



Providing  
the greatest  
“Joy of Eating”  
in the world



## Corporate Philosophies

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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

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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.



## The Group Brand Statement

# The Brilliance of People for the Future of Food

## The Group Brand Pledges

We aspire to share the pleasures of good eating and the joys of health with people around the world.

We pledge to impart the “Joy of Eating” with the greatest of care, through products that reflect our appreciation of the bounty of nature and our uncompromising commitment to quality, and to remain at the forefront in our exploration of food’s contribution to a happy and healthy life.

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.

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## 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.

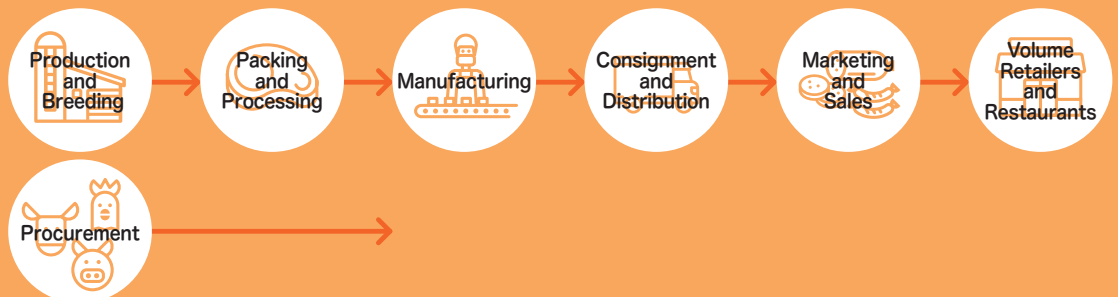


## Vertical Integration System Provides Stable Supply of High-Quality Fresh Meats

The NH Foods Group built a unique in-house vertical integration system that encompasses all stages, from production and breeding to packing and processing at its own farms and factories in Japan and overseas as well as consignment, distribution, and sales, to provide safe, top-quality fresh meats. A consistent management from breeding through to the sale leads new value creation on many levels, not only facilitating production of high-value-added fresh meats matched to market needs but also mitigating risks, such as live-stock disease, while ensuring stable supply.



### VERTICAL INTEGRATION SYSTEM







1985: Brought out a food culture with authentic wieners in Japan

### ● *SCHAU ESSEN™*

In pursuit of true German flavor, created category of authentic coarse-ground wieners. Introduced a new food culture enabling consumers to enjoy authentic ham and sausages in Japan.



1994: Brought out a new cooking style matched to changing lifestyles

### ● *Chuka Meisai™*

A new proposal for easily and quickly prepared authentic Chinese meals. Simply add one kind of vegetable for a balanced meal.



1998: Cultivated market for chilled pizza with authentic taste

### ● *Ishigama Kobo™*

Cultivated a new genre—chilled pizza—that let consumers enjoy the taste of pizzeria pizza at home. Expanded the menu of meal options at home.



## Ability to Develop Category-Leading Products

From early on in our corporate history, the NH Foods Group approached product development from a customer perspective, exemplified by the establishment of an independent monitoring system, the Consumer Delegate Committee, in 1969. Products such as *SCHAU ESSEN*, *Ishigama Kobo*, and *Chuka Meisai* were proposed for a new food culture, and today establish a position as category-leading products. The Group's starting point was the desire to help consumers achieve good eating habits, and today, with Japan's decreasing birthrate, aging of the population and increasing lifestyle diversification, this stance will not change.

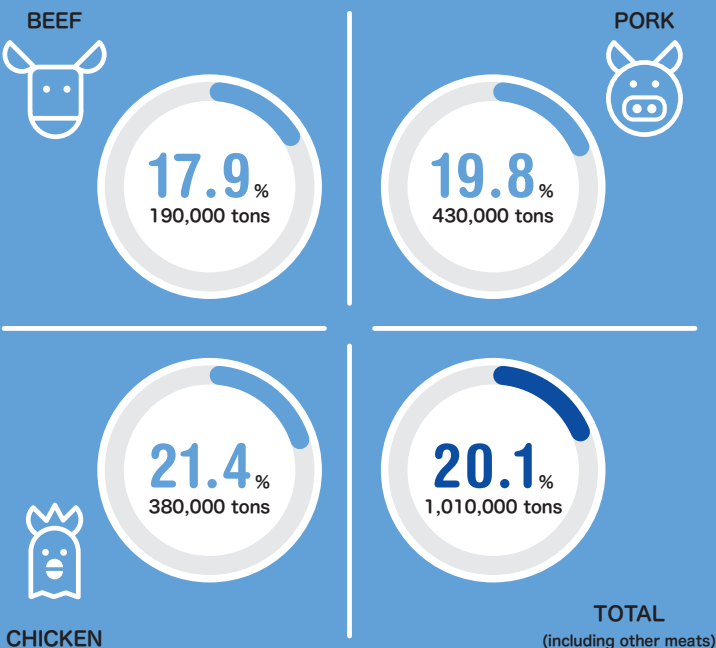


# Our Strengths 3

## Sales Capabilities Derived from Top Share in Fresh Meats Market in Japan

The NH Foods Group enjoys No. 1 status in domestic sales of beef, pork, and chicken. Our sales capabilities are fueled by branded fresh meats, such as *Omugi-Gyu* beef from Australia, *Mugikomachi*™ domestic pork, and *Sakurahime*™ domestic chicken, and also by the Group, having a network of 117 sales offices throughout Japan. We have various sales channels, including volume retailers, restaurants, and shops, and we are operating solution-style marketing aimed for resolving customers' issues where each employee acts as a fresh meat sales specialist with a close connection to the local community.

RELATIONSHIP BETWEEN FRESH MEAT MARKET SCALE AND SHARES (as of March 31, 2019)



# Our Strengths 4

## Quality Assurance Based on International Standards

The NH Foods Group considers it a key social responsibility to deliver safe products to customers.

The food environment is changing significantly, and we must identify trends, such as changes in customers' attitudes toward eating habits and a heightened international emphasis on food safety, and execute suitable responses. We are building an original quality assurance system to roll out quality-oriented activities throughout all processes, from planning and development to manufacturing and sales.

In addition, we established original quality assurance rules, based on global food safety concepts, that were organically linked to safety assessments, safety inspections, and quality audits as well as develop the skills of human resources involved in quality assurance. This approach underpins efforts to delivery safe products to customers.

# Food Megatrends Affecting the NH Foods Group

The NH Foods Group aims to support the lifestyles of people around the world, working to balance solving social issues with its businesses. For this reason, the NH Foods Group will use its unique business model to reaffirm its core competence and strive for sustainable growth and value creation for all its stakeholders.

