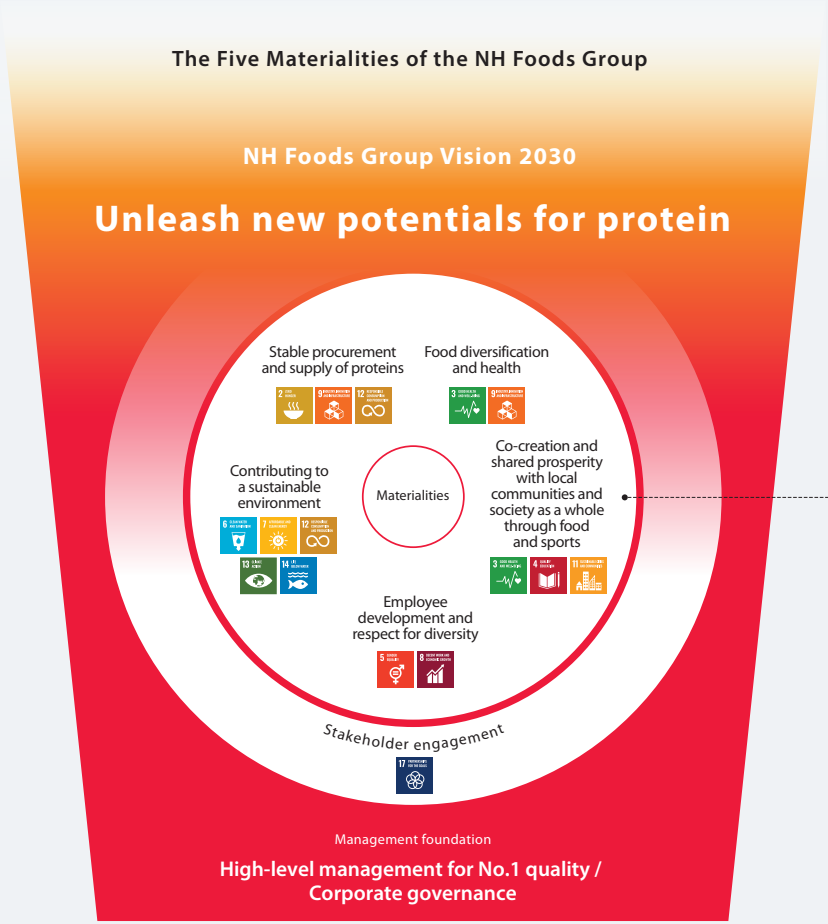
FOCUS 01

The Five Materialities (key issues) of the NH Foods Group

In March 2021, the NH Foods Group formulated Vision 2030 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 Vision 2030.



Five Materialities (key issues)

Stable procurement and supply of proteins

Global population growth, climate change, and other factors are expected to make it increasingly difficult to supply proteins. The NH Foods Group aims to ensure the stable procurement and supply of proteins. In addition to existing quality-related safety and reliability initiatives, we will advance efforts to supply diverse proteins in a way that is considerate of the environment and social aspects of our supply chains, such as human rights and animal welfare.

Food diversification and health

Changes in lifestyle and other factors are leading to the need for diverse solutions in the area of food as well. The NH Foods Group will contribute to a happy and healthy life by developing products and providing services that meet diverse needs.

Contributing to a sustainable environment

We face various environmental issues such as climate change, food loss, and marine plastic litter. The NH Foods Group's businesses involve bringing our customers the bounty of nature, and we are determined to help solve issues such as greenhouse gases, food loss, and plastics throughout the value chain.

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

As a good corporate citizen, the NH Foods Group aims to be an enterprise loved and trusted by local communities and society as a whole, as we walk and grow together, deepening ties formed through food and sports.

Employee development and respect for diversity

The NH Foods Group aims to be "a place where employees can feel truly happy and fulfilled." Based on a deep respect for individuals, we strive to create workplaces where employees can thrive and demonstrate their unique strengths.

