ESG and brand strategies that will raise corporate value in a way that is unique to the Group. In my opinion, I will work to tackle these important issues by actively giving opinions and repeatedly advancing discussions at Board of Directors meetings and other meetings in a way that increases management speed. This will include addressing matters such as restructuring our business portfolio and how we can link our sustainability initiatives to the enhancement of corporate value.

Arase • I think the role of the outside director is to provide an objective, external perspective to make discussions more dynamic and to manage risk. Within this, I recognize that it is my role to analyze the risks involved in both aggressive and defensive management and ensure these are reflected in strategies. To put it another way, my challenge is to work out how we should approach the future. Social value is important, but financial value is crucial. I will continue to tackle questions such as how we should respond to great change in the external environment and how we should transform in terms of competitiveness and profitability from a medium- to long-term perspective.

Kito • We are a corporate group that is responsible for food supply infrastructure. For the longest time we focused on keeping all development inhouse, but now we are rethinking our approach and we intend to focus on co-creating with partners who hold diverse views of what challenges should be addressed. Going forward, we will fulfill our responsibility by solving issues together with a wide range of partners so that we can raise corporate value and realize the sustainable growth of the Group.



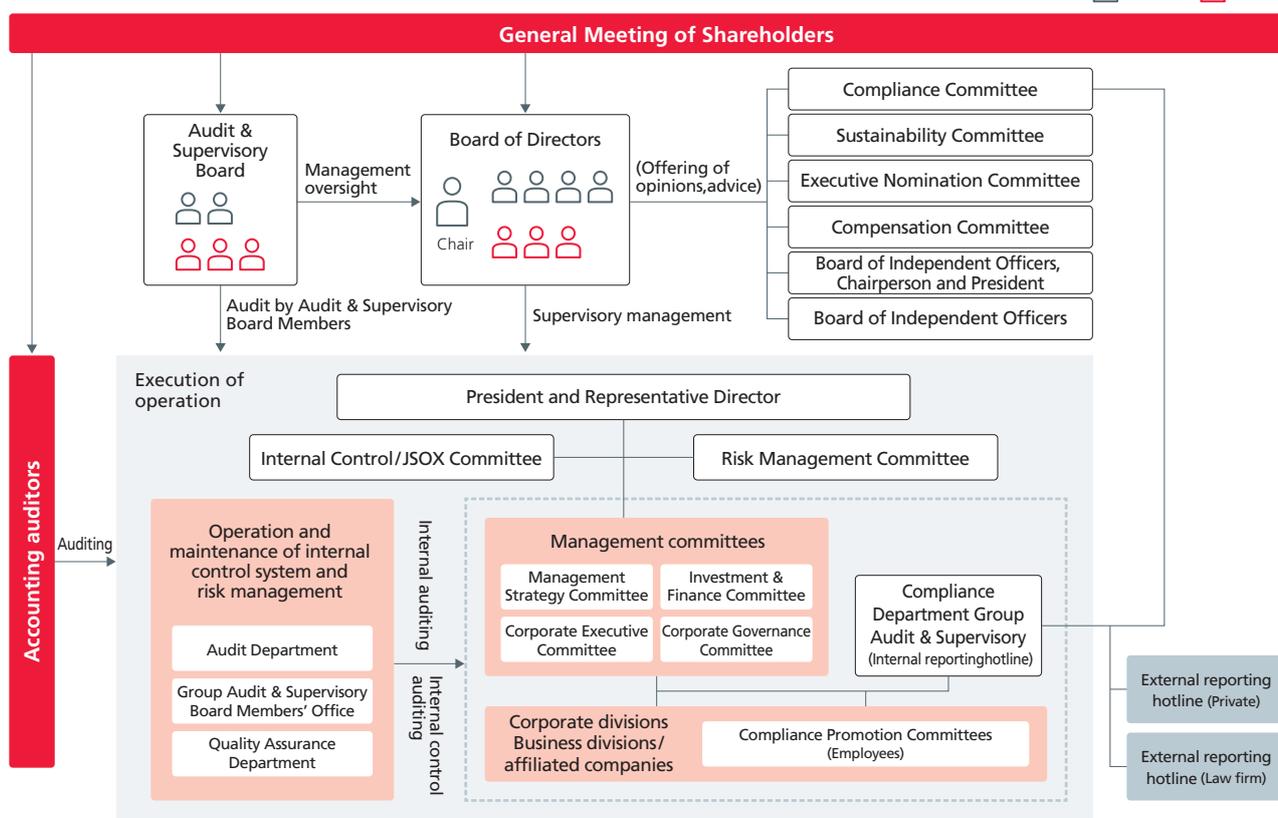
Corporate governance

Achievements in reinforcing the corporate governance system

The NH Foods Group is working to fulfill its social responsibilities as a company and achieve the Group’s Corporate Philosophies by building the most appropriate governance structure for the Group based on the NH Foods Group Fundamental Policy on Corporate Governance. The application of this structure aims to enhance management transparency and efficiency across the entire Group, to ensure timely and proper decision making as well as appropriate business operations, to enable proactive and courageous business judgments, and to clarify responsibilities.

Corporate governance system

Internal External



Achievements in the reinforcement of corporate governance

Fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Medium-term management plan	New Medium-Term Management Plan Part 1			New Medium-Term Management Plan Part 2			New Medium-Term Management Plan Part 3		
Number of directors*1 (Outside directors)	11 (2)	10 (2)	11 (2)	10 (2)	10 (2)	10 (2)	10 (1)	12 (2)	12 (2)
Number of Audit & Supervisory Board members*1 (Outside Audit & Supervisory Board members)	5 (4)	5 (4)	5 (4)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)
Main efforts to strengthen corporate governance	2003 • Established the Management Strategy Committee, Investment and Finance Committee, and Corporate Executive Committee • Established the Compliance Committee, Compensation System Committee (now Compensation Committee), and Crisis Management Committee (now Risk Management Committee) 2004 • Established the Corporate Governance Committee			2006 • Established the Corporate Value Evaluation Committee*2 2008 • Established the JSOX Committee (now Internal Control / JSOX Committee)			2011 • Established the Executive Nomination Committee		

*1 Number after the Ordinary General Meeting of Shareholders

*2 The Corporate Value Evaluation Committee was renamed as the Corporate Value Enhancement Committee. In 2020, the Corporate Value Enhancement Committee and CSR Promotion Committee were merged to form the Sustainability Committee.

Corporate governance system overview (No. of meetings in FY2022)

Body	No. of members (male/female)	Chair	Objective and other details
Directors and the Board of Directors (18)	8 • 5 inside officers (5/0) • 3 outside officers (2/1)	Chairperson	We have set the number of directors to at least three but no more than 12 to ensure prompt and proper decision making in consideration of the scope of liability of that body. We also appoint more than one outside director to ensure transparency. It meets once a month and makes decisions on matters set forth in laws, regulations, and the Articles of Incorporation, as well as other important matters.
Audit & Supervisory Board (18)	5 • 2 inside officers (2/0) • 3 outside officers (3/0)	—	We have set the number of members to at least three but no more than five to enable it to fully perform its supervisory function toward the Board of Directors and half of the members should be outside Audit & Supervisory Board members. There should also be at least one member who has appropriate knowledge of finance and accounting in particular. It meets at least once a month and discusses important matters concerning auditing.
Compliance Committee (4)	10 • 8 inside officers (8/0) • 2 outside officers (0/2)	President and Representative Director	To ensure thorough compliance and raise society's trust in the Group by comprehensively confirming and reviewing Groupwide compliance and making proposals to the Board of Directors and management committees.
Executive Nomination Committee (6)	4 outside officers (3/1)	Outside director	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions on the selection of candidates for the positions of representative director, director, and Audit & Supervisory Board member, as well as discussions regarding the dismissal and/or removal of the President and Representative Director and other management members (executive directors and executive officers).
Compensation Committee (4)	4 • 1 inside officer (1/0) • 3 outside officers (2/1)	Outside director	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions regarding compensation for corporate officers (including executive officer)
Board of Independent Officers and Representative Directors* (2)	9 • 3 inside officers (3/0) • 6 outside officers (5/1)	—	Convenes as the Board of Independent Officers and Representative Directors to facilitate exchanges of opinion among independent officers and representative directors as a forum for making proposals regarding improvements to the Group's corporate value and reforms to corporate culture.
Board of Independent Outside Officers (2)	6 outside officers (5/1)	Outside director	To facilitate discussions between independent directors and Audit & Supervisory Board members as a forum for exchanging information and sharing understandings from an independent and objective perspective.
Sustainability Committee (4)	13 • 7 inside officers (7/0) • 6 outside officers (4/2)	President and Representative Director	To comprehensively review the sustainability initiatives of the Group, and report and make proposals to the Board of Directors.
Internal Control/JSOX Committee (3)	19 • 19 inside officers (19/0)	Officer appointed by the President and Representative Director	To evaluate the effectiveness of internal controls at all Group companies and internal controls concerning business processes, as well as to report the results of these evaluations to the Board of Directors and members of management as a basis for manager evaluations
Risk Management Committee (4)	13 • 13 inside officers (13/0)	Officer appointed by the President and Representative Director	To discuss issues and measures concerning risk management (risk prevention and rapid response to business emergencies) and to report matters under consideration by the Committee and the results of discussions to the Board of Directors or at Management Strategy Committee with the aim of contributing to the management of the Group

* In fiscal 2023, convened as the Board of Independent Officers and Representative Directors to facilitate exchanges of opinion among independent officers and representative directors

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	New Medium-Term Management Plan Part 4			New Medium-Term Management Plan Part 5			Medium-Term Management Plan 2020			Medium-Term Management Plan 2023		
	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	9 (3)	8 (3)	8 (3)	8 (3)	8 (3)
	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)
				2016 • Established the Board of Independent Officers and Representative Directors, and Board of Independent Officers				2018 • Established the CSR Promotion Committee* ² 2020 • Established the Sustainability Committee* ² • Introduced the Performance-Based Stock Compensation Plan	2021 • Established the Group Audit & Supervisory Board Members' Office • Revised the Fundamental Policy on Cross-Shareholdings 2023 • Reformed officer compensation and evaluation systems			

Officers (As of June 27, 2023)