Changes in the supply-demand balance of food due to the world's growing population*1	2018 World population	7.63 billion	→	2040 Forecast	9.21 billion
Support for increased consumption of fresh meat worldwide*2	2015-17 Average beef consumption	61.8 million tons	→	2028 Forecast	72.5 million tons
	2015-17 Average pork consumption	112.7 million tons	→	2028 Forecast	130.8 million tons
	2015-17 Average chicken consumption	93.9 million tons	→	2028 Forecast	116.1 million tons
Progress of Japan's aging society*3	2015 Percentage of the population aged 65 or older	26.6 %	→	2040 Forecast	35.3 %
Decrease in the number of domestic livestock farmers*4	Cattle 1965 Households	1,440 thousand	→	2018	48.3 thousand
	Pigs 1965 Households	702 thousand	→	2018	4.47 thousand
	Broilers 1965 Households	20.5 thousand	→	2018	2.26 thousand
Drop in Japan's food self-sufficiency ratio*5	1965 Japan's food self-sufficiency ratio (calorie basis)	73 %	→	2018	37 %
Trends in meat and seafood prices*6	All foods Compared to 2015		→	2018	103.9 %
	Seafood Compared to 2015		→	2018	110.4 %
	Fresh meats Compared to 2015		→	2018	103.4 %
Numbers of households where both partners work*7	1980	6,140 thousand households	→	2018	12,190 thousand households
Number of people with food allergies domestically*8	2014 Rate of food allergies		→		Infants: approx. 10 % 3-year-olds: approx. 5 %
Problems concerning food safety and reliability*9	2003 Voluntary recall of food products cases (in Japan)	159	→	2014	1,014

Sources:

\*1 The Ministry of Internal Affairs and Communications, "Sekai no Tokei (International Statistical Compendium) 2019"

\*2 The Ministry of Agriculture, Forestry and Fisheries, "World Food Demand Forecast for 2028"

\*3 Population Estimates by the Ministry of Internal Affairs and Communications, "Population Projections for Japan," by the National Institute of Population and Social Security Research

\*4 Statistics from the Ministry of Agriculture, Forestry and Fisheries

\*5 The Ministry of Agriculture, Forestry and Fisheries, "Food Self-Sufficiency Ratio in 2018"

\*6 "Consumer Price Index 2015-Base Consumer Price Index" Statistics Bureau, Ministry of Internal Affairs and Communications

\*7 The Gender Equality Bureau Cabinet Office, "White Paper on Gender Equality 2019"

\*8 Complete survey by the Tokyo Metropolitan Government about allergies among three-year-olds

\*9 The Food and Agricultural Materials Inspection Center, an Incorporated Administrative Agency (Annual figures)



# The NH Foods Group Delivers the “Joy of Eating” – Value Creation Process –

The NH Foods Group has delivered sustainable growth by working together with its stakeholders to build on its original strengths, including developing allergy-friendly food products, supporting the promotion of the livestock industry and the creation of a vertical integration system. We have commenced initiatives for sustainable food supply for the next generation, such as pursuing the Smart Pig Farming Project. Under the Medium-Term Management Plan 2020, we aim to continue facing social issues while delivering the “Joy of Eating” to people around the world.

## Megatrends affecting food

- Changes in the supply-demand balance of food due to the world's growing population
- Support for increased consumption of fresh meat worldwide
- Progress of Japan's aging society
- Decrease in the number of domestic livestock farmers
- Drop in Japan's food self-sufficiency ratio
- Changing lifestyles
- Increase in the number of people with food allergies domestically
- Problems concerning food safety and reliability
- Introduction of AI into the livestock industry
- Development of new protein sources

## Five important CSR issues and related SDGs

See page 56 for details.

Producing food that is safe and reliable



Supporting mental and physical well-being through food and sports



Maintaining workplaces that motivate employees



Sustainable food supply for the next generation



Preserving the environment



## Vertical Integration System

BUSINESS MODEL

See page 2 for details.

Production and Breeding

Procurement

Packing and Processing

Manufacturing

CORE COMPETENCE

See page 2 for details.

- Vertical integration system built for many years
- Development of high-quality branded fresh meats through integration
- Synergy at each business division
  - Product development by linking food in multiple categories
  - Mutual utilization of assets of each business division, including product development ability, knowledge of food, and distribution channels
- Sales capabilities from top market shares in three livestock species (cattle, pigs, and chickens) in Japan
- Ability to develop category-leading products



# while Facing Social Issues

## Medium-Term Management Plan 2020

### THEME

Building systems that pave the way to the future

### MANAGEMENT STRATEGY

See page 10 for details.

- Strengthen profitability by improving the efficiency of existing businesses
- Create value through dialog with consumers
- Enhance and develop technological capabilities for conceptualizing and realizing the future of food
- Change gears in overseas market deployment
- Pursue sustainability

### QUANTITATIVE GOALS FOR FISCAL 2020

Net sales	¥ <b>1,410.0</b> billion	Business profit ratio	<b>4.0</b> %
Business profit	¥ <b>56.0</b> billion	Profit attributable to owners of parent	¥ <b>35.0</b> billion

### Social value to be created to

- Promoting livestock industry in Japan
- Offering safe and reliable foods
- Supplying highly convenient processed foods in response to diversifying lifestyles
- Expanding our lineup of health-conscious products
- Offering allergy-friendly foods

Consignment and Distribution

Marketing and Sales

Volume Retailers and Restaurants

### A FOUNDATION THAT SUPPORTS VALUE CREATION

- Our DNA to pursue flavor without compromise
- Quality assurance framework to comply with international standards:  
SQF certification: 27 business sites  
FSSC22000 certification: 19 business sites
- Human resources supporting the level of quality:  
Quality Assurance Managers:  
Japan: 810 / Overseas: 152
- Connection with consumers represented by the Consumer Delegate Committee, established in 1969

# Performance Highlights (Fiscal 2018)

## Financial Highlights (IFRS)

### BUSINESS PROFIT

¥ **38.3** billion

### PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

¥ **19.6** billion

### OVERSEAS NET SALES

¥ **128.5** billion

\* Net sales to external customers

### BUSINESS PROFIT RATIO

**3.1** %

### ROE

**4.8** %

### DOE

**2.3** %

### ROIC

**4.9** %

### CAPITAL EXPENDITURES/ DEPRECIATION AND AMORTIZATION

¥ **47.8** billion/  
¥ **22.4** billion

## Business Highlights

### DOMESTIC MARKET SHARE



Hams and sausages

**18.9** %

(SCI data from INTAGE Inc.)