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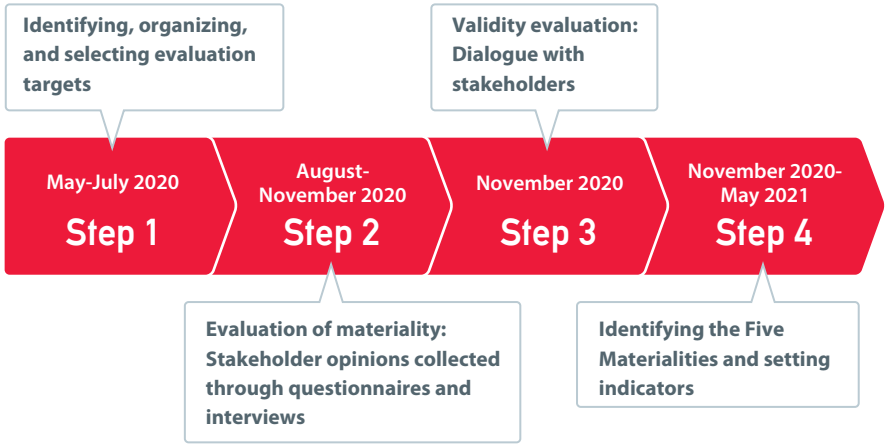
Consideration structure

The ES Subcommittee was established in 2020 and consists of 13 representatives from all business and corporate divisions. In May 2020, it began considering the process for identifying materialities. The results of the ES (Environment/Social) Subcommittee's discussions were reported to the Sustainability Committee, and after repeated discussions among all Directors, in February 2021, the materialities were set in conjunction with targets in the 2023 Medium-Term Management Plan. Details regarding execution and KPI were considered at the same time.

For more information about the ES Subcommittee and Sustainability Committee, see p. 20.

Materiality identification process

In identifying materialities, we assessed and examined them from both the stakeholders' and our own perspectives, taking into account international trends, social demands such as initiatives, and the business environment surrounding the NH Foods Group.



Step 1 : Identifying, organizing, and selecting evaluation targets | Step 2 | Step 3 | Step 4

We selected 233 social issues to be evaluated based on GRI, ISO 26000, SASB, SDGs, and other references. We then screened these issues twice to narrow them down to 36.

Step 1 | **Step 2 : Evaluation of materiality : Stakeholder opinions collected through questionnaires and interviews** | Step 3 | Step 4

We next surveyed customers, suppliers, shareholders, investors, and employees about the 36 items selected at Step 1, which were also discussed at hearings with independent experts and corporate officers.

Questionnaire participants

Customers	● NH Foods Consumer Delegate Committee Members: 20 people ● General consumers: 300 people
Suppliers	● Suppliers 7 people from 7 companies
Shareholders and investors	● Shareholders and analysts: 6 people from 6 companies
Experts	● Experts: 11 people
NGOs	● 2 people from 1 organization
Within the Group	● Directors: 8 people ● Audit & Supervisory Board members: 5 people ● Executive officers: 2 people ● Officers and employees of group companies: 22 people ● Group employees: 49 people

Interview participants

External	● Experts: 8 people ● NGOs: 2 people from 1 organization
Within the Group	● Directors: 8 people ● Audit & Supervisory Board members: 5 people ● Executive officers: 2 people ● Chair of the NH Foods Labor Union: 1 person ● Hokkaido Nippon-Ham Fighters: 1 person

Notes:
- Positions shown were current positions as of the time of each interview.
- Directors and Audit & Supervisory Board member interviews included outside directors and Audit & Supervisory Board members.

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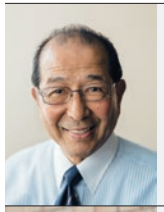
Step 1 | **Step 2 : Evaluation of materiality :** Stakeholder opinions collected through questionnaires and interviews | Step 3 | Step 4

We mapped the importance of the 36 issues to stakeholders onto their importance to the Group based on the opinions gained through questionnaires and interviews. We then used this to identify materiality candidates.

Opinions gathered through interviews with external experts



Management perspective

Toshio Arima

Chairman of the Board, Global Compact Network Japan

- I want people to understand how they are contributing to society and to increase their motivation by linking their work with the SDGs
- Dealing with human rights issues, including those regarding foreign technical intern trainees, is an urgent matter. It is necessary to identify targets in the value chain
- Management is expected to have a thinking circuit/vision that integrates short-term returns into long-term earnings

ESG investor perspective

Mari Yoshitaka

Mitsubishi UFJ Research and Consulting Co., Ltd.