Directors

①	Tetsuhiro Kito	Chairperson and Director	Mr. Tetsuhiro Kito joined the Company in 1982. He took office as Director and General Manager of the Sales & Marketing Division, Processed Foods Business Division in 2015. In 2019, he was appointed as General Manager of the Overseas Business Division. He took office as Representative Director and Executive Vice President, and General Manager of the Fresh Meats Business Division, and Officer in charge of cross-business strategy promotion in April 2021. In April 2023, he became Chairperson and Director of the Company and Chairperson of the Board of Directors.
②	Nobuhisa Ikawa	President and Representative Director President and CEO	Mr. Nobuhisa Ikawa joined the Company in 1985. He took office as Director and General Manager of the Processed Foods Business Division in 2018. He took office as Representative Director and Executive Vice President, and General Manager of the Corporate Planning Division and officer in charge of the Research & Development Center, new business development, and the Hokkaido Project in April 2022. In April 2023, he became President and Representative Director (President and CEO).
③	Fumio Maeda	Director and Managing Executive Officer General Manager of Fresh Meats Business Division	Mr. Fumio Maeda joined the Company in 1988. He has primarily been engaged in the fresh meats and processed foods businesses. He took office as a Director (Managing Executive Officer) and General Manager of the Processed Foods Business Division in April 2022. In April 2023, he became Director (Managing Executive Officer) and General Manager of the Fresh Meats Business Division.
④	Masahito Kataoka	Director and Managing Executive Officer In charge of Accounting & Finance Department and Sustainability Department; General Manager of Tokyo Branch Office	Mr. Masahito Kataoka joined the Company in 1985. He has primarily been engaged in operations related to accounting and finance, as well as public and investor relations. Since April 2021, he has been leading business operations as Director in charge of the Accounting & Finance Department, Quality Assurance Department, Customer Service Department, and Lifestyle Research Office and as General Manager of Tokyo Branch Office. He took office as Director (Executive Officer) in June 2021. In April 2023, he became Director (Managing Executive Officer) in charge of the Accounting & Finance Department and Sustainability Department. He is also currently General Manager of the Tokyo Branch Office.
⑤	Kohei Akiyama	Director and Managing Executive Officer In charge of Human Resources Department, Legal Affairs Department, General Affairs Department, Public & Investor Relations Department and Secretarial Office	Mr. Kohei Akiyama joined the Company in 1987. He has primarily been engaged in operations related to human resources. In April 2023, he was appointed as a Managing Executive Officer of the Company in charge of the Human Resources Department, Legal Affairs Department, General Affairs Department, Public & Investor Relations Department and Secretarial Office. In June 2023, he was appointed as Director (Managing Executive Officer).
⑥	Yasuko Kono	Outside Director	Ms. Yasuko Kono took office as Outside Director in June 2018. She has extensive knowledge and experience concerning consumer issues.
⑦	Hideo Arase	Outside Director	Mr. Hideo Arase took office as Outside Director in June 2019. He served as the director in charge of overseas business at a major manufacturer of medical equipment and has abundant experience of and deep insight into global-scale corporate management.
⑧	Tokushi Yamasaki	Outside Director	Mr. Tokushi Yamasaki took office as Outside Director in June 2022. From June 2019 to May 2022, he served as an Outside Audit & Supervisory Board Member. He has also served as a securities analyst in the food sector for a major securities company, and possesses professional knowledge and abundant experience of food companies in general.

Audit & Supervisory Board Members

⑨	Sadanori Miyagai	Audit & Supervisory Board Member (full-time)	Mr. Sadanori Miyagai joined the Company in 1982. From June 2019 to March 2021, he served as Director and Managing Executive Officer in charge of the Quality Assurance Department and Sustainability Department, and he has extensive work experience and knowledge concerning quality and environmental auditing.
⑩	Nobuyuki Tazawa	Audit & Supervisory Board Member (full-time)	Mr. Nobuyuki Tazawa joined the Company in 1984. From April 2017 to March 2019, he led business administration leveraging his rich work experience and knowledge as Executive Officer and General Manager of the Administrative Division, Processed Foods Business Division.
⑪	Masayuki Kitaguchi	Outside Audit & Supervisory Board Member	Mr. Masayuki Kitaguchi took office as Outside Audit & Supervisory Board Member in 2019. He has professional knowledge and abundant experience as a certified public accountant and as an attorney at law who handles a wide range of legal matters.
⑫	Shigeru Nishiyama	Outside Audit & Supervisory Board Member	Mr. Shigeru Nishiyama took office as Outside Audit & Supervisory Board Member in June 2022. He is able to provide advice related to sustainability based on his professional knowledge and abundant experience as a certified public accountant and a professor of a graduate school.
⑬	Katsumi Nakamura	Outside Audit & Supervisory Board Member	Mr. Katsumi Nakamura took office as Outside Audit & Supervisory Board Member in June 2023. He has professional knowledge and abundant experience as an attorney at law.

Managing Executive Officers

Nobuo Oda

General Manager of Overseas Business Division;
General Manager of Operations Management Division

Yukihiro Matsumoto

General Manager of
Processed Foods Business Division

Keiji Maeda

General Manager of Sales Management Division,
Processed Foods Business Division

Executive Officers

Hideki Fujii

In charge of Americas of Operations Management Division, Overseas Business Division;
President and Director of Day-Lee Foods, Inc.

Tadaaki Ito

General Manager of Administrative Division, Overseas Business Division

Takao Seki

General Manager of Business Development & Strategy Division

Shuichi Toda

General Manager of Imported Fresh Meats Sales Division, Fresh Meats Business Division

Shuichi Narumi

General Manager of Domestic Red Meat Division,
Fresh Meats Business Division

Hirohide Fujiwara

In charge of Corporate Planning Department, DX Promotion Department, IT Strategy Department and Sports Business Department

Akio Wakita

General Manager of Product Management Division, Processed Foods Business Division

Yoshitaka Hasegawa

In charge of Audit Department and Compliance Department; General Manager of Group Audit & Supervisory Board Members' Office

Toyotake Imon

General Manager of Domestic White Meat Division, Fresh Meats Business Division

Seiji Inatomi

In charge of Australia, Operations Management Division, Overseas Business Division;
Managing Director of NH Foods Australia Pty Ltd

Sakae Kishimoto

General Manager of Marketing Management Division, Processed Foods Business Division

Yasuyuki Oishi

General Manager of Quality Assurance Department; in charge of Customer Service Department and Lifestyle Research Office, and Research & Development Center

Nobuhiro Hosoya

General Manager of Sales Management Division,
Fresh Meats Business Division

Note: See the Notice of the 78th Ordinary General Meeting of Shareholders on our website for bios, positions, responsibilities, and important concurrent positions.



NH Foods Notice of the 78th Ordinary General Meeting of Shareholders
<https://www.nipponham.co.jp/eng/ir/events/generalmeeting/>

Corporate governance

Skills, attendance, and reasons for election of directors (FY2022)

Attendance is based on the number of relevant meetings attended in fiscal 2022, while the positions shown are positions held from June 2023 onward.

Name	Reasons for election	Areas of experience and expertise					
		Corporate management	International experience	Global environment / Sustainability	Consumer perspective / Marketing / R&D	Finance / Accounting	Legal affairs / Quality management / Risk management
Tetsuhiro Kito	Mr. Tetsuhiro Kito has been in charge of the Processed Foods Business, group sales management and the Group Sales Planning Department and has served as General Manager of the Overseas Business Division. He has also served as Vice President and Representative Director, General Manager of the Fresh Meats Business Division and officer in charge of cross-business strategy. Since April 2023, he has chaired Board of Directors meetings as Chairperson and Director of the Company, during which he has encouraged Outside Directors to actively contribute with opinions and advice, and he has contributed to the further development of the Group by overseeing various initiatives based on Medium-Term Management Plan 2023 toward the realization of the NH Foods Group "Vision2030," which was established as a milestone for achieving the Group's corporate philosophy. In this way, he has fulfilled his role as a Director.	○	○		○		
Nobuhisa Ikawa	Mr. Nobuhisa Ikawa has served as General Manager of the Processed Foods Business Division, Vice President and Representative Director, General Manager of the Corporate Planning Division and officer in charge of the Research & Development Center, new business development, and the Hokkaido Project. Since April 2023, he has led business operations as President and Representative Director of the Company and he has contributed to the further development of the Group by advancing various initiatives based on Medium-Term Management Plan 2023 toward the realization of the NH Foods Group "Vision2030," which was established as a milestone for achieving the Group's corporate philosophy. In this way, he has fulfilled his role as a Director.	○			○		
Fumio Maeda	Mr. Fumio Maeda has served as General Manager of the Corporate Planning Division, Executive Officer in charge of the Research & Development Center and the Hokkaido Project, and General Manager of the Processed Foods Business Division. Since April 2023, he has led business operations as General Manager of the Fresh Meats Business Division and he has contributed to the further development of the Group by advancing various initiatives based on Medium-Term Management Plan 2023 toward the realization of the NH Foods Group "Vision2030," which was established as a milestone for achieving the Group's corporate philosophy. In this way, he has fulfilled his role as a Director.	○		○	○		
Masahito Kataoka	Mr. Masahito Kataoka, has served as Executive Officer in charge of the Accounting & Finance Department, Quality Assurance Department, Customer Service Department and Lifestyle Research Office. Since April 2023, he has led business operations as Managing Executive Officer in charge of the Accounting & Finance Department and Sustainability Department and he has contributed to the further development of the Group by advancing various initiatives based on Medium-Term Management Plan 2023 toward the realization of the NH Foods Group "Vision2030," which was established as a milestone for achieving the Group's corporate philosophy. In this way, he has fulfilled his role as a Director.					○	○
Yasuko Kono Outside *	Ms. Yasuko Kono actively shares opinions as Chairperson of the Executive Nomination Committee and as a member of the Compensation, Compliance, and Sustainability Committees. In this way, she has fulfilled her role as an Outside Director.			○	○		
Hideo Arase Outside *	Mr. Hideo Arase actively shares opinions as Chairperson of the Compensation Committee and as a member of the Executive Nomination and Sustainability Committees. In this way, he has fulfilled his role as an Outside Director.	○	○				
Tokushi Yamasaki Outside *	Mr. Tokushi Yamasaki actively shares opinions as a member of the Executive Nomination, Compensation, and Sustainability Committees. In this way, he has fulfilled his role as an Outside Director.			○		○	
Kohei Akiyama	Mr. Kohei Akiyama has primarily been engaged in operations related to human resources and since April 2023, he has led business operations as Managing Executive Officer in charge of the Human Resources Department, Legal Affairs Department, General Affairs Department, Public & Investor Relations Department and Secretarial Office. He has contributed to the further development of the Group by advancing various initiatives based on Medium-Term Management Plan 2023 toward the realization of the NH Foods Group "Vision2030," which was established as a milestone for achieving the Group's corporate philosophy. In June 2023, he was appointed as Director (Managing Executive Officer).	○					○

* Independent officers

Formulation and use of the skill matrix

Using the long-term vision, the medium-term management plan, the NH Foods Group Fundamental Policy on Corporate Governance and other policies as a base, we plotted a skill matrix to provide a visual representation of core and fundamental skills related to overall management, as well as the Company’s unique skills for realizing its long-term vision, such as a “consumer viewpoint.” The Board of Directors is composed of human resources that have been selected through deliberation by the Executive Nomination Committee because they satisfy the requirements of each skill item in a well-balanced manner, while diversity is also taken into account.