### DOMESTIC MARKET SHARE



Fresh meats

**20.1** %

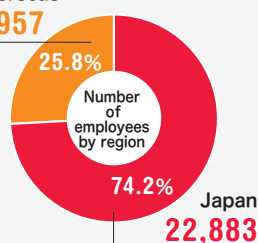
Note: See page 4 for livestock species market shares.  
(Based on NH Foods data)

### NUMBER OF EMPLOYEES BY REGION

**30,840**

Overseas

**7,957**



(As of March 31, 2019)

### NUMBER OF GLOBAL OFFICES

Japan **489**

Overseas **91**

Total **580**



(As of April 1, 2019)

### NUMBER OF QUALITY ASSURANCE MANAGERS

Japan **810**

Overseas **152**

Total **962**



(As of March 31, 2019)

### INTERACTION WITH CONSUMERS

Introduced Consumer Delegate Committee System in **1969**

Total meetings held **608**

Total Consumer Delegate Committee Members **1,990**



(As of March 31, 2019)

### NUMBER OF EXTERNALLY CERTIFIED BUSINESS SITES BASED ON OBJECTIVE APPRAISAL OF SAFETY



**161**

(As of March 31, 2019)

### RATE OF PROGRESS ON CSR PROCUREMENT



Approx. **60** %

(As of March 31, 2019, percentage of procurement costs from domestic primary suppliers)

### INTERACTION WITH STAKEHOLDERS ON THE TOPIC OF FOOD EDUCATION

Number of participants in wiener sausage making workshops

**26,624**



(Fiscal 2005–2018)

### RATIO OF FEMALE EMPLOYEES IN SUPERVISORY AND LEADERSHIP POSITIONS (GROUP)



**12.3** %

(As of March 31, 2019)

# Consolidated Financial Highlights

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

	Millions of Yen					
	2019	2018	2018	2017	2016	2015
	(IFRS)		(U.S. GAAP)			
Net Sales	¥1,234,180	¥1,258,463	¥1,269,201	¥1,202,293	¥1,229,324	¥1,199,956
Operating Income	32,265	45,830	49,218	53,802	49,207	47,770
Profit before Tax [Income from Continuing Operations before Income Taxes and Equity in Earnings (Losses) of Associated Companies]	30,267	52,798	50,455	49,112	35,309	43,797
Profit Attributable to Owners of the Parent [Net Income Attributable to NH Foods Ltd.]	19,561	37,552	37,147	35,004	21,779	31,048
Business Profit	38,311	50,589	—	—	—	—
Total Assets	741,388	734,528	755,076	720,276	682,855	661,567
Total Equity Attributable to Owners of the Parent [Total NH Foods Ltd. Shareholders' Equity]	401,014	417,982	440,793	404,126	356,353	353,664
Interest-Bearing Liabilities [Interest-Bearing Debt]	147,009	111,401	110,948	138,284	154,583	136,758
Net Cash Provided by Operating Activities	30,844	53,284	54,626	65,254	52,535	29,681
Net Cash Used in Investing Activities	(45,110)	(48,194)	(49,006)	(38,271)	(49,139)	(31,517)
Free Cash Flow	(14,266)	5,090	5,620	26,983	3,396	(1,836)
Net Cash Provided by (Used in) Financing Activities	2,932	(27,110)	(27,508)	(11,439)	8,182	(17,187)
Capital Expenditures	47,820	41,201	41,466	43,765	36,799	35,694
Depreciation and Amortization	22,417	20,714	21,234	19,765	19,445	18,951
<b>Per Share Amounts:</b>						
	Yen					
Basic Earnings per Share [Basic Earnings per Share Attributable to NH Foods Ltd. Shareholders]						
Continuing operations	¥ 183.21	¥ 352.26	¥ 348.46	¥ 343.59	¥ 245.56	¥ 297.70
Discontinued operations				(0.12)	(31.72)	7.16
Total	¥ 183.21	¥ 352.26	¥ 348.46	¥ 343.47	¥ 213.84	¥ 304.86
Diluted Earnings per Share [Diluted Earnings per Share Attributable to NH Foods Ltd. Shareholders]						
Continuing operations	¥ 181.48	¥ 350.00	¥ 342.07	¥ 322.66	¥ 230.61	¥ 279.50
Discontinued operations				(0.12)	(29.72)	6.72
Total	¥ 181.48	¥ 350.00	¥ 342.07	¥ 322.54	¥ 200.89	¥ 286.22
Total Equity Attributable to Owners of the Parent [Total NH Foods Ltd. Shareholders' Equity]	¥ 3,896.64	¥ 3,888.48	¥ 4,100.70	¥ 3,832.95	¥ 3,498.72	¥ 3,472.37
Cash Dividends	¥ 90.00	¥ 53.00	¥ 53.00	¥ 52.00	¥ 33.00	¥ 46.00
<b>Financial Indicators:</b>						
Business Profit Ratio	3.1%	4.0%	—	—	—	—
Return on Equity (ROE)	4.8%	9.4%	8.8%	9.2%	6.1%	9.2%
Return on Invested Capital (ROIC)	4.9%	6.6%	6.2%	7.0%	6.5%	6.4%
Total Equity Attributable to Owners of the Parent Ratio [NH Foods Ltd. Shareholders' Equity Ratio]	54.1%	56.9%	58.4%	56.1%	52.2%	53.5%
Interest-Bearing Liabilities/Equity Ratio [Interest-Bearing Debt]	0.37 times	0.27 times	0.25 times	0.34 times	0.43 times	0.39 times
Interest Coverage Ratio	24.2 times	43.1 times	44.7 times	57.4 times	35.1 times	24.2 times
Payout Ratio (Consolidated)	49.1%	30.1%	30.4%	30.3%	30.9%	30.2%

## Notes

- 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.
- Figures are noted in accordance with U.S. Generally Accepted Accounting Practices (GAAP) for fiscal years prior to the fiscal year ended March 31, 2018, and in accordance with IFRS from the fiscal year ended March 31, 2018 onward. Where there are differences between U.S. GAAP and IFRS, U.S. GAAP line items are denoted in brackets.
- 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 year ended March 31, 2015. Cash dividends represent the actual payment prior to the relevant share consolidation.
- In accordance with Accounting Standards Codification ("ASC") Topic 205, "Presentation of Financial Statements," certain figures for the years ended on or before March 31, 2016 relating to the discontinued operations have been reclassified.
- Operating income represents net sales less cost of goods sold and selling, general and administrative expenses.
- With the aim of clarifying profits gained from business activities, the Group has replaced the previous operating profit classification with business profit (calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items).
- Interest-bearing liabilities [Interest-bearing debt] 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.
- Depreciation and amortization consist of depreciation of tangible fixed assets and amortization of intangible fixed assets.
- ROE = Profit attributable to owners of the parent [Net income attributable to NH Foods Ltd.] / Average total equity attributable to owners of the parent [Average total NH Foods Ltd. shareholders' equity] × 100  
Free Cash Flow = Net cash provided by operating activities + Net cash used in investing activities  
Total equity attributable to owners of the parent ratio [NH Foods Ltd. shareholders' equity ratio] (%) = Total equity attributable to owners of the parent [Total NH Foods Ltd. shareholders' equity] / Total assets × 100  
Interest-bearing liabilities [Interest-bearing debt]/equity ratio (times) = Interest-bearing liabilities [Interest-bearing debt] / Total equity attributable to owners of the parent [Total NH Foods Ltd. shareholders' equity]  
Interest coverage ratio = Net cash provided by operating activities / Interest paid

## A Message to Stakeholders



**Yoshihide Hata**  
President and Representative Director

**By accomplishing the underlying objective of  
Medium-Term Management Plan 2020  
—Building systems that pave the way to the future—  
we will cultivate new possibilities in food culture.**

In April 2018, the NH Foods Group embarked on a new journey—Medium-Term Management Plan 2020—Building systems that pave the way to the future.

