

The NH Foods Group is working toward social and business sustainability through actions targeting both risks and opportunities.

The world faces a wide range of social issues, including world population growth and climate change. We have identified five key material issues as priority areas for efforts by the NH Foods Group to realize its Vision2030 by contributing to the solution of social issues.

The NH Foods Group aims to achieve sustainable growth by effectively identifying and responding to risks and opportunities.

Main risks and opportunities that could affect the business operations of the NH Foods Group

Risks and background factors

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| Consumer trends | Changes in food demand due to Japan's falling birthrate and demographic aging | By 2030 Japan's population will decline by 5.3% from the 2019 level to 119.12 million.*1 |
| Price trends | Changes in the supply-demand balance for food driven by global population growth | By 2030, world population will increase by 10.4% over the 2019 level to 8.5 billion.*2 By 2030, world demand for animal protein will be 1.5 times higher than the 2000 level.*3 |
| | Intensification of competition with other companies as trade agreements come into force | Impact of fluctuations in livestock prices, feed prices, and the oil price on sales prices and procurement prices Establishment of safeguards against livestock diseases |
| Environment-related | Environmental risks, including climate change risks and water risks | Livestock responsible for 14.5% of greenhouse gas emissions *4 Call for 46% reduction at a summit conference hosted by the United States (compared to FY 2013) |
| | | 55% increase in world water demand by 2050 compared with the 2000 level *5 |
| Quality-related | Food safety risks | Product recall costs, claims for damages, suspension of business operations due to product quality or safety problems caused by contamination or incorrect labeling |

Opportunities and background factors

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| Consumer trends | Diversification of food needs due to lifestyle diversification | Increasing health awareness, increased demand for convenient and time-saving products, spread of new value systems, such as Veganism, focus on eating as an experience |
| Production and breeding-related | Decrease in the number of domestic livestock farmers*6 | Cattle Change from 2020: -4.1% (42,100 households) Pigs Change from 2020: -10.9% (3,850 households) Broilers Change from 2020: -4.0% (2,160 households) |
| Employees | Increasing focus on work style modification | Enactment of Work Style Reform Bill in 2018 |

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

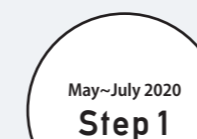
*2 United Nations "World Population Prospects 2019" *3 Planbureau voor de Leefomgeving (PBL), *The Protein Puzzle*

*4 Food and Agriculture Organization of the United Nations, *Tackling Climate Change Through Livestock* (2005 estimates)

*5 OECD statistics "OECD Environmental Outlook to 2050" *6 Ministry of agriculture, Forestry and Fisheries, *Chikusan tokei* (Livestock statistics as of February 1, 2021)

Defining the materiality

The Environment / Society (ES) Subcommittee was established in 2020 as a subordinate organization of the Sustainability Committee and commenced a study concerning the formulation of the Materiality in May of that year. This process involved the evaluation and exploration of issues from the perspectives of the company and its stakeholders. The Subcommittee also considered international trends and social expectations toward various initiatives.



Identifying, organizing, and extracting evaluation targets

We used various guidelines to identify 233 social issues as targets for assessment. We narrowed this list down to 36 items through two screening processes.



Evaluation of materiality

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.



Validity evaluation

The Materiality drafts created at Step 2 were next discussed with stakeholders. A draft was selected through suitability assessments and exchanges of views.



Identifying the materiality and defining measures and indicators

The five Material Issues were confirmed at a meeting of the Corporate Governance Committee and Board of Directors. This was followed by the consideration and adoption of measures and indicators for the realization of the Materiality.

Identifying the materiality

We identified the five material issues for the NH Foods Group as areas suitable for prioritized efforts based on the Group's strengths. Our aim is to maximize corporate value through an integrated approach to the realization of business strategies and the solution of social issues.