Committees serving on ● Committee chairperson ○ Committee member									
	Board of Directors	Audit & Supervisory Board	Management Strategy Committee	Compliance Committee	Sustainability Committee	Executive Nomination Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Outside Officers
	● 18/18 (100%)	—	○ 24/24 (100%)	● 4/4 (100%)	● 4/4 (100%)	—	—	○ 2/2 (100%)	—
	○ 18/18 (100%)	—	● 24/24 (100%)	○ 4/4 (100%)	○ 4/4 (100%)	—	—	○ 2/2 (100%)	—
	○ 18/18 (100%)	—	○ 24/24 (100%)	○ 4/4 (100%)	○ 4/4 (100%)	—	—	—	—
	○ 18/18 (100%)	—	○ 23/24 (95.8%)	○ 4/4 (100%)	○ 4/4 (100%)	—	—	—	—
	○ 18/18 (100%)	—	—	○ 4/4 (100%)	○ 4/4 (100%)	● 6/6 (100%)	○ 4/4 (100%)	○ 2/2 (100%)	● 2/2 (100%)
	○ 18/18 (100%)	—	—	—	○ 4/4 (100%)	○ 6/6 (100%)	● 4/4 (100%)	○ 2/2 (100%)	○ 2/2 (100%)
	○ 18/18 (100%)	—	—	—	○ 3/3 (100%)	○ 6/6 (100%)	○ 3/3 (100%)	○ 1/1 (100%)	○ 1/1 (100%)
	—	—	○ 24/24 (100%)	○ 4/4 (100%)	○ 4/4 (100%)	—	—	—	—

Corporate governance

Reasons for election and attendance of Audit & Supervisory Board members (FY2022)

Attendance is based on the number of relevant meetings attended in fiscal 2022, while the positions shown are positions held from June 2023 onward.

Name	Reason for election	Committees serving on ● Committee chairperson ○ Committee member								
		Board of Directors	Audit & Supervisory Board	Management Strategy Committee	Compliance Committee	Sustainability Committee	Executive Nomination Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Outside Officers
Sadanori Miyagai	Mr. Sadanori Miyagai served as a Director and Managing Executive Officer in charge of the Quality Assurance Department and Sustainability Department of NH Foods Ltd. from June 2019 to March 2021, and has rich work experience and knowledge concerning quality and environmental audits.	○ 18/18 (100%)	● 18/18 (100%)	Observer	—	—	—	—	—	—
Nobuyuki Tazawa	Mr. Nobuyuki Tazawa has contributed to raising the effectiveness of audits by the entire Audit & Supervisory Board, including by providing precise advice based on workplace observations. He possesses rich work experience and knowledge.	○ 18/18 (100%)	○ 18/18 (100%)	Observer	—	—	—	—	—	—
Masayuki Kitaguchi*	Mr. Masayuki Kitaguchi has fulfilled his role as an Outside Audit & Supervisory Board member, including by actively sharing opinions as an observer at Compliance Committee meetings. He has professional knowledge and abundant experience as a certified public accountant and attorney at law.	○ 18/18 (100%)	○ 18/18 (100%)	—	Observer	—	○ (New member)	—	○ 2/2 (100%)	○ 2/2 (100%)
Shigeru Nishiyama*	Mr. Shigeru Nishiyama provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as a certified public accountant and a graduate school professor. He has also served as an observer at meetings of the Sustainability Committee.	○ 13/13 (100%)	○ 13/13 (100%)	—	—	Observer	—	—	○ 1/1 (100%)	○ 1/1 (100%)
Katsumi Nakamura*	Mr. Katsumi Nakamura provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his professional knowledge and abundant experience as an attorney at law. He has also served as a member of the Sustainability Committee.	○ (New member)	○ (New member)	—	Observer (new appointment)	—	—	—	—	—

* Independent officers

Evaluation of effectiveness of the Board of Directors

The Company has conducted analysis and evaluations of the effectiveness of the Board of Directors in accordance with the NH Foods Group Fundamental Policy on Corporate Governance since fiscal 2015 with the aim of improving the effectiveness of the Board by identifying issues concerning its structure and operation.

Evaluation process

Each year, we conduct evaluations by way of questionnaires for all directors and Audit & Supervisory Board members. Also, in an attempt to ensure candid opinions are obtained from the officers and objective analysis, answers to the questionnaires were directly returned to a third-party evaluation organization and not via the Company's

secretariat. We also conduct interviews with a number of directors. At a meeting of the Board of Directors on April 28, 2023, the effectiveness of the Board and issues to be addressed going forward were confirmed based on a report containing the objective analysis and assessment of the third-party evaluation organization.

Evaluation items

- (1) Members and operation of the Board of Directors
- (2) Management strategy and business strategy
- (3) Corporate ethics and risk management
- (4) Evaluation and compensation for members of the management
- (5) Communication with shareholders and others

Priority themes for FY2022	<ul style="list-style-type: none"> • Optimizing the Group's business portfolio and appropriately allocating management resources • Responding to sustainability-related risk by recognizing that in addition to minimizing risks, turning these risks into profit opportunities is an important management challenge and by actively tackling this challenge with a view to raising medium- to long-term corporate value • Identifying Group-wide risks and evaluating them in terms of importance and order of priority, and then overseeing the implementation of countermeasures for risks identified as high priority • Ensuring appropriate monitoring of the status of human resources strategy, strengthening governance, and expanding discussion related to management succession planning. • Discussing the possible causes of the significant disparity in the evaluation of inside and outside officers.
FY2022 evaluation results	<ol style="list-style-type: none"> 1. Effectiveness of the Board of Directors As a result of the objective analysis conducted by the third-party evaluating organization, the effectiveness of the Board of Directors of the Company was confirmed as being suitably ensured in line with the Company's basic views on corporate governance. 2. Itemized overview <ol style="list-style-type: none"> (1) Members and operation of the Board of Directors It was evaluated that the proportion and qualifications of the independent outside directors continue to be appropriate and that opinions are being constructively given and discussed. On the other hand, it was confirmed that there is room for further improvement in the delegation of authority from supervisory and executory perspectives, the operation of Board of Directors' meetings, such as materials and time allocation for each agenda, and training for corporate officers. (2) Management strategy and business strategy Continuing from the last year, issues involving sustainability were evaluated as being actively and proactively addressed. On the other hand, business portfolio management from the perspective of "total optimization" bearing in mind capital cost, monitoring of strategy, and appropriate supervision of the ideal human resources strategy were confirmed to require continued reinforcement going forward. (3) Corporate ethics and risk management It was evaluated that in this financial year as well, officers and employees have a good understanding of and are complying with the NH Foods Group Global Action Guidelines, the hotline and helpdesk are functioning effectively, and internal controls system have been properly established and are being operated. In addition, the risk evaluation process, which was last year's issue to be addressed, was drastically improved due to the efforts of the Risk Management Committee. (4) Evaluation and compensation for members of the management Continuing from the last year, the incentive compensation system was evaluated as having become a healthy system for sustained growth. (5) Communication with shareholders and others A system to promote constructive communications with shareholders has been established and it was evaluated that an improvement has been made in relation to the provision of highly useful information to shareholders. <div style="background-color: #e0e0e0; padding: 5px; margin-top: 10px;"> <p>Main topics discussed by directors</p> <ul style="list-style-type: none"> <li style="width: 50%;">• Officer evaluation and compensation <li style="width: 50%;">• Cross-Shareholdings Review Report <li style="width: 50%;">• Risk Management Committee Report <li style="width: 50%;">• Human resource strategy <li style="width: 100%;">• Business Execution Report (business strategy, overall Group strategy, financial strategy, materiality strategy, cross-divisional strategy, functions strategy) </div>
Future efforts	<p>Going forward, we will continue to advance fiscal 2022 initiatives while also further developing the following initiatives.</p> <ul style="list-style-type: none"> • Supervising business portfolio management from the perspective of "total optimization" bearing in mind capital costs • Supervising whether a review of strategy in response to changes in the business environment is being conducted, getting into alignment with the medium-term management plan • Human investments for achieving the medium-term management plan and supervision of human resources strategy for the realization thereof • Consideration of appropriate delegation of authority in a way that recognizes the roles of supervision and execution • Improvement of the operation of Board of Directors' meetings (improvement of the quality of materials, proper time allocation, etc.) • Enhancement of training for corporate officers

Corporate governance

Officer compensation

Basic policy

At a meeting of the Board of Directors held on February 12, 2021, policy was established for determining the content of individual compensation for directors.

The officers compensation system provides compensation to individual executive directors and executive officers who have been selected from among the finest management talent and nurtured and promoted by the Company. Its purpose is to further clarify the linkage between officers, compensation and the Company's business performance/shareholder value and to provide an incentive for enhancing corporate value over the medium-to long-term with the aim of realizing the corporate philosophy.

System development, compensation levels, system operation, etc., are to be deliberated on by the Compensation Committee, with an independent outside director acting as chairperson, and with the final decision to be made by the Board of Directors.

Regarding compensation levels for each individual officer, the reasonableness of these levels is verified every year with reference to the investigation results, etc., of third-party organizations.

Summary of director compensation

Compensation for directors (excluding outside directors) comprises monetary compensation (basic compensation and performance-based compensation) and performance-

based stock compensation. The ratio of each of these (assuming a standard performance achievement level of 100%) is 55% basic compensation, 28% performance-based compensation, and 17% performance-based stock compensation (in fiscal 2022, this ratio was 60%, 23%, 17%). Outside directors receive only basic compensation in consideration of their role. Additionally, retirement benefits are not paid to any directors.

Monetary compensation comprises basic compensation and performance-based compensation. Basic compensation is paid on a monthly basis and comprises a fixed amount which is determined in accordance with position. Performance-based compensation is a variable compensation (a specified amount paid on a monthly basis) that is dependent on annual business performance (consolidated net sales, consolidated business income, ROE, and ROIC) and achievement in regard to management issues determined on an individual basis. If the standard performance achievement level is 100%, the payment will vary within a range of 0 to 200%.