Fiscal 2018, ended March 31, 2019, was the first year of this management plan, and it was marked by a challenging external environment characterized by sluggish market prices for fresh meats and the appearance of disaster-related losses. While the processed foods business returned to a profit position, reflecting a shift toward a manufacturing and sales structure with a profit emphasis, consolidated sales and income retreated because of issues still requiring attention to strengthen profitability in existing businesses at home and abroad.

In fiscal 2019, we strive to build the optimal business portfolio by prioritizing measures to enhance profitability in existing businesses. In addition, looking to address issues from a medium- to long-term perspective, we will raise the quality of our products, our management, and our human resources and realize our objective to build systems that pave the way to the future in the pursuit of new possibilities in food culture. This will underpin sustainable growth.



## Looking back on fiscal 2018 and steps for the future

### Net sales of ¥1,234.2 billion and business profit of ¥38.3 billion—both lower year on year

In fiscal 2018, our business performance was impacted by fluctuating market prices for fresh meats, particularly chicken, higher-than-expected personnel expenses and distribution costs, typhoons, and earthquakes. As a result, net sales decreased ¥24.3 billion year on year, to ¥1,234.2 billion, and business profit fell ¥12.3 billion, to ¥38.3 billion. The business profit ratio was 3.1%, ROE was 4.8%, and ROIC was 4.9%.

The Processed Foods Business Division recorded lower segment sales, due to a major course change toward a profit emphasis, which included steps to eliminate unprofitable products, especially products for commercial use. However, the segment was able to record higher profit mainly due to mitigating the rise in distribution costs and personnel expenses by standardizing the number of operating days at plants, evening out production levels, raising sales unit prices in conjunction with the vigorous introduction of new products, and improving its sales mix by expanding the lineups under mainstay brands. Seeking to streamline the Processed Foods Business Division and enhance the segment's marketing capabilities, we reorganized sales companies and merged them into a newly established company, Nipponham Marketing, Ltd., in fiscal 2019. We will expand the content of mainstay brands, such as *SCHAU ESSEN*™, and, through speedy, customer-oriented product development, we will strive to turn changes in the demand environment into opportunities for growth with better proposal-based marketing geared to customers.

#### QUANTITATIVE TARGETS

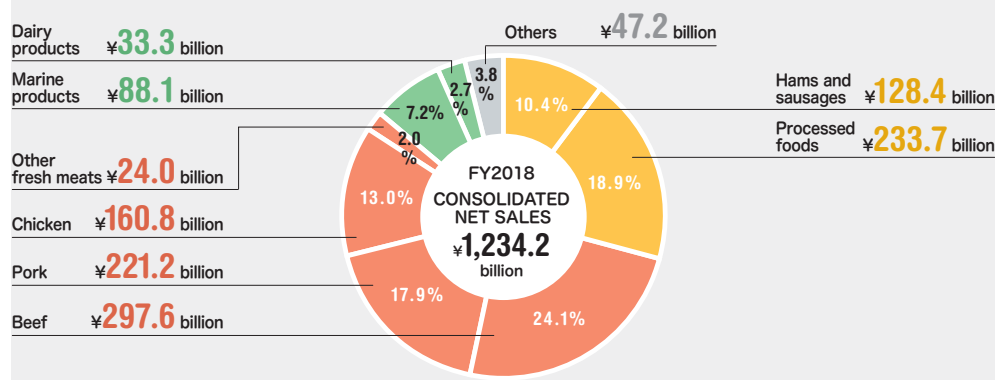
	FY2018 results	FY2019 forecast	FY2020 plan <sup>*3</sup>
Net sales	¥1,234.2 billion	¥1,280.0 billion	¥1,410.0 billion
Business profit <sup>*1</sup>	¥38.3 billion	¥40.0 billion	¥56.0 billion
Profit attributable to owners of the parent	¥19.6 billion	¥18.5 billion <sup>*2</sup>	¥35.0 billion
ROE	4.8%	4.6%	8.3%
ROIC	4.9%	4.7%	6.0%

<sup>\*1</sup> To more clearly present income derived from business activities, the Group uses business profit instead of operating income, effective from fiscal 2019. Business profit is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales and then reconciling foreign exchange gains and losses, adjustments in accordance with IFRS and adjustments of non-recurring items.

<sup>\*2</sup> The impact of additional special payments as noted in "Notice of Expansion of the Optional Retirement System as a Temporary Measure," dated October 31, 2018, has not been determined because of unknown factors, such as the number of retiring employees. However, management has set an upper limit on the number of employees applying for this system and has, based on this number, calculated an estimate of about ¥8 billion for the forecast for fiscal 2019.

<sup>\*3</sup> Net sales, business profit, and profit attributable to owners of the parent are unchanged from initial targets.

#### NET SALES BY PRODUCT CATEGORY





The Fresh Meats Business Division posted a drop in profit, reflecting low-trending market prices on domestic meats compared with fiscal 2017. In addition, unanticipated challenges arose, including damage to chicken houses caused by the Hokkaido Eastern Iburi earthquake and damage to refrigerators and logistics networks caused by Typhoon No. 21. This segment will enhance its production structure and expand volume by promoting branded fresh meats, such as *Sakurahime*<sup>TM</sup> domestic chicken, to soften the impact of fluctuations due to external factors. Also, by reinforcing sales along the restaurant channel, this segment will aim to reach its Medium-Term

Management Plan's target—a 25% share of domestic sales of fresh meats—and ensure stable profit.

The Affiliated Business Division continued to face high market prices for marine and dairy product ingredients, prompting price revisions as well as a reorganization of products, especially marine products. Despite these steps, sales of smoothies and other lactic acid probiotic beverages fell, leading to lower segment profit. The segment will implement drastic structural improvements to reflect the ideal image for each business as a manufacturer.

In the Overseas Business Division, sales by the Australian cattle business, which had been characterized by a persistently challenging environment over the past few years, were up, reflecting progress on reforms designed to promote internal improvements along with a favorable turn in the external environment. Meanwhile, sales by the Uruguay cattle business deteriorated, mainly because the weakening of neighboring currencies eroded price competitiveness and because drought pushed up costs associated with cattle procurement. From a medium- to long-term perspective, demand for beef is expanding worldwide, and NH Foods' overseas cattle operations will play a key role in future business expansion. In February 2019, the ban on exports of Uruguay beef to Japan was lifted. We will seek out new possibilities while working to boost sales and ensure stable operations.

## Building the optimal business portfolio based on ROIC

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For the NH Foods Group, the top priority in fiscal 2019 is to enhance the profitability of existing businesses. Thus, we seek to build the perfect business portfolio by clarifying the issues for each business based on ROIC. In fiscal 2018, our profit margin was squeezed, and we were unable to maintain sales growth matched to higher capital expenditures. This prompted a decrease in invested capital turnover, which caused ROIC to drop to 4.9%. The performance forecast for fiscal 2019 calls for net sales of ¥1,280 billion, business profit of ¥40 billion, a business profit margin of 3.1%, ROE of 4.6%, and ROIC of 4.7%.