- Unlike other companies in the same industry, the NH Foods Group's uniqueness is important. We can appreciate your focus on protein
- "Strengths" such as responding to food allergies should be pursued persistently even if they take time
- Responding to climate change will be increasingly expected in the future
- Financial and non-financial integration will accelerate in the future. Stories that improve corporate value over the medium- to long-term are important

Gender equality/Global perspective

Asako Osaki

Director of the NPO Gender Action Platform
Expert committee member of the Gender Equality Committee, Cabinet Office

- "Well-being," which refers to the state of physical and mental health, has become a keyword both in Japan and overseas
- Recruiting excellent human resources and improving the retention rate are urgent issues. Measures should be taken in light of the importance of gender equality and diversity among young people
- The key to linking the NH Foods Group's ESG with its core business is women. Women are expected to play an active role in business, as they are the makers of most purchasing decisions

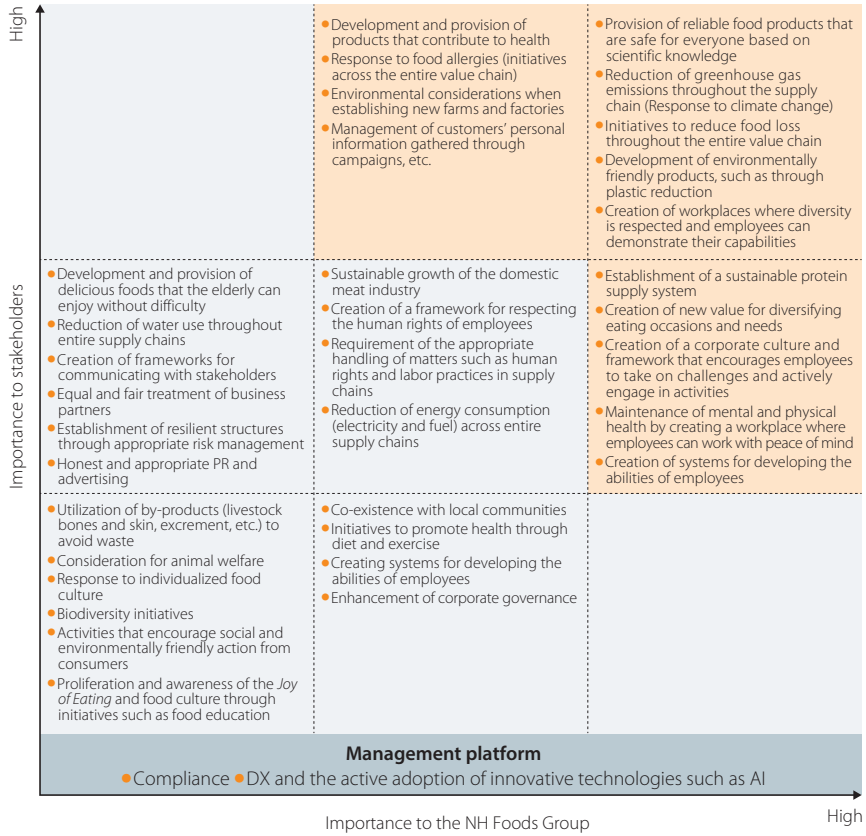
Global perspective

Peter D. Pedersen

Professor, Shizenkan University
Co-founder, NELIS

- Handling various types of protein is a major factor in the NH Foods Group finding success in the global market
- There will be an increasing need to consider the global health impacts of processed meats
- Climate change is an immediate and serious threat. Measures need to be taken throughout the value chain
- The goals and targets of the SDGs need to be clearly stated.

Mapping out the 36 issues



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Step 1 | Step 2 | **Step 3 : Validity evaluation :** Dialogue with stakeholders | **Step 4 : Identifying the Five Materialities and setting indicators**

In November 2020, we carried out dialogue with stakeholders, including external experts and NH Foods Group executives, regarding the materiality candidates identified in Step 2. We then identified our Five Materialities based on the evaluations of propriety and opinions shared through these dialogues.

The materialities were discussed by the Sustainability Committee in November 2020 and the Governance Committee in February 2021, before being finalized by the Board of Directors in February 2021. Following this, measures and indicators for achieving the materialities were considered and set.

Overview of dialogue with stakeholders and key opinions

Participants

Toshio Arima	Chairman of the Board, Global Compact Network Japan	**Yoshihide Hata**	President and Representative Director NH Foods Ltd.
Mari Yoshitaka	Mitsubishi UFJ Research and Consulting Co., Ltd.	**Sadanori Miyagai**	Director and Managing Executive Office NH Foods Ltd.
Ayako Sonoda	Facilitator: President, Cre-en Inc	**Yasuko Kono**	Outside Director NH Foods Ltd.