The three evaluation indicators are 1) overall company business results, 2) organizational business results (business division/department) and 3) management issues, and performance evaluations consider each of these independently. Regarding business performance indicators, ROE was adopted in fiscal 2012 to raise consolidated net sales toward sustainable topline growth and to raise consolidated business income and capital efficiency toward

Breakdown of officer compensation

	Basic compensation 60%(FY2022)→55%(FY2023)	Performance-based compensation 23%(FY2022)→28%(FY2023)	Performance-based stock compensation 17%(FY2022)→17%(FY2023)						
Positioning	Fixed compensation	Short-term incentive compensation	Long-term incentive compensation						
Recipients	<ul style="list-style-type: none"> Directors Executive officers Audit & supervisory board members 	<ul style="list-style-type: none"> Directors (excluding outside directors) Executive officers 	<ul style="list-style-type: none"> Directors (excluding outside directors) Executive officers 						
Delivery form	Money	Money	Stock (BIP Trust)						
Evaluation indicators	—	<table border="1"> <tr> <td>Financial</td> <td> Annual performance <ul style="list-style-type: none"> Consolidated net sales Consolidated business income ROE ROIC </td> </tr> <tr> <td>Non-financial</td> <td> Management issues <ul style="list-style-type: none"> Materialities * Out of the management issues items above, non-financial targets from the Materialities must be set for at least one Business strategy, functional strategy </td> </tr> </table>	Financial	Annual performance <ul style="list-style-type: none"> Consolidated net sales Consolidated business income ROE ROIC 	Non-financial	Management issues <ul style="list-style-type: none"> Materialities * Out of the management issues items above, non-financial targets from the Materialities must be set for at least one Business strategy, functional strategy 	<table border="1"> <tr> <td>Financial</td> <td> <ul style="list-style-type: none"> Consolidated net sales Consolidated business income ROE </td> </tr> </table>	Financial	<ul style="list-style-type: none"> Consolidated net sales Consolidated business income ROE
Financial	Annual performance <ul style="list-style-type: none"> Consolidated net sales Consolidated business income ROE ROIC 								
Non-financial	Management issues <ul style="list-style-type: none"> Materialities * Out of the management issues items above, non-financial targets from the Materialities must be set for at least one Business strategy, functional strategy 								
Financial	<ul style="list-style-type: none"> Consolidated net sales Consolidated business income ROE 								
Delivery method	Payment of standard amounts established by position	If the standard performance achievement level is 100%, the payment will vary within a range of 0 to 200%, according to the level of achievement.	Points will be granted according to the level of achievement of the target values of the performance indicators set in the medium-term management plan. If the standard performance achievement level is 100%, the payment will vary within a range of 0 to 150%.						

the sustainable growth of Group business. ROIC was adopted in fiscal 2015 as an indicator for business division performance to improve the efficiency of capital investment.

Summary of Performance-Based Stock Compensation

Based on a resolution of the 75th Ordinary General Meeting of Shareholders held on June 25, 2020 (number of officers at the time of the resolution: 23), the Company introduced a performance-based stock compensation scheme for directors (excluding outside directors) and executive officers. The scheme grants recipients shares of the Company or an amount of money equivalent to the disposal value of shares of the Company in accordance with medium- to long-term business performance. The effective start date of the scheme was August 3, 2020.

The purpose of this compensation is to provide an incentive for enhancing corporate value over the medium to long term. Points are granted to each director (excluding outside directors) and executive officer based on their level of achievement of performance targets (consolidated net sales, consolidated business income, ROE) described in the Company's medium-term management plan. Recipients are then issued with a number of shares of the Company equivalent to the number of points they have accumulated, which are issued while the recipient is in office or on retirement. Note that shares are not transferred until at least one year has passed after the recipient's retirement.

The Company's performance-based stock compensation includes malus (reduction of an amount of rights granted but yet to be exercised) and clawback (return of an amount of rights that have been exercised) provisions. These provisions can be exercised in the event of one of the predetermined triggers that include certain wrongdoings, such as a serious breach of duties or material violation of the internal rules. The stock-based compensation subject to return under these provisions shall be the whole or a part of compensation for the fiscal year in which such wrongdoing takes place.

Summary of Audit & Supervisory Board member compensation

Audit & Supervisory Board members receive only basic compensation in consideration of their role. Additionally, retirement benefits are not paid to Audit & Supervisory Board members.

Aggregate amount of compensation by officer category, aggregate amount of each type of compensation, and eligible officers

Type of officer	Aggregate amount of compensation, etc. (millions of yen)	Aggregate amount of compensation, etc., by type (millions of yen)			Number of eligible officers
		Basic compensation	Appraisal compensation	Performance-based stock compensation	
Directors (excluding outside directors)	251	159	77	15	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	50	50	—	—	2
Outside Officers	78	78	—	—	8

*1 The aggregate amount of compensation, etc., includes compensation for one director and one Audit & Supervisory Board member who retired at the conclusion of the 77th Ordinary General Meeting of Shareholders held on June 24, 2022.

*2 The maximum amounts of compensation (basic compensation, appraisal compensation, and stock acquisition-based compensation) for directors are ¥42 million per month (as resolved at the 51st Ordinary General Meeting of Shareholders held on June 27, 1996), and the number of directors was 25 at the time of this resolution. Meanwhile, NH Foods Ltd. introduced, by the resolution at the 75th Ordinary General Meeting of Shareholders held on June 25, 2020, the performance-based stock compensation plan for directors (excluding outside directors) and executive officers of NH Foods Ltd., separately from the aforementioned maximum amounts of compensation, etc., for Directors. Under the Plan, NH Foods Ltd. shall contribute trust funds not exceeding ¥220 million per fiscal year for fiscal years covered by the medium-term management plan (the initial coverage period of four fiscal years from the fiscal year ended March 31, 2021 to the fiscal year ending March 31, 2024) of NH Foods Ltd. The shares of NH Foods Ltd. shall be acquired through the trust, and the delivery, etc. of the shares, etc. of NH Foods Ltd. shall be made through such trust, in accordance with the position and degree of achievement with respect to the target value of the performance indicators in the medium-term management plan. The number of directors was five at the time of the aforementioned resolution. The aggregate amount of the performance-based stock compensation in the above table represents the amount recorded under Japanese GAAP as expenses, etc., related to the share delivery points that the estimated amount to be granted for the fiscal year under review was clarified based on the Plan. Additionally, stock acquisition-based compensation was ended in July 2020 following the introduction of the performance-based stock compensation plan.

*3 The maximum amounts of compensation, etc., for Audit & Supervisory Board members are ¥8 million per month (as resolved at the 53rd Ordinary General Meeting of Shareholders held on June 26, 1998), and the number of Audit & Supervisory Board members was five at the time of this resolution.

A Message from the Chairperson of the Executive Nomination Committee



Yasuko Kono

Outside Director, Chairperson of the Executive Nomination Committee

Curriculum vitae

April 2002	Director, Ibaraki Co-op
June 2005	Director, Consumers' Co-operative Co-opdeli Business Union
June 2008	Director, Ibaraki Consumers' Co-operative Union
August 2012	Director General, National Liaison Committee of Consumers' Organization
January 2013	Member, Pharmaceutical Affairs and Food Sanitation Council, Ministry of Health, Labour and Welfare
April 2013	Director General and Joint Representative, National Liaison Committee of Consumers' Organization (General Incorporated Association) Member, Shokuiku (Food and Nutrition Education) Promotion Council, Cabinet Office
October 2013	Expert Member, Food Safety Commission (Cabinet Office) Temporary Member, Consumer Commission (Cabinet Office)
December 2013	Member, Transport Council of the Ministry of Land, Infrastructure, Transport and Tourism
April 2014	Special Advisor to Consumer Affairs Agency
July 2015	Member, Council of Food, Agriculture and Rural Area, Ministry of Agriculture, Forestry and Fisheries
June 2017	Director, Japan Consumers' Association (General Incorporated Foundation) (currently held position) Director General, Consumers' Smile Fund (NPO) (currently held position)
June 2018	Outside Director of NH Foods Ltd. (currently held position)
December 2018	Member, Financial System Council, Financial Services Agency (currently held position)
January 2019	Member, Forestry Policy Council, Forestry Agency (currently held position)
June 2019	Director, Japan Federation of Shiho-Shoshi Lawyer's Associations
April 2021	Member, Cultural Council, Agency for Cultural Affairs, Government of Japan (currently held position)

Achieving real organizational strength under a new management team—future priorities

A new team to lead NH Foods forward beyond the present challenges Selection process for the new CEO, expectations toward the new team

The NH Foods Group has defined five key attributes required for its leaders—integrity, devotion, deliberation, endeavor, and empathy. When I was appointed as an outside director in 2018, the main selection criteria were possession of these attributes, together with years of continuous service, and the level of contribution to business performance. The revised Corporate Governance Code provided clearer definitions of the roles of committees in relation to nominations and remuneration. Based on these changes, the NH Foods Group has adopted selection processes that are more rational, efficient, and objective.

In 2018, the previous CEO, Yoshihide Hata, established a new management team. This team laid the foundations for the sustainable growth of the Group and created a vision for the future. From a governance perspective, they improved the effectiveness of the Board of Directors and strengthened internal control functions. Unfortunately, the launch of the new medium-term management plan coincided with major changes in the external environment, including the onset of the global spread of the COVID-19 pandemic, and the invasion of Ukraine. This situation inevitably resulted in changes to the plan.

Who would be the best person to take the helm in this challenging business environment, and lead the NH Foods Group out of the crisis and back to its role as a pioneer? What experience and skills would be needed for this role? Who could combine these abilities with the five key attributes for leadership? We approached the selection process, which

included face-to-face interviews, with the aim of finding a person whose past business experience had instilled a strong commitment to the improvement of corporate value and a keen focus on growth—a person who would combine the spirit of challenge with the ability to maintain an efficient executive organization. Our discussions and interviews led to us to advise the Board of Directors that Nobuhisa Ikawa possessed qualities that would enable him to provide strong leadership and implement the necessary reforms.

The position of chairperson was reinstated in fiscal 2023. Assessments of the effectiveness of the Board of Directors had highlighted the need to separate executive and oversight functions, and the elimination of the situation in which the representative director also served as chairperson of the Board of Directors became an urgent priority. Starting from the current fiscal year, NH Foods will appoint a chairman who will serve as chairperson of the Board of Directors. Under the new structure, the CEO will have representative authority while the chairman will not. This will enhance the transparency and objectivity of the Board of Directors.

The Executive Appointments Committee consists of three outside directors and one outside member of the Audit & Supervisory Board. Internal officers participate as observers, but only outside officers have the power to select candidates. Our recent deliberations involved in-depth debate about the current and future situations of the NH Foods Group, including the need to react nimbly to changes in the external environment while achieving a recovery in business performance and moving forward to new challenges. The Executive Appointments Committee views the result of this selection process with a sense of expectation and confidence.

Our immediate priority is to build an organization with diversity, including the Board of Directors.

A major priority for the future of the NH Foods Group is diversity. The achievement of organizational diversity is vital to the development of a management organization that will be able to deliver success regardless of changes in the external environment. Of course, this also applies to the Board of Directors. We are now discussing ways to ensure the effectiveness of the Board of Directors. We are using a skill matrix that encompasses the experience, specialist skills, achievements, and other attributes of all directors to identify areas that need further strengthening, so that suitable people within the company can be trained and selected. We are approaching these decisions not only through official meetings, but also by creating opportunities for in-depth one-on-one interviews.