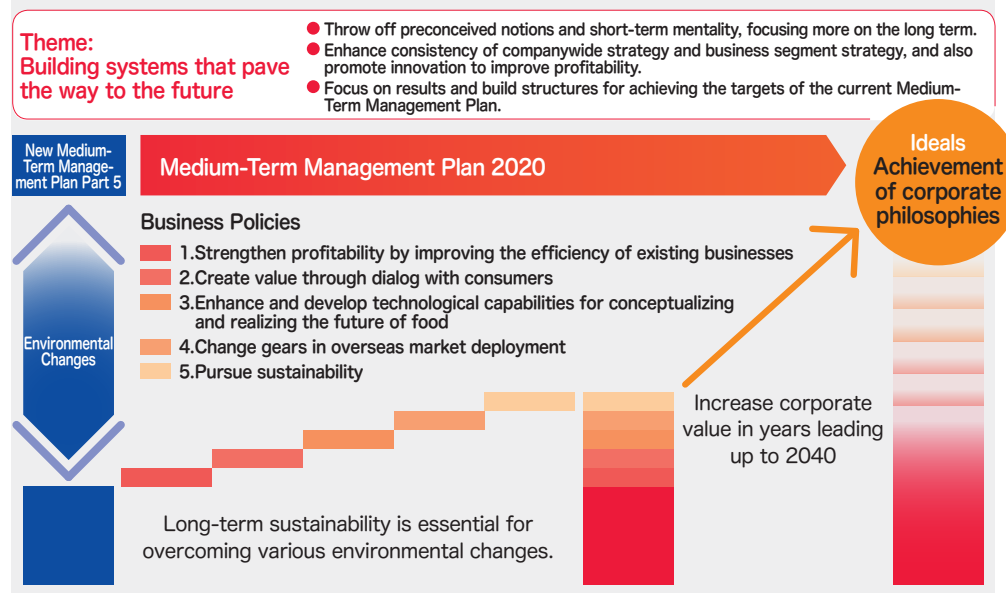
Our goal for fiscal 2020, which is the final year of the current Medium-Term Management Plan, is ROIC above 6.0%, and we will promote asset replacement that is advantageous to the establishment of the perfect business portfolio. For existing businesses in Japan, we aim to improve invested capital turnover through net sales growth matched to an expense ratio and investment effect, and for overseas businesses, we aim to raise the profit margin with investments that are quick to turn a profit and will strive to turn loss-making subsidiaries around. The end result will be a higher ROIC overall. At the same time, in reviewing our portfolio, we will not simply do a clean sweep. Instead, if a business is currently in a low-profit position but there is potential for improvement, we will look at progress to realize such improvement through, for example, efforts to utilize Group synergies, and base our decision on that progress.

## Ideal image for long term

### Becoming a company chosen by customers and society because of our corporate philosophies and management principles

From a long-term perspective looking ahead to our 100th anniversary in 2042, we are already promoting activities to become the *ideals* we aspire to be by that corporate milestone. The global population is increasing and climate change is accelerating. Against this backdrop, various social issues have appeared, including a heightened sense of crisis over the stable supply of food. To achieve continuous growth amid such changes in the natural environment, we must eschew short-term thinking and conventional concepts in favor of long-term thinking to extend our strengths and contribute to solving social issues. This multiangled approach will fuel improvement in terms of financial value as well as non-financial value and certainly lead to the greatest level of corporate value possible.

#### OUTLINE OF MEDIUM-TERM MANAGEMENT PLAN 2020



#### ROIC = RETURN ON INVESTED CAPITAL

Return on invested capital (Total Equity + Interest-Bearing Debt)

ROIC	=	Net sales Invested capital	×	Business profit Net sales	×	After tax
		[ Invested capital turnover ]		[ Business profit ratio ]		[ Tax rate ]
FY2017 results <b>6.6%</b>	=	<b>2.39</b> (times)	×	<b>4.0%</b>	×	<b>0.69</b>
FY2018 results <b>4.9%</b>	=	<b>2.29</b> (times)	×	<b>3.1%</b>	×	<b>0.69</b>
FY2019 forecast <b>4.7%</b>	=	<b>2.20</b> (times)	×	<b>3.1%</b>	×	<b>0.69</b>
FY2020 plan <b>6.0%</b>	=	<b>2.17</b> (times)	×	<b>4.0%</b>	×	<b>0.69</b>

**Medium-Term  
Management Plan  
2020—Building  
systems that  
pave the way to  
the future**

Our picture of the *ideals* sees the Group sharing the pleasures of good eating and the joys of health with people around the world. In this picture, our employees will fully demonstrate their capabilities, encouraging them to feel that they are fulfilling a service to society, and we will be a company that enjoys the enduring support of stakeholders, including customers, as well as society as a whole. Our medium- to long-term strategy is to turn key businesses into revenue drivers and contribute to the creation of a sustainable society.

Building systems that pave the way to the future—the theme of Medium-Term Management Plan 2020—is the anchor point for achieving our ideal image, and we will focus on this theme. Of our five business policies, we have set two—as referenced above, strengthening profitability by improving the efficiency of existing businesses and changing gears in overseas market deployment—as top priorities in fiscal 2019. In parallel, we will push ahead on forward-looking initiatives.

### **Create value through dialogue with consumers**

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To strengthen marketing with a dining table focus, marketing divisions from all business segments work with the Lifestyle Research Office, which was established in April 2018, to analyze consumer trends, preferences, and demand, and undertake activities that lead to suggestions for customers. At the NH Foods Group Exhibition, held in January 2019, we created dining table scenarios characteristic of millennials, families, and seniors, and presented products for each customer category. The ideas were well-received. We are also involved in the Dining Table Forecast Report Project, which draws on future research covering the years 2020 to 2025, and we will apply insights to product development and promotional activities from a medium- to long-term perspective.

### **Enhance and develop technological capabilities for conceptualizing and realizing the future of food**

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We launched the Future Conference, hinging on the R&D, marketing, IT strategy, and systems divisions, to facilitate the collection and analysis of the latest technologies and research information. The conference is an opportunity for participants to gauge the influence of technology and research not only on NH Foods but on food in general, which is indispensable for life, and to select themes and then discuss actions. We teamed up with ventures in Japan and overseas to provide a sustainable source of protein, and we also began projects to enhance the efficiency of ingredient research and product development utilizing artificial intelligence (AI) and the Internet of Things (IoT) and to **promote practical application of smart pig farming** using AI and IoT. [→ details on page 18](#)

NH Foods was involved in the development of **an antigen detection kit for foot-and-mouth disease** [→ details on page 21](#) and marked a first in Japan when it obtained permission in December 2018 to manufacture and sell this kit as a veterinary-use external diagnostic. Through the sale and supply of this kit, we will promote the development of the livestock industry by preventing the outbreak and spread of livestock diseases and, at the same time, ensure a stable supply of fresh meats.