Key opinions

Regarding "Stable procurement and supply of proteins"

- From a biodiversity perspective, it would be good if the following global issues could be incorporated into the materialities: 1) The environmental impact of crops grown for feed, 2) animal welfare, and 3) meat alternatives.

Regarding "Food diversification and health "

- I would like to see the NH Foods Group leverage its distinctive characteristics to tackle issues such as response to food allergies.

Regarding "Contributing to a sustainable environment"

- Risks and opportunities across the entire value chain should be identified and disclosed.
- Risks that need particular attention include CO_2 emissions, water, and supply chains (origin tracing).

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

- The popularity of baseball is deeply rooted so the Group should leverage its ownership of a professional baseball team in its business activities.

Regarding "Employee development and respect for diversity"

- I would like to see communication between business divisions and for business activities to be linked to relevant SDGs.

Note: Positions, organizations, and other information shown were current as of the day of the dialogue.

TOPICS Activities to raise awareness of the vision and materialities

We are carrying out activities to raise awareness among employees of the idea that, in order to achieve Vision 2030, each individual employee needs to execute measures addressing the Five Materialities.

We have created a Vision Book that encourages employees to think that the vision and materialities are things that concern them, and this book is distributed to all employees at Group companies in Japan. We also used this Vision Book in a series of "caravan" events that toured each workplace to raise awareness of the vision and materialities among employees. These events were held 107* times both remotely and in person, mainly by the Corporate Planning and Sustainability Departments.

Furthermore, we held 17 town meetings in which President Hata visited business locations and exchanged ideas and opinions concerning the vision and materialities with employees directly.

Vision Book

* Current as of September 2021

A "caravan" event held remotely

A town hall meeting at Nipponham Processed Foods Ltd.'s Kanto Plant

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Message from General Manager of corporate planning division

We are linking management strategy to solutions for social issues and encouraging every employee to deliver value to society.

In recent years, making environmental and social contributions through business activities has become an essential condition for practicing sustainable corporate management. By identifying materialities, the NH Foods Group has established the priority issues we should address by leveraging our strengths, thereby clarifying the direction we should be taking.

These new materialities also differ from our previous materiality. They are more strongly linked to our management strategies and we have established measures and indicators for achieving each materiality. We want to make the results of specific actions more visible. Carrying out these measures will be the responsibility of each employee at each business site. If employees are to take the initiative with these measures, it will be crucial that they fully understand and buy into the importance of the materialities and the value that we can deliver. Therefore, my job is to raise awareness of the materialities across the entire Group.

I believe that we will become a company where it is natural to pursue business growth from a sustainable management perspective.

Fumio Maeda

Director and Managing Executive Officer, General Manager of Corporate Planning Division (in charge of sustainability)

Setting measures and indicators

We have set a policy, measures, and indicators for each initiative addressing each materiality. We will advance these initiatives while maintaining dialogue with all stakeholders.

Materialities	Relevant SDGs	Social issues	Policies	Measures and indicators
Stable procurement and supply of protein	2, 9, 12	**Stable procurement and supply of protein**	We will contribute to the health and physical development of people through the stable delivery of protein, which provides the power to live. As for procurement, we will work with related stakeholders to maintain and stabilize a sustainable supply chain and contribute to resolving issues in the livestock business.	●Improve protein intake as a power of life (in Japan) ●Control livestock diseases ●Promote CSR procurement (inform important primary suppliers of policies and have 100% SAQ* implementation, disseminate policies to important secondary suppliers and implement SAQ by FY2030) ●Carry out due diligence on suppliers regarding human rights ●Promote initiatives that take animal welfare into consideration ●Develop and utilize new technologies such as smart livestock farming
		Greater choice of protein	In response to lifestyle changes, we will promote the expansion and sale of plant-derived protein products and pursue new alternative proteins.	●Expand sales of plant-derived protein products (FY2030 shipment amount: ¥10 billion) ●Develop alternative meat technologies
		Food safety and reliability	We will promote the acquisition of third-party certification for food safety and training on food safety for our employees in order to deliver safe and secure products.	●Promote acquisition of third-party certification (FSSC22000, SQF, BRC, JFS, etc.) ●Develop human resources through specialized technical certification and other training