The Executive Appointments Committee has also raised concerns about the fact that there is not one female managing executive officer. We are currently discussing this issue from the perspective of achieving diversity. Because change is especially difficult for a large corporation with a long history, it is important to use a variety of opportunities to explain why change is necessary, in order to gain the

understanding of people working in the related units. I believe that direct discussions with the CEO are also essential. We will continue to work tenaciously to achieve positive results.

Each year the Executive Appointments Committee discusses the results of initiatives and improvements made and submits the results of our deliberations to the Board of Directors as part of the succession planning process. We strive to select candidates who are likely to contribute to corporate value enhancement and sustainable growth from a long-term perspective in the period to 2030 or 2050.

A review of fundamentals is an essential first step for the acceleration of progress toward future challenges.

In March 2021, NH Foods announced Vision2030 with “Unleash new potentials for protein” as its corporate message. To achieve this goal, NH Foods will need to take a multifaceted approach, including the development of cultured proteins, plant-based proteins, and milk proteins. Above all, the company must never forget the importance of respect for the bounties of nature.

The NH Foods Group is a pioneer in the development of special products, such as allergen-free foods, products with reduced salt and fat content, and preservative-free products. This was possible thanks to a long tradition of communication with ordinary consumers. Going forward, the company needs to build on this tradition as it takes up new business challenges. There will also be opportunities to advance to a new phase by adopting new ways of selling existing products, such as the development of overseas markets for allergen-free products. There is also a need for longer-term perspectives, such as the allocation of investment and human resources to co-creation initiatives with external entities, while also pursuing in-house R&D activities.

The core questions for the new three-year medium-term management plan that will start in the next fiscal year are the areas that NH Foods Group regards as its core domains, and its reasons for prioritizing those areas. After reviewing these fundamental questions, the company will need to focus on the questions of how it can meet the needs of a diverse society and pursue initiatives that everyone will be able to view with pride.

The NH Foods Group has consistently emphasized sound management in recent years. However, I feel that this emphasis on certainty has had the effect of narrowing the scope for new challenges. I hope that the company will make a fresh start that will allow it to move forward toward a new phase of growth and success.

Corporate governance

Ensuring the diversity of the Board of Directors

Using the long-term vision, the medium-term management plan, the NH Foods Group Fundamental Policy on Corporate Governance and other policies as a base, we plotted the skills and experience required by members of the Board of Directors onto a skill matrix to provide a visual representation of core and fundamental skills related to overall management, as well as the Company's unique skills for realizing its long-term vision, such as a "consumer viewpoint." The Board of Directors is

composed of human resources that have been selected through deliberation by the Executive Nomination Committee because they satisfy the requirements of each skill item (corporate management, international experience, global environment / sustainability, consumer perspective / marketing / R&D, finance / accounting, legal affairs / quality management / risk management) in a well-balanced manner, while diversity is also taken into account.

Developing next-generation executives

Human-resources characters required for executives

The Group is working to continuously enhance corporate value by establishing the Plan for the Development of the Next-Generation Executives and defining five "Human Resources Characteristics Required for Executives" (integrity, devotion, deliberation, endeavor, and empathy). The assessment of corporate officers involves executive officers creating a commitment sheet that incorporates these five requirements, followed by an interview with the President during which the setting and achievement of targets is confirmed. NH Foods Ltd. is also working to cultivate the next-generation of human resources who possess the five requirements by introducing programs such as a selection, training, and transfer program and an executive behavioral characteristic analysis program on a company-wide basis.

Additionally, we will expand pathways for diverse talent to become potential next-generation leaders as early as possible through "selection, education, and transfer programs" that provide employees at each level with opportunities to be selected.

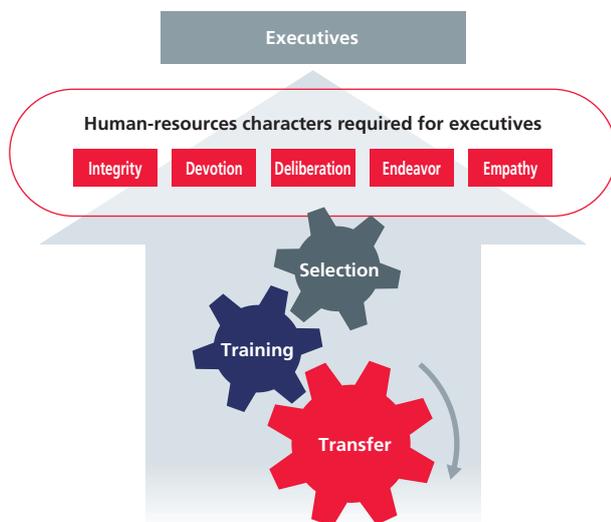
Developing next-generation executives

The Group implements next-generation executive planning initiatives in accordance with the process in the Guidelines for Strategic Development of Managerial Human Resources to Improve Corporate Value released by the Ministry of Economy, Trade and Industry. Our plan started in fiscal 2018 and we are currently engaged in Phase 4—"Evaluation of the results of development, and reassessment and reevaluation of related measures." Since fiscal 2021, our new executive officers participate in young managers forums with a view to cultivating next generation executive experience and creating useful contacts outside of the Group.

In order to educate newly appointed officers, we provide learning opportunities at meetings of the Board of Directors and Corporate Executive Committee (such as talks on the latest trends in corporate governance and by experienced managers). We are also introducing a voluntary program for officers run by an external educational institution so that officers can continue to improve their abilities after being appointed and can maintain and further develop the five requirements of our executives.

Additionally, we conduct 360-degree evaluations for members of Group management (at NH Foods Ltd. this includes heads of major departments and divisions or above), which incorporate feedback from superiors, peers, and people working under them. These are useful for self-development.

We are carrying out succession planning for CEO and management positions through measures such as disclosing our requirements of executives, applying various external assessment systems, and carrying out education and training. Each year we make improvements, and the details of these improvements are discussed by the Executive Nomination Committee and confirmed by the Board of Directors.



Audits by Audit & Supervisory Board members

Audit & Supervisory Board members attend meetings of the Board of Directors, Management Strategy Committee, and other boards and committees in order to confirm business execution by directors. Each quarter, Audit & Supervisory Board members also exchange opinions and proposals with the President and Representative Director, and exchange opinions with outside directors. Also, in order to monitor the status of business execution, in principle, at least one full-time Audit & Supervisory Board member and one outside Audit & Supervisory Board member participate in interviews with directors twice per year, and executive officers and the heads of major departments and divisions once per year, in order to confirm the situation regarding matters such as business execution, governance and compliance initiatives, workstyle reform, and the status of human resources development.

Audits of domestic and overseas Group companies are

conducted annually at key business sites mainly selected based on an audit plan formulated at the beginning of each fiscal year, and biannually at other sites. During these audits, interviews are held regarding matters such as the progress of business execution, response to material risks, compliance initiatives, progress on workstyle reform, and requests for the Group. Audit & Supervisory Board members receive a report from the accounting auditor and internal audit departments once per month with the accounting auditor and the internal audit departments, and observe audits by the internal audit departments and audits by the accounting auditor (including the year-end inventory audit).

The Group Audit & Supervisory Board Members' Office, which was established in April 2021, regularly holds meetings to exchange information.

Main roles and duties of the Audit & Supervisory Board and its members

Item/audit target	Details	Full-time	Outside
Oversight and auditing of the Board of Directors	Attended Board of Directors meetings (18 times)	✓	✓
Auditing of business execution by directors	Interviewed the President and Representative Director (4 times, 2 hours each time)	✓	✓
	Exchanged opinions with outside directors (4 times, 2 hours each time)	✓	✓
	Interviewed executive directors, executive officers, and general managers of major divisions, excluding the above (34 times)	✓	✓
Important meetings other than Board of Directors meetings	Full-time Audit & Supervisory Board members attended and shared opinions at meetings	✓	—
Various Committees	Audit & Supervisory Board members attended meetings of committees and other bodies they are responsible for	✓	✓
Internal audit departments	Received audit reports (12 times)	✓	✓
Accounting and finance departments	Quarterly financial results, accounting auditor activities reports, etc. (7 times)	✓	✓
Accounting auditor	Received accounting audit plans, accounting audit reports, reviews of quarterly financial results, etc. (13 times)	✓	✓
Group companies	Interviewed representatives of Group companies and thoroughly reviewed documents based on an audit plan as an audit of the Group of companies (39 business locations, including companies that only submitted documents)	✓	✓
	Held meetings to exchange opinions with the Group Audit & Supervisory Board Members' Office and full-time Audit & Supervisory Board members of Group companies (10 times)	✓	—

Accounting audits

The Company has concluded an auditing contract with Deloitte Touche Tohmatsu LLC, to carry out audits in accordance with the Companies Act of Japan and the Financial Instruments and Exchange Act. In addition, the department in charge of accounting holds discussions with accounting auditors as necessary with the aim of improving the transparency and correctness of accounting procedures.

Names of CPAs who performed audits	Name of Auditing Firm
Takashige Ikeda	Deloitte Touche Tohmatsu LLC
Shunsuke Matsumoto	Deloitte Touche Tohmatsu LLC
Naoki Kawai	Deloitte Touche Tohmatsu LLC

Notes: Assistants who helped with accounting audits included 20 CPAs, 17 CPA-certified individuals, and 31 other individuals.

Corporate governance

Internal audits

The implementation of internal audits has been assigned to 21 employees of the Audit Department (as of March 31, 2023) and is carried out in coordination with Audit & Supervisory Board members and accounting auditors. These audits evaluate the accounting and business operations of the entire Group. The results of internal audits are reported to the Board of Directors. Accounting auditors evaluate the effectiveness of internal controls by holding discussions with the Audit

Department to gauge the status of internal audits. They also exchange information concerning audit results.

In fiscal 2022, audits were carried out at 29 Group companies. Additionally, the Risk Management Committee has designated risks that should be addressed. These risks are categorized as illegal labor, Subcontract Act matters, management of IT access authorization, or purchasing, and they are audited on a Group-wide basis.

Reducing cross-shareholdings

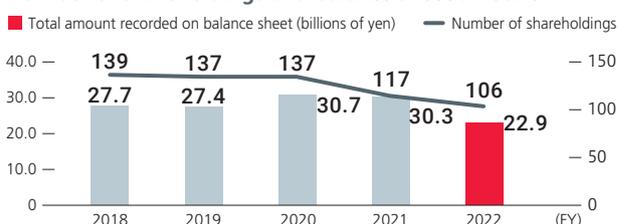
In principle, the Company does not hold shares in cross-shareholdings. However, we may hold shares in cross-shareholdings in cases where it is recognized that cross-shareholding is essential to the sustainable growth of the Group or to improving corporate value, such as for reinforcing alliances in order to maintain business transactions and expand our business, and for smooth fund raising. Once a year, we review all cross-held shares and closely examine whether factors such as the benefit of holding these shares, the risk of stock price fluctuations, and the credit risk of the issuing company are worth the capital cost, and then comprehensively determine whether holding such shares is appropriate or not.