## Pursue sustainability

We recognize that efforts to address CSR and SDGs (Sustainable Development Goals) reflect on a company's raison d'être, and we are actively engaged in approaches based on **five CSR material issues**. → details on page 56

In producing food that is safe and reliable, we must be conscious of such factors as the natural environment and the labor environment as well as human rights to ensure sustainable procurement of raw materials. Against this backdrop, about 60% of our suppliers of ingredients in the fresh meats business and processed foods business accept our position—a common understanding—in line with the NH Foods Group's **CSR Procurement Policy**. → details on page 57

Going forward, we will expand these guidelines to cover our suppliers of packaging materials and indirect materials as well, and we will strive to have 80% of them on board with us.



To maintain workplaces that motivate employees, we will raise the basic wage, especially for young employees, and also shorten scheduled working hours conditioned upon the progress on workstyle reform. We will continue to review working conditions and implement changes, but the real purpose behind these efforts is not simply to deal with rising costs but to boost productivity and innovation and to train human resources and build an organization with the capacity to respond quickly to changes in the operating environment through the effective use of AI, IoT, and other leading-edge technologies. By focusing on efforts to keep and train human resources who support corporate and social sustainability, we will achieve our objective of building systems that pave the way to the future and ensuring sustainable development.

To preserve the natural environment, we will prioritize issues and promote appropriate actions, such as switching to LEDs for office lighting and hybrid vehicles for business use, based on an understanding of environmental load, such as CO<sub>2</sub> emissions, to boost our environmental performance.

## To strengthen the management foundation

The NH Foods Group's management foundation is based on the concept of "high-level management for No. 1 quality," and we strive to improve the quality of products, management and human resources in addition to compliance and corporate governance practices. Efforts to strengthen corporate governance highlight an internal to outside director ratio of 3:1, effective from fiscal 2019, with three of our nine directors from outside the Company. Yasuko Kono, who has been an Outside Director since June 2018, has extensive knowledge and insights on consumer issues, and we continue to benefit from her comments, particularly in regard to creating value through dialog with consumers and pursuing sustainability—two of our business policies of Medium-Term Management Plan 2020. Atsushi Iwasaki, in serving as an Outside Audit & Supervisory Board Member for several years, has acquired a deep understanding of NH Foods' businesses. From fiscal 2019, as an Outside Director, he will make proposals mainly on ways to strengthen profitability by improving the efficiency of existing businesses—another business policy. And Hideo Arase has global corporate management experience and insights acquired through his position as the director in charge of overseas operations at a major medical equipment manufacturer. His expertise applies to overall corporate management but will be particularly valuable with regard to changing gears in overseas market deployment—another business policy.

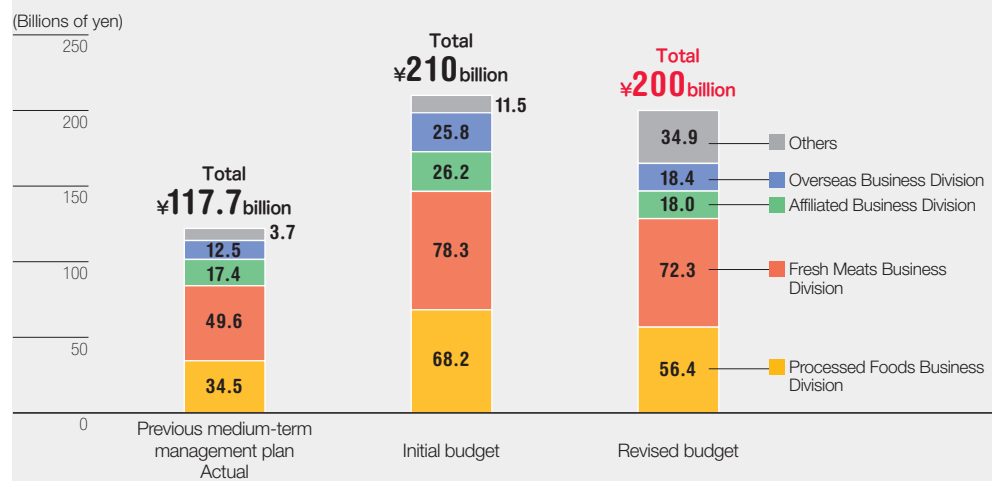
## Capital expenditures

Capital expenditures during Medium-Term Management Plan 2020 were initially budgeted at ¥210 billion over the three years of the plan. However, we reviewed factors that might increase or decrease this amount, including prevailing conditions and changes in accounting treatment for leases, and revised the budget downward to ¥200 billion. Investments aimed at raising productivity amid challenges caused by a shrinking workforce and improving quality, which is the lifeblood of any manufacturer, are urgent. Under our investment policy, such investments rank as priorities, and we remain committed to the proactive allocation of capital to achieve our aims.

**The tentatively named Hokkaido Ballpark—scheduled to open in March 2023**—is the home ground to the Hokkaido Nippon-Ham Fighters professional baseball team. [→ details on page 59](#)

The new stadium will make fans and spectators happy, but it will also let the Company promote its CSR activities with an original food-and-sports focus and provide advantages from a business perspective as well. It will expand opportunities to capture box office receipts and offer a chance to create new businesses. This will contribute to higher corporate value.

### THREE-YEAR CAPITAL EXPENDITURES BUDGET



## Optimizing quality assurance system

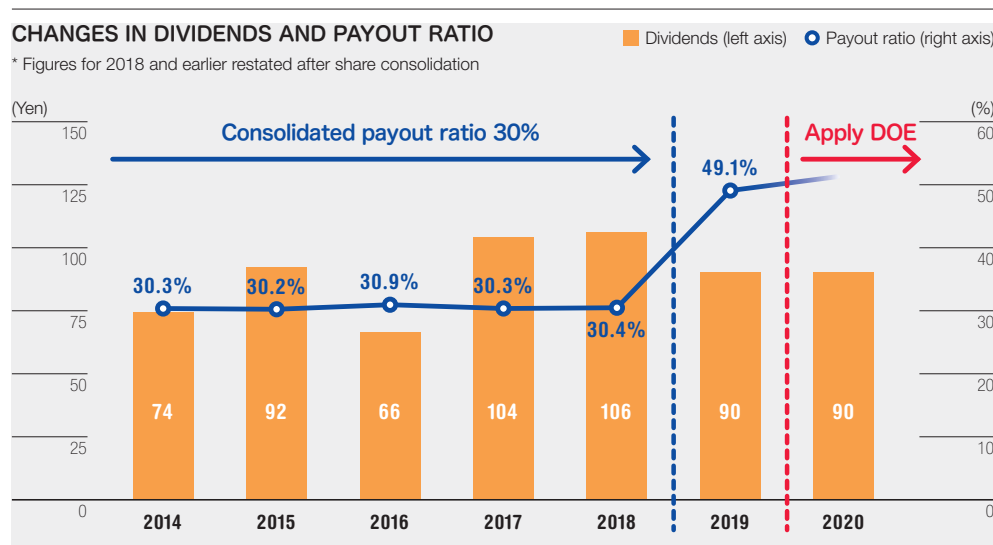
Today, amid greater globalization of products and services, quality assurance must go global as well. On a groupwide basis, efforts are being directed toward acquiring international-standard FSSC22000, SQF, and JFS-C qualifications and building a quality assurance structure compliant with CODEX guidelines for a HACCP system by 2020. In addition, we are working to ensure a fast and no-omission response to changes in the operating environment, including steps to address recent changes to the Food Labeling Act and the system for listing the area where product ingredients were produced.