Stable procurement and supply of proteins

Food diversification and health

Contributing to a sustainable environment

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

Employee development and respect for diversity

| Materiality (material issues) | Philosophy | Social issues | Main indicators and policies | SDG areas selected for contribution |
|---|--|---|--|---|
|  <p>Stable procurement and supply of proteins</p> | <p>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 through consideration for the environment and social aspects such as human rights and animal welfare in our supply chains.</p> | <ul style="list-style-type: none"> • Stable procurement and supply of proteins • Greater choice of protein • Food safety and reliability | <ul style="list-style-type: none"> • Improving protein intake as a power of life (in Japan) • Control of livestock diseases • Promote CSR procurement (by FY2030, inform important primary suppliers of policies and have 100% SAQ^{*1} implementation, disseminate policies to important secondary suppliers and implement SAQ) • 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 • Expand sales of plant-derived protein products (FY2030 shipment amount: 10 billion yen) • Develop alternative meat technologies • Promote acquisition of third-party certification (FSSC22000, SQF, BRC, JFS, etc.) • Human resource development through specialized technical certification and other training |  |
|  <p>Food diversity and health</p> | <p>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.</p> | <ul style="list-style-type: none"> • Food allergy support • Health promotion • Food diversification | <ul style="list-style-type: none"> • Expansion of and enlightenment regarding food allergy-related products (FY2030 shipment amount: 4 billion yen) • Research and disseminate information on food allergies • Research and commercialization of new ingredients to improve cognitive function (supply equivalent of 3 million meals a year by FY2026) • Develop products that contribute to health • Disseminate information on extending healthy life expectancy • Develop and sell products that respond to a diverse range of cultures, religions, etc. |  |
|  <p>Contributing to a sustainable environment</p> | <p>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.</p> | <ul style="list-style-type: none"> • Responding to climate change • Resource saving and recycling • Addressing biodiversity | <ul style="list-style-type: none"> • Reduce CO₂ emissions from fossil fuels by at least 46% by FY2030 (compared to FY2013)^{*2} • Promote research and technological development to control and reduce greenhouse gases derived from livestock • Reduce water consumption by 5% by FY2030 (compared to FY2019: Basic unit per production quantity)^{*2} • Reduce waste emissions by 5% by FY2030 (compared to FY2019: Basic unit per production quantity)^{*2} • Achieve a waste recycling rate of at least 92% by FY2030^{*2} • Use environmentally-friendly materials (recycled materials, biomass materials, etc.) and reduce the amount of packaging materials used • Identify areas with high water risks, survey actual conditions in the area and respond to issues • Promote the reduction of food loss from manufacturing, sales, and distribution • 100% use of RSPO-certified palm oil by FY2030 (including Books & Claims) • Increase in certified products for sustainable fishery resources (MSC/ASC) • Promote forest conservation activities |  |
|  <p>Co-creation and shared prosperity with local communities and society as a whole through food and sports</p> | <p>As a good corporate citizen, the NH Foods Group aims to be an enterprise loved and trusted by local communities and society as a whole, as we walk and grow together, deepening ties formed through food and sports.</p> | <ul style="list-style-type: none"> • Local community development | <ul style="list-style-type: none"> • 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", etc.) • Support fostering the next generation through food and dietary education, etc. (in-class lessons, career development support, etc.) |  |
|  <p>Employee development and respect for diversity</p> | <p>The NH Foods Group aims to be a place where employees can feel truly happy and fulfilled. Based on a deep respect for individuals, we strive to create workplaces where employees can thrive and demonstrate their unique strengths.</p> | <ul style="list-style-type: none"> • Enhancing job satisfaction for employees • Respect for diversity | <ul style="list-style-type: none"> • Support for job satisfaction • Foster a corporate culture that encourages employees to take on challenges • Improve expertise and management capabilities through education and training • Initiatives for fair evaluation and compensation • Promote the right person in the right place by transfer and assignment • Support for career autonomy • Promote active participation by women • Promote 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 • Education regarding human rights policies and establishment of human rights due diligence system |  |

*1 SAQ = Self-Assessment Questionnaire. *2 Medium-term environmental targets are for Japan only.