If we determine that holding certain shares has become less necessary, we will dispose of such shares in an appropriate manner, taking into consideration matters such as stock price and market trends. There are also cases where even though the holding of certain shares has been recognized as significant, they may be disposed of based upon an agreement with the issuing company. As of the end of March 2023, the total market value of our cross-shareholdings was approximately ¥22.9 billion. This amounts to around

2.4% of consolidated assets, which we recognize is not a large proportion, but we will continue to review and shrink all our current investments.

When exercising voting rights attached to cross-held shares, we closely examine the proposed agendas of each company and respect their proposals as long as they do not disregard the interests of shareholders. However, if any misconduct (including misconduct by a management member) or any antisocial behavior occurs at a company in which we have a cross-shareholding, we will exercise our voting rights in a way that contributes to the improvement of the company's corporate governance.

Number of shareholdings and balance sheet amount

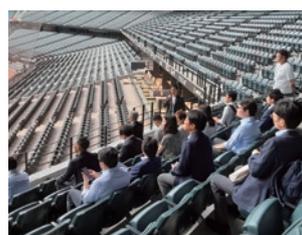


Dialogue with shareholders

We encourage meetings with shareholders, investors, and companies that provide advice on the exercise of voting rights with the aim of realizing constructive dialogue that contributes to the sustainable growth of the NH Foods Group and a medium- to long-term increase in corporate value.



Individual meeting with an institutional investor in the US (July, 2023)



Investors on an observation tour of Hokkaido Ballpark F Village (July, 2023)

FY2022 activities

Category	Number
Individual meetings with institutional investors	169 times
Overseas IR meetings (in-person overseas IR activities resumed from 2023)	9 locations
Facility observation tours for institutional investors <small>*In-person observation tours resumed from 2023</small>	0 times
Business result presentations for institutional investors	4 times
Medium-term management plan progress reports for institutional investors	2 times
Small-number meetings with institutional investors	7 times
Sustainability presentations	1 time
Engagement meetings	27 times
Business briefings (IR Days)	1 time
Online company introductions for individual investors	2 times
Online briefings for individual shareholders	1 time

Compliance

Compliance promotion framework

Important information concerning compliance is centrally managed by the Compliance Department which reports in real time to directors, Audit & Supervisory Board members, executive officers, and the heads of relevant departments and divisions and also presents reports to the Board of Directors and Compliance Committee.

Additionally, the Compliance Committee, which is responsible for verifying compliance status and considering compliance policies across the Group, the Compliance Promotion Committees, which advance compliance initiatives at each Group company and business division, and the Compliance Leader Conference, which comprises representatives from the Compliance Promotion Committee of each Group Company and considers specific measures, all coordinate to share the latest information and to work thoroughly toward better compliance management. In fiscal 2022, the Compliance Committee and Compliance Leader Conference met four times each.

Ensuring corruption prevention

We formulated the NH Foods Group Action Standards (Japan version) for Group companies in Japan and the NH Foods Group Overseas Governance Policy for Group companies overseas with a particular focus on preventing bribery. We also prohibit the provision of entertainment or gifts to public officials with the purpose of unjust profit, either directly or indirectly through agents or the like.

Identifying potential risks through regular visits to business sites

Members of the Compliance Department regularly visit our business sites and solicit feedback from employees. The goal is to identify potential risks, avoid them, take preventive measures, detect problems early, and solve them.

Working with employees to prevent compliance violations

The NH Foods Group works with employees to prevent compliance violations by creating various opportunities for awareness-raising activities.

Each year we run compliance e-learning programs and other activities for employees at each level of seniority. These initiatives help participants to learn about human rights, which are the focus of growing public concern, and to acquire risk management knowledge.

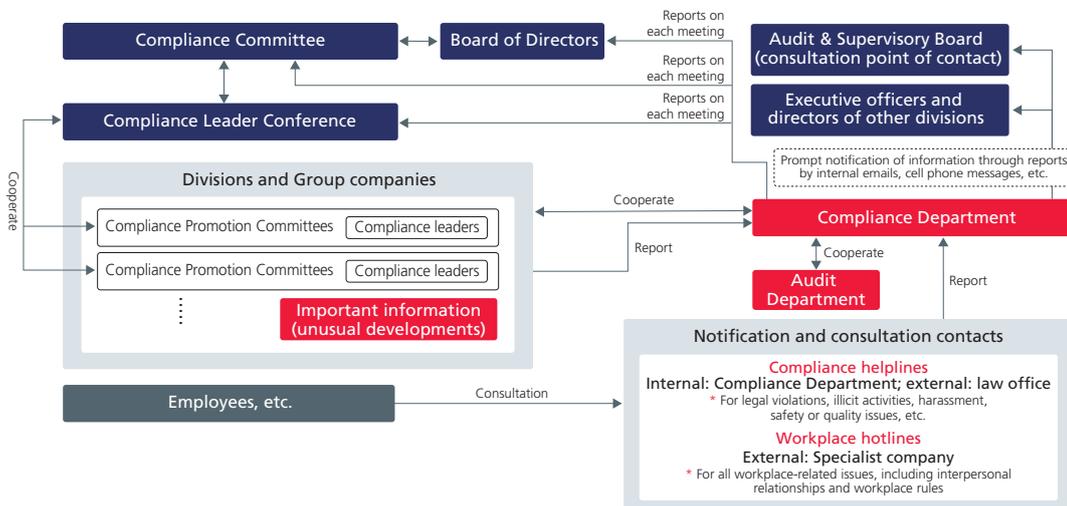
Also, all employees attend Compliance Competitions held at each business location and Group company, which include compliance study sessions and other events.

Additionally, each office holds office study groups to learn about harassment prevention and vitalizing workplace communication using video materials and case studies.

Consultation channels

We have established consultation channels which all Group employees can access freely in order to share opinions, whistle blow, or seek advice about workplace issues. This includes one in-house channel and two external channels. In 2018, we also established the Auditor Consultation Channel to facilitate the reporting of illegal and illicit activities by Group officers. Additionally, the NH Foods Group Whistleblowing Rules clarify that the identity of whistleblowing individuals should be protected and that unfair treatment toward these individuals is strictly prohibited. All Group employees are made thoroughly aware of these regulations. Employees can also consult or make reports through these channels anonymously.

Compliance framework



Corporate governance

Risk management

Risk management structure

The risk management systems adopted by the Company are based on the "Risk Management Rules" outlining basic policies and management systems concerning risk management, with the President and Representative Director as the highest management executive.

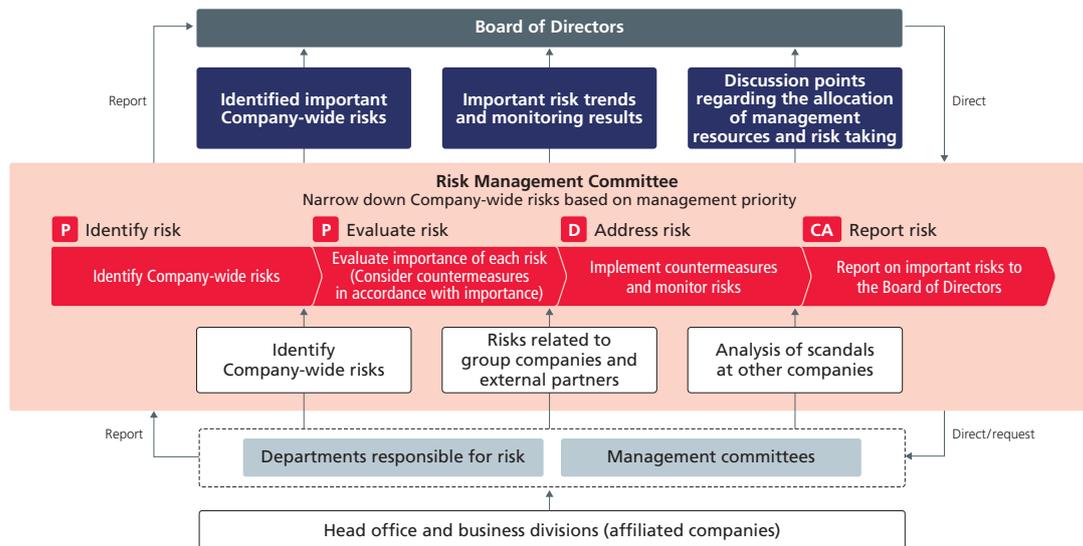
The Board of Directors considers responses to important risks that the Risk Management Committee thinks may have a significant impact on the Group's business activities. When an important risk is recognized to be manifesting, units for taking countermeasures tailored to the expected severity are organized, and prompt and appropriate action is undertaken.

In addition to the above, product market risks arising from daily business activities are handled by individual business divisions, and financial risks by the Accounting & Finance Department and related business divisions.

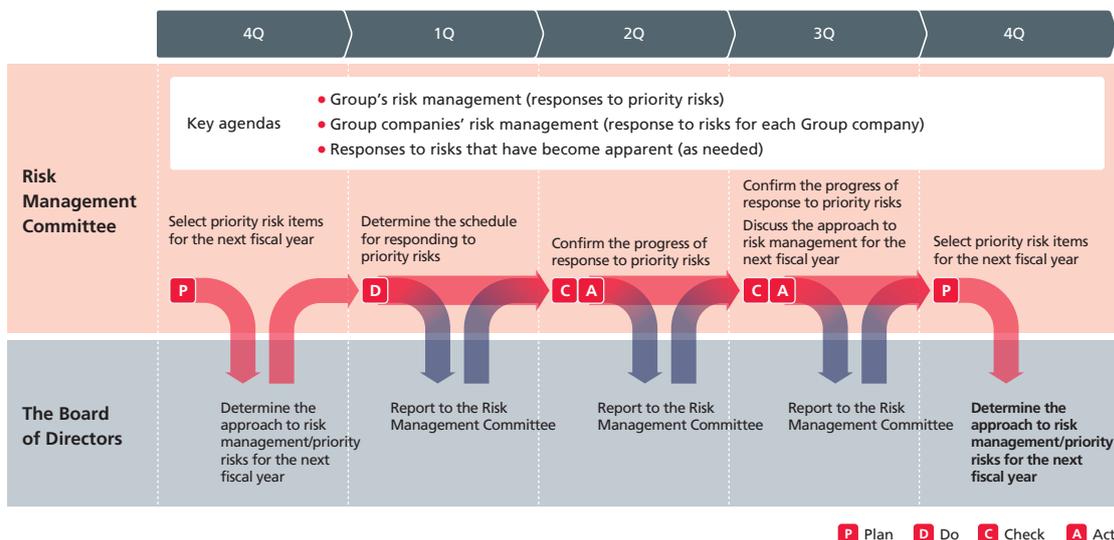
Business continuity plan (BCP)

The Group periodically enhances and revises its disaster prevention and BCP manuals, and establishes measures to enable key operations to continue even in the event of a crisis, with employee safety as the highest priority.