## Enhanced financial strategies and capital policy

Toward achieving an optimal asset structure, we executed an acquisition and cancellation of treasury stock in fiscal 2018. Going forward, we may repeat this step, if the situation is right, given such factors as growth investments and financial status. Seeking to minimize weighted average capital cost, management determined that a debt/equity ratio between 0.4 and 0.5 would be most appropriate, and we will continue working to build the best capital/debt mix through careful balance sheet management.

## Revise dividend policy seeking stable dividends through application of DOE

On the topic of return to shareholders, dividends for fiscal 2018 were paid out at ¥90 per share, as initially planned. From fiscal 2019, we will apply a different policy, opting for a dividend on equity (DOE) ratio instead of a consolidated payout ratio—with a 30% benchmark—to provide a stable and continuous return to shareholders over the long term.



### Message to stakeholders

## Realize objective to build systems that pave the way to the future, and establish stronger foundation for sustainable growth

Our forecast for fiscal 2020—the final year of Medium-Term Management Plan 2020—highlights net sales of ¥1,410 billion, business profit of ¥56 billion, profit attributable to owners of the parent of ¥35 billion, ROE at 8.3%, and ROIC of at least 6%.

We will accomplish our objective to build systems that pave the way to the future—a theme that is designed to open up new possibilities in food culture while spurring sustainable corporate growth—and this will lead to the creation of social value. On behalf of management at NH Foods, I ask shareholders and investors to maintain support for the Company with a long-term perspective.

## Special Feature

# Contributing to Solve Issues in the Domestic Livestock Industry for Sustainable Food Supply for the Next Generation

The stable production of safe and reliable fresh meats has become a major concern for sustainable food supply for the next generation, as the risk of stable food supply increases due to epidemics and climate change. The NH Foods Group is covering all aspects of meat production from upstream to downstream, that is, from stockbreeding to food processing, as well as distribution and sales. Thus, we decided to contribute to revitalizing the livestock industry and to provide a stable supply of fresh meats through the Smart Pig Farming Project and the development of a detection test kit for the foot-and-mouth disease (FMD) virus.



### Case 7

Contributing to workstyle reform and improved productivity at farms

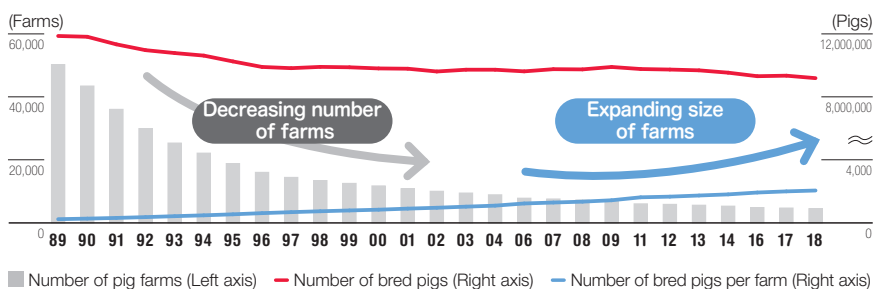
## Smart Pig Farming Project

Improving labor productivity at farms has become a big issue. In December 2018, the NH Foods Group companies and NTT DATA Group companies teamed up and launched a project—Smart Pig Farming Project—utilizing AI and IoT technologies for pig farming business. Verification tests are being conducted at farms of the NH Foods Group, to achieve highly productive farm operations. The goal is to put the smart pig farming system into operation within the NH Foods Group by 2022, and to provide farms outside the Group with the system by 2024.

### Improving Labor Productivity Is an Issue for the Livestock Industry

In Japan, the number of pig farmers is decreasing, and the number of pigs per farm is increasing these days. To rear healthy pigs, a comfortable environment is essential; however, it has

NUMBER OF PIG FARMS IN JAPAN, NUMBER OF BRED PIGS, NUMBER OF BRED PIGS PER FARM



Source: Livestock statistics survey, Ministry of Agriculture, Forestry and Fisheries



become difficult to secure enough time for it with a current limited workforce. In addition, expert workers are exiting the industry due to their advanced age, and concern for the shortage of workers in the future is growing.

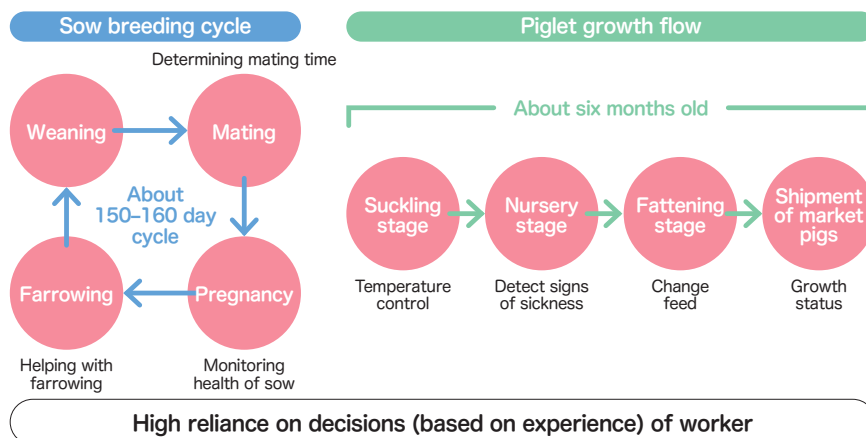
### Pig Farming Heavily Reliant on Experienced Workers

In pig farming, it is necessary to manage sow breeding cycles and piglet growth flow in parallel, which requires highly experienced workers.

The sow breeding cycle—mating, pregnancy, farrowing, and weaning—is repeated every 150–160 days. It is difficult to determine the mating time, since it requires very careful observation to recognize signs of a sow in estrus, such as a change in appetite, reaction to a boar coming in contact, or a different behavior when touched by a worker. As missing such clues can lead to the loss of opportunities for piglet production, a keen ability to catch the signs is indispensable. Health care of a pregnant sow and assisting the birth of piglets also require a lot of experience.

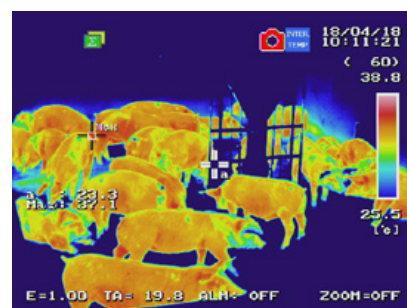
The piglets go through three stages in six months, the suckling stage, nursery stage, and fattening stage, and then are shipped. There are hundreds or thousands of piglets on a farm. As farm workers are limited in number, they are only able to go through the farm to visually check the piglets' health, growth status, and the environmental conditions two or three times a day. Missing such signs and delay in suitable treatment would lead to diminished growth or spread of diseases, thus leading to an increase in production costs.