* SAQ: Self-Assessment Questionnaires

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Materialities	Relevant SDGs	Social issues	Policies	Measures and indicators
Food diversification and health	3, 9	**Food allergy support**	We are working to improve the quality of life of those with food allergies and their families by expanding our products and services, primarily centered around food.	●Expand our lineup of food allergy-related products (FY2030 shipment amount: ¥4 billion) and raise awareness of food allergies ●Research and disseminate information on food allergies
		Health promotion	We will promote the development of products that both taste good and contribute to health, thereby contributing to the *Joy of Eating* and healthy living. We will also promote research and disseminate information on extending healthy life expectancy through industry-government-academia collaboration.	●Research and commercialize new ingredients for improving cognitive function (supply the equivalent of 3 million meals per year by FY2026) ●Develop products that contribute to health ●Disseminate information on extending healthy life expectancy
		Food diversification	We will contribute to a variety of dietary lifestyles by providing products that respond to various cultures and values.	●Develop and sell products that respond to a diverse range of cultures, religions, etc.
Contributing to a sustainable environment	6, 7, 12, 13, 14	**Responding to climate change**	We will consider measures to deal with climate change, work to reduce and control greenhouse gas emissions, and contribute to reducing our environmental impact. Additionally, we will promote research and technological development through internal and external cooperation.	●Reduce CO_2 emissions from fossil fuels by at least 46% by FY2030 (compared to FY2013)*1 ●Promote research and technological development to control and reduce greenhouse gases from livestock
		Resource saving and recycling	We will work to reduce the amount of water used, as it is one of the planet's most important resources, as well as the amount of waste generated at our business sites. We will also promote resource recycling and contribute to reducing our environmental impact. Additionally, we will work to address water risk and reduce food loss.	●Reduce water consumption by 5% by FY2030 (basic unit per production quantity compared to FY2019)*1 ●Reduce waste emissions by 5% by FY2030 (basic unit per production quantity compared to FY2019)*1 ●Achieve a waste recycling rate of at least 92% by FY2030*1 ●Use environmentally friendly materials (recycled materials, biomass materials, etc.) and reduce the amount of packaging materials used ●Identify areas with high water risk, survey actual conditions in these areas, and respond to issues ●Promote the reduction of food loss from manufacturing, sales, and distribution
		Addressing biodiversity	We will promote the procurement of sustainable resources and contribute to the conservation of biodiversity. We will switch to certified products for palm oil and work to expand the list of certified products for fishery resources.	●Use 100% RSPO-certified palm oil by FY2030 (including book & claim) ●Increase the number of products certified for sustainable fishery resources (MSC/ASC) ●Promote forest conservation activities
Co-creation and shared prosperity with local communities and society as a whole through food and sports	3, 4, 11	**Local community development**	We will contribute to the development of local communities by collaborating with these communities through sports, local cultural activities, social welfare activities involving food, support for the development of the next generation through food and dietary education, and other activities. We will also place importance on dialogue with the local communities in which we operate and work to resolve issues.	●Promote activities for co-creation with local communities through sports (new Hokkaido Ballpark, sports/food education classes, etc.) ●Promote community contribution activities, including cultural activities (cooperation and clean-up activities for local events, etc.) ●Promote social welfare activities through food (supplying food to food banks and "Kodomo Shokudo*2," etc.) ●Support the development of the next generation through food and dietary education, etc. (in-class lessons, career development support, etc.)
Employee development and respect for diversity	5, 8	**Enhancing job satisfaction for employees**	We will promote a human resources management strategy that improves the motivation of our employees.	●Support job satisfaction ●Foster a corporate culture that encourages employees to take on challenges ●Improve expertise and management capabilities through education and training ●Carry out initiatives for fair evaluation and compensation ●Place the right person in the right place through transfers and assignments ●Support career autonomy
		Respect for diversity	We will work to improve value creation by promoting the active participation of a diverse range of human resources, as well as labor productivity through work style reform. Additionally, we will promote health and safety management and comply with labor-related laws.	●Promote active participation by women ●Support initiatives for childcare, nursing care, persons with disabilities, etc. ●Reduce total working hours ●Promote a diverse range of working styles ●Further strengthen the health management system ●Further promote the eradication of labor accidents ●Provide education regarding human rights policies and establish a human rights due diligence system

*1 Medium- and long-term environmental targets are for Japan only. *2 Initiatives that provide meals to children in need.