Functions and positioning of the Risk Management Committee



Annual risk management schedule



Information security

The Group recognizes that information security is a major issue affecting operations, and it conducts risk assessments for the Group as a whole, and implements appropriate information security measures in a deliberate manner. In recent years cyberattacks targeting companies and organizations have become more sophisticated and diverse, and the threat to information security has increased. Use of smart devices and cloud services is also rising, meaning the scope of information security considerations has grown.

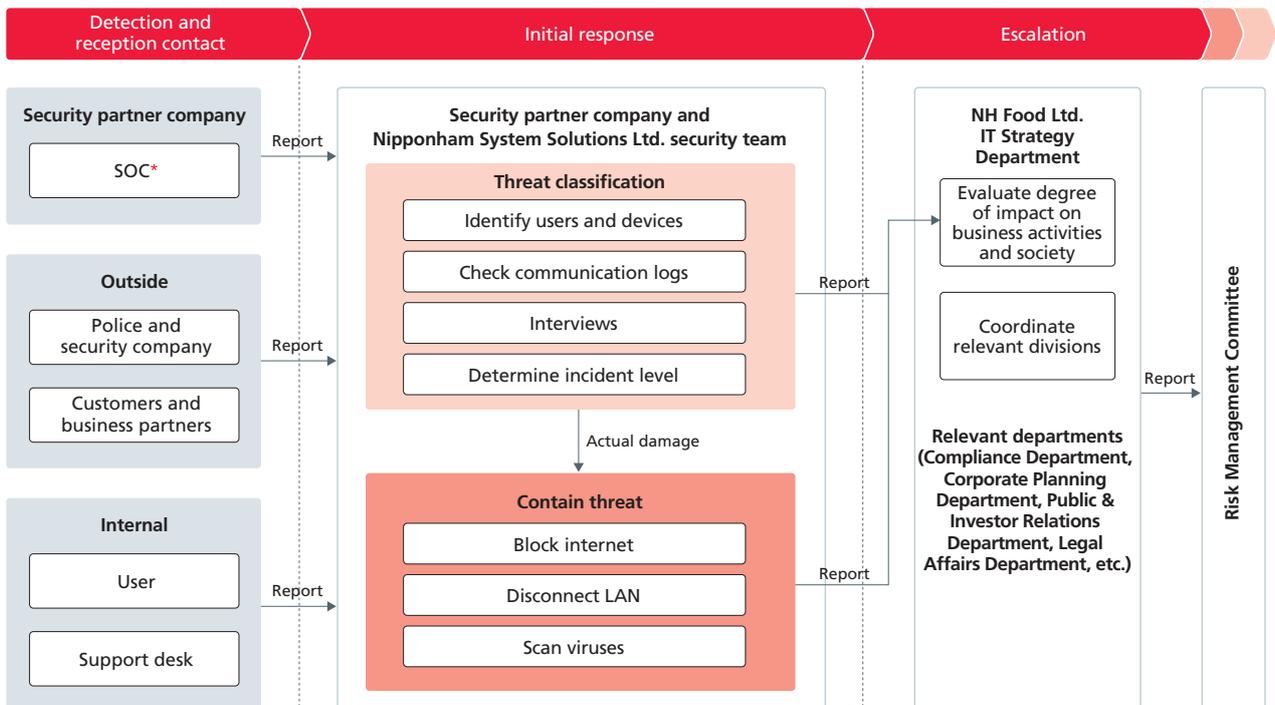
As comprehensive information security measures that cover an entire network are now essential, in fiscal 2022, we established a joint system with a security partner company that can provide comprehensive support covering every aspect

of IT security and we will continue to strengthen information security. Also, cyberattacks are spreading wildly across the globe and as it is difficult to prevent 100% of these attacks, since fiscal 2022 we have been shifting to measures that assume our defenses have already been violated. We are strengthening security by building a framework to detect unauthorized access at an early stage and respond swiftly. The main measures to strengthen information security taken in fiscal 2022 are shown below.

Going forward, we will conduct cyberattack response planning at the management level and strengthen BCP in the event of a cyberattack.

<p>1. Detecting and responding to suspicious behavior and introduction of a management system</p> <ul style="list-style-type: none"> Installed software (EDR^{*1}) to detect and respond to suspicious behavior on Group PCs and servers in Japan In addition to the above, installed a security management service (MDR^{*2}) that includes network devices and a cloud service <p>^{*1} Endpoint Detection & Response: Security software that detects and responds to suspicious behavior and threats within a device. ^{*2} Managed Detection & Response: A managed service that swiftly detects and responds to threats invading a network.</p>	<p>2. Evolving response frameworks and flow for security incidents</p> <ul style="list-style-type: none"> Built a 24-hour, 365-day security monitoring and response framework that started operation in fall 2022 Clarified the response flow for security incidents Increased security personnel <p>3. Revising backup methods (enabling recovery even after a ransomware attack)</p> <ul style="list-style-type: none"> Completed an investigation into the backup situations of existing systems in fiscal 2022. Actual countermeasures being implemented during fiscal 2023.
--	--

Basic flow of response to information security incident



* SOC (Security Operation Center) : An expert organization that detects and analyzes cyberattacks and provides advice on how to respond

Consolidated financial statements (past 10 years)

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

	USGAAP		
	3/14	3/15	3/16
Net sales	1,110,766	1,199,956	1,229,324
Operating income	36,089	47,770	49,207
Profit before tax [Net profit for the period from continuing operations before income taxes, etc.]	35,673	43,797	35,309
Profit attributable to owners of the parent [Net profit attributable to owners of the parent]	24,524	31,048	21,779
Business profit	—	—	—
Total assets	627,220	661,567	682,855
Total equity attributable to owners of the parent	320,984	353,664	356,353
Interest-bearing liabilities	144,901	136,758	154,583
Cash flows from operating activities	32,952	29,681	52,535
Cash flows from investing activities	(27,021)	(31,517)	(49,139)
Free cash flow	5,931	(1,836)	3,396
Cash flows from financing activities	(9,373)	(17,187)	8,182
Capital expenditures	29,152	35,694	36,799
Depreciation and amortization	18,649	18,951	19,445
Per share amounts			
Basic earnings per share [Basic net profit per share attributable to owners of the parent]			
Continuing operations (¥)	¥ 182.94	¥ 297.70	¥ 245.56
Discontinued operations (¥)	(¥ 3.79)	¥ 7.16	(¥ 31.72)
Total (¥)	¥ 244.23	¥ 304.86	¥ 213.84
Diluted earnings per share [Diluted earnings per share for the period attributable to owners of the parent]			
Continuing operations (¥)	¥ 225.27	¥ 279.50	¥ 230.61
Discontinued operations (¥)	(¥ 3.44)	¥ 6.72	(¥ 29.72)
Total (¥)	¥ 221.83	¥ 286.22	¥ 200.89
Total equity per share attributable to owners of the parent (¥)	¥ 3,151.94	¥ 3,472.37	¥ 3,498.72
Cash dividends (¥)	¥ 37.00	¥ 46.00	¥ 33.00
Financial indicators			
Business profit ratio (%)	—	—	—
Operating profit ratio (%)	3.2	4.0	4.0
Return on equity (ROE) (%)	8.0	9.2	6.1
Return on invested capital (ROIC) (%)	4.9	6.4	6.5
Total equity attributable to owners of the parent ratio [Total equity ratio] (%)	51.2	53.5	52.2
Interest-bearing liabilities / Equity ratio [Equity ratio] (Times)	0.45	0.39	0.43
Interest coverage ratio (Times)	21.3	24.2	35.1
Payout ratio (consolidated) (%)	30.3	30.2	30.9

Notes:

- NH Foods Ltd. has voluntarily applied International Financial Reporting Standards (IFRS) to consolidated financial statements for the first quarter of the fiscal year ended March 31, 2019. Where items differ from the USGAAP or IFRS standards, the corresponding USGAAP item is shown in [].
- Figures have been rounded to the nearest unit.
- As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. Total NH Foods Ltd. shareholders' equity per share, basic earnings per share attributable to NH Foods Ltd. shareholders and diluted earnings per share attributable to NH Foods Ltd. shareholders were computed on the assumption that the share consolidation was carried out at the beginning of the fiscal year ended March 31, 2015. Cash dividends represent the actual payment prior to the relevant share consolidation.
- Operating income represents net sales less cost of goods sold and selling, general and administrative expenses.
- Starting from the fiscal year ended March 31, 2020, NH Foods Group discloses business profit (calculated by deducting the cost of goods sold, and selling, general and administrative expenses from net sales, and making adjustments of currency gains and losses as determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items) in place of the operating income results disclosed previously. The purpose of this change is to provide a clear indication of profit earned through business activities. The figures for the fiscal years ended March 31, 2018 and March 31, 2019 have been restated retroactively.
- Interest-bearing liabilities under USGAAP consists of short-term bank loans, current maturities of long-term debt and long-term debt, less current maturities (including zero coupon convertible bonds) in the consolidated balance sheets.
- Capital expenditures represent the additions to tangible and intangible fixed assets. Since the fiscal year ended March 2020, capital expenditures have consisted of changes.