## PRODUCTION STAGES AND CHARACTERISTICS OF PIG FARMING



### Start of Smart Pig Farming Project to Solve Problems in Pig Farming

Our project, Smart Pig Farming Project, is aimed at developing a farm management system which contributes to achieving the high productivity of pig farming using AI and IoT technologies. AI will “learn” the knowledge of expert workers, and help to pass it to the future. Implementation of the system will also lead to workstyle reforms, such as reducing working hours on farms.

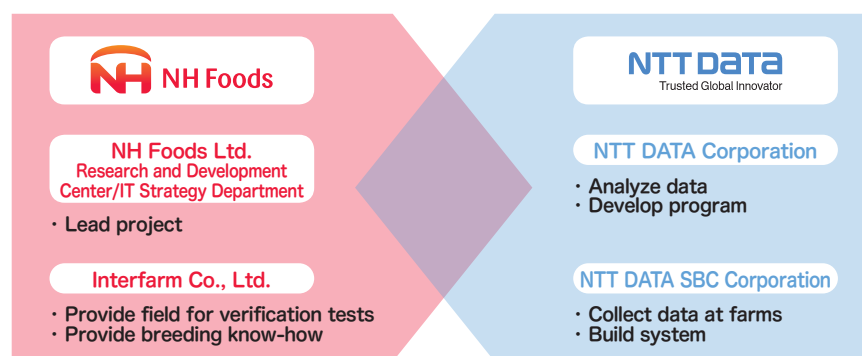


Ltd. lead the project while Interfarm Co., Ltd. provides breeding know-how and the field for verification tests. NTT DATA SBC Corporation installs cameras and sensors in the piggeries and builds the system for collecting data. NTT DATA Corporation analyzes big data obtained from the system and develops an AI-powered diagnostic program.

### Four Companies Engage in Open Innovation

The Research and Development Center and IT Strategy Department of NH Foods

## PROJECT STRUCTURE





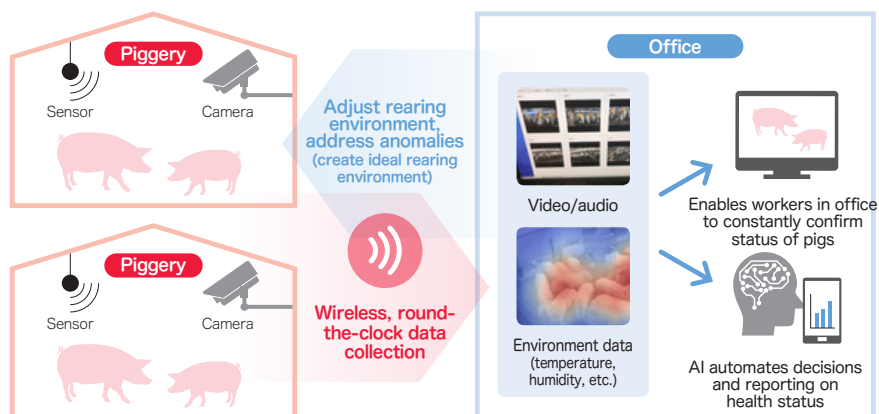
## Change in Attitude toward Management with Installation of IoT Technology

Many farms are located in rural areas, and each piggery is placed distant from one another even on the same farm. With this project, we built network systems to “watch” multiple piggeries simultaneously by infrared cameras, environmental (ambient temperature and humidity) sensors, and wireless networks. The infrared cameras made it possible to see pig activity at night, offering a new perspective on pig management. Also, the system enabled farm workers to check piglets’ growth status and health as well as temperature and humidity in piggeries simultaneously. It helped workers to raise awareness on the current status of piglets.

## Future with AI

In this project, we are now developing an AI-powered diagnostic system based on big data collected from IoT technology installed farms. This is the first trial to apply

## IMAGE OF PIG FARMING MANAGEMENT SUPPORT SYSTEM OPERATION



AI in the pig farming industry. The AI will identify each piglet and analyze their behavior, which will allow us to determine the status of the farm based on data rather than relying on workers’ experience. For example, the analysis of the piglets’ squeals, grunts, or quantity of movement will help to make an environment comfortable for pigs. Detection of signs of diseases will help to respond quickly with the necessary

treatment. AI will also be used to pinpoint the estrus status of a sow, which will make the decision on artificial insemination more accurate, and this should promote stable breeding cycles and higher piglet production.

The AI-powered diagnostic system will be cloud-based, which boasts the advantage of averting the risk of data loss due to natural disasters or problems caused by power outages.

## The NH Foods Group Contributes to Revitalize the Domestic Livestock Industry through Promoting Smart Pig Farming inside and outside the Group.



### Shin Sukegawa

Researcher  
The Research and Development Center  
NH Foods Ltd.

The advance of AI and IoT extends the scope of possibilities for addressing such emerging issues as the shortage of labor power in the livestock industry and the need for higher productivity in farm operation systems. We have been working with Interfarm as a test field, and subsequently came up with this project. My role in this project is to intermediate the farm site and the engineers to build an IoT system using AI. Our goal is to contribute to improved performance at farms by the installation of AI. Though AI cannot replace all the work done by humans, we have learned that AI can “learn” expert workers’ knowledge or experience in this project. We have also realized that AI could improve farm productivity by utilizing big data accumulated on farms or data captured by IoT cameras and sensors. Many aspects, cameras, sensors, or IT platforms are needed to promote this project. However, there are few designed for the pig farming industry. We have to start from early stage development in some aspects. Going forward, we will remain tenaciously engaged in project activities. For now, smart pig farming has only been introduced into some of the operations at Interfarm. With further progress, especially on the development of devices, smart pig farming will be more applicable to various regions and environmental conditions or various structures of piggeries. In addition, since the Group runs farms that raise cattle and chickens as well, the technology we have acquired through this project could be applied throughout the Group. As the use of the system will prevent disease and reduce costs and also improve animal welfare and enhance productivity, we will be helping to revitalize the domestic livestock industry by extending application outside the Group.

## Case 2

To prevent foot-and-mouth disease, which threatens stable supply of fresh meat, from spreading

# Development of Antigen Detection Kit for Foot-and-Mouth Disease

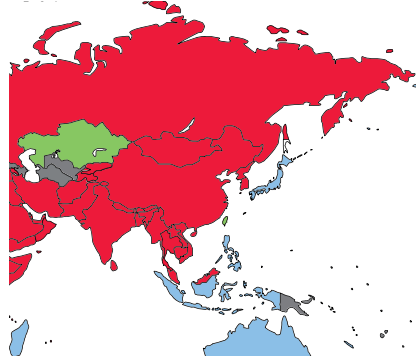
One of the factors that threatens the stable supply of fresh meats is livestock disease. Of such diseases, foot-and-mouth disease (FMD) is an extremely serious disease with huge economic impacts. In December 2018, the NH Foods Group launched an antigen detection kit for FMD ("NH Immuno