		IFRS						(¥ million)
	3/17	3/18	3/18	3/19	3/20	3/21	3/22	3/23
	1,202,293	1,269,201	1,258,463	1,234,180	1,229,826	1,106,351	1,151,886	1,259,792
	53,802	49,218	—	—	—	—	—	—
	49,112	50,455	52,798	30,267	27,039	47,604	51,760	22,162
	35,004	37,147	37,552	19,561	19,214	32,616	48,049	16,637
	—	—	50,589	38,311	43,772	52,426	48,116	25,596
	720,276	755,076	734,528	741,388	768,861	825,405	909,213	937,155
	404,126	440,793	417,982	401,014	404,414	433,595	479,069	492,913
	138,284	110,948	111,401	147,009	176,493	193,750	211,407	242,055
	65,254	54,626	53,284	30,844	65,464	82,518	33,387	11,331
	(38,271)	(49,006)	(48,194)	(45,110)	(36,728)	(57,827)	(22,837)	(63,677)
	26,983	5,620	5,090	(14,266)	28,736	24,691	10,550	(52,346)
	(11,439)	(27,508)	(27,110)	2,932	(3,077)	(14,934)	(12,162)	28,417
	43,765	41,466	41,201	47,820	47,802	82,902	80,395	67,519
	19,765	21,234	20,714	22,417	33,038	33,939	36,379	38,379
	¥ 343.59	¥ 348.46	¥ 352.26	¥ 183.21	¥ 186.70	¥ 311.13	¥ 381.91	¥ 176.27
	(¥ 0.12)	—	—	—	—	¥ 6.84	¥ 88.01	(¥ 13.83)
	¥ 343.47	¥ 348.46	¥ 352.26	¥ 183.21	¥ 186.70	¥ 317.97	¥ 469.92	¥ 162.44
	¥ 322.66	¥ 342.07	¥ 350.00	¥ 181.48	¥ 186.64	¥ 311.05	¥ 381.82	¥ 176.25
	(¥ 0.12)	—	—	—	—	¥ 6.84	¥ 87.99	(¥ 13.83)
	¥ 322.54	¥ 342.07	¥ 350.00	¥ 181.48	¥ 186.64	¥ 317.89	¥ 469.81	¥ 162.42
	¥ 3,832.95	¥ 4,100.70	¥ 3,888.48	¥ 3,896.64	¥ 3,929.43	¥ 4,243.70	¥ 4,681.82	¥ 4,808.70
	¥ 52.00	¥ 53.00	¥ 53.00	¥ 90.00	¥ 90.00	¥ 94.00	¥ 102.00	¥ 110.00
	—	—	4.0	3.1	3.6	4.6	4.0	2.2
	4.5	3.9	—	—	—	—	—	—
	9.2	8.8	9.4	4.8	4.8	7.8	10.5	3.4
	7.0	6.2	6.6	4.9	5.3	5.9	5.0	2.4
	56.1	58.4	56.9	54.1	52.6	52.5	52.7	52.6
	0.34	0.25	0.27	0.37	0.44	0.45	0.44	0.49
	57.4	44.7	43.1	24.2	40.6	61.6	27.9	6.3
	30.3	30.4	30.1	49.1	48.2	29.6	21.7	67.7

8. Depreciation and amortization consist of depreciation of tangible fixed assets and amortization of intangible fixed assets. Since the fiscal year ended March 2020, depreciation and amortization have consisted of depreciation of property, plant and equipment, right-of-use assets, and intangible assets.

9. ROE (%) = Profit attributable to owners of the parent / Average total equity attributable to owners of the parent × 100

Free cash flow (million yen) = Cash flows provided by operating activities + Cash flows used in investing activities

Total equity attributable to owners of the parent ratio (%) = Total equity attributable to owners of the parent / Total assets × 100

Interest-bearing liabilities / equity ratio (times) = Interest-bearing liabilities / Total equity attributable to owners of the parent

Interest coverage ratio (times) = Cash flows provided by operating activities / Interest paid

10. In the fiscal year ended March 2022, we sold our entire shareholding in Marine Foods Corporation, a consolidated subsidiary. As a result, Marine Foods Corporation and its subsidiaries, etc., are now classified as non-continuous businesses.

The ratio of business profit to net sales was calculated using business profit after adjustment for discontinued operations (¥50,532 million in the fiscal year ended March 31, 2021). Please refer to Note 11 for business profit after adjustment for discontinued operations in the fiscal year ended March 31, 2022.

11. In the fiscal year ended March 31, 2023, we decided to sell our entire shareholding in our consolidated subsidiary, Breeders & Packers Uruguay S.A., to Minerva S.A. As a result, Breeders & Packers Uruguay S.A. is now classified as a discontinued operation. Net sales and profit for the period before income tax for the fiscal years ended March 31, 2023 and March 31, 2022 are therefore shown as the amounts for continuing operations, excluding discontinued operations. The ratio of business profit to net sales was calculated using business profit after adjustment for discontinued operations (¥28,191 million in the fiscal year ended March 31, 2023, ¥46,222 million in the fiscal year ended March 31, 2022).

Corporate data/Stock information (As of April 1, 2023)

Corporate data

Corporate name	NH Foods Ltd.
Established	May 30, 1949
Capital	¥36,294 million
President	Nobuhisa Ikawa
Employees	Consolidated 27,050 Non-consolidated 2,198 Note: Including the average number of temporary employees
Main businesses	<ul style="list-style-type: none"> ● Manufacture and sale of processed meats (hams and sausages, etc.) and cooked foods (retort-packed foods, pre-prepared foods, etc.) ● Breeding of livestock, and processing and sale of fresh meats ● Production and sale of dairy products and marine
Head office	Breezé Tower, 4-9, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan
Telephone	+81-6-7525-3026

Main companies of the Group

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

Share data (As of March 31, 2023)

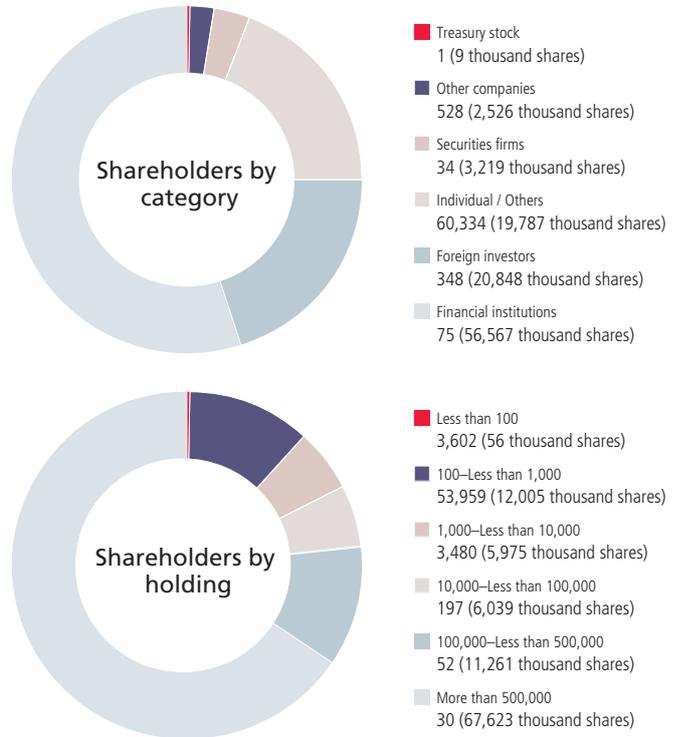
Authorized shares	285,000,000
Issued and outstanding	102,958,904
Shareholders	61,320

Major shareholders (leading 10 by holding)

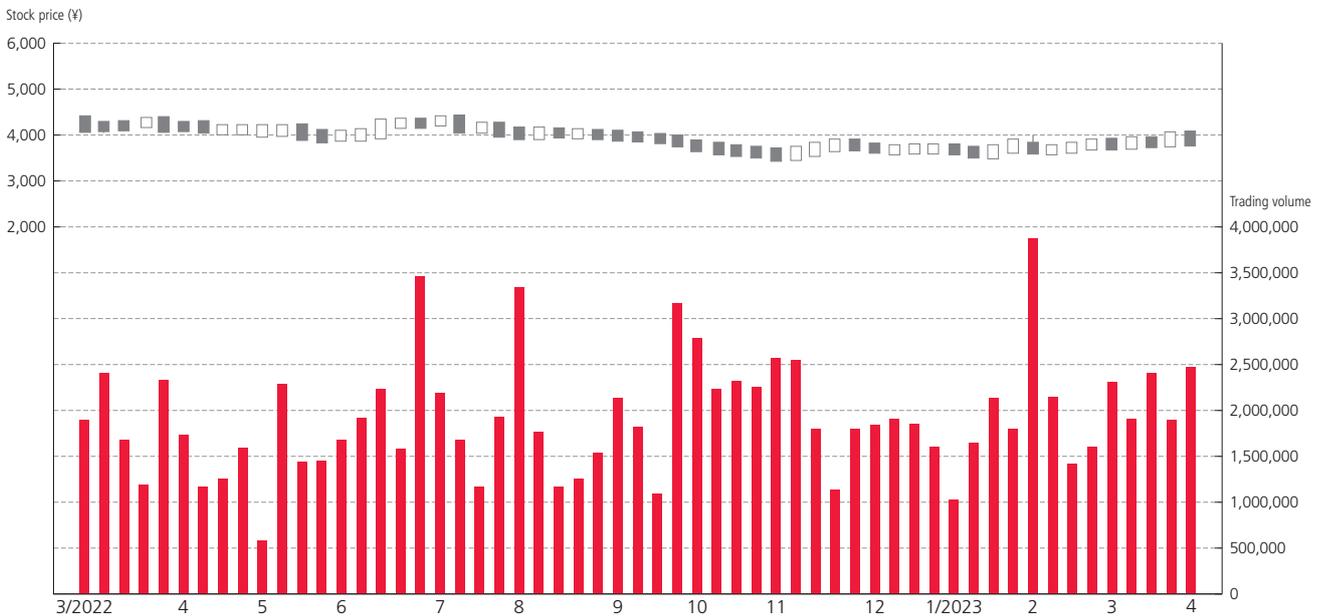
Name of shareholder	Holding (1,000s of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	19,305	18.75
Custody Bank of Japan, Ltd. (Trust account)	9,785	9.50
The Hyakujushi Bank, Ltd.	3,708	3.60
Meiji Yasuda Life Insurance Company	3,677	3.57
The Norinchukin Bank	2,963	2.88
Nippon Life Insurance Company	2,785	2.71
MUFG Bank, Ltd	2,200	2.14
STATE STREET BANK AND TRUST COMPANY 505001	2,168	2.11
Sumitomo Mitsui Banking Corporation	1,860	1.81
SSBTC CLIENT OMNIBUS ACCOUNT	1,772	1.72

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

Distribution of shares



Stock price trend



Main initiatives and organizations of which the Group is a member

United Nations Global Compact (UNGC)

The world's largest sustainability initiative which is being jointly advanced by the UN and the private sector (corporations and organizations) with the goal of building a healthy global society.

RSPO (Roundtable on Sustainable Palm Oil)

An international non-profit organization which has built and operates a certification system that has become the standard for sustainable palm oil, and which encourages the production and distribution of such oil.

TCFD Consortium

An organization established with the aim of facilitating discussion between companies regarding effective information disclosure and appropriate initiatives in relation to the Task Force on Climate-related Financial Disclosure (TCFD)

CGF (The Consumer Goods Forum)

An international industry association for major manufacturers of foods and consumer goods and major retailers. As of July 2021, it has around 400 member companies from over 100 countries.



Unleash new potentials for protein NH Foods Group Vision 2030

Reference material (Japanese only)



Table for All Food Allergy Care

A website with a food allergy perspective that provides the latest information gathered from ongoing research and easy-to-understand meal ideas based on our unique insights as a food manufacturer.



Rotary

An online magazine sharing the latest information from the NH Foods Group, while also exploring food from a variety of angles, such as trending food topics and recipes, and the relationship between food and health.



Mealin' Good

A business brand that pursues a future where everyone can choose foods that are compatible with their diverse ethics and values. It advances new food initiatives.



Let's Enjoy Delicious Meat!

A website that seeks to bring good meat to many people. Content includes information about meat and expert advice on cooking it.



NH Foods Group official X (formerly Twitter) account

The official account for the NH Foods Group. It shares recipes and useful information in a timely manner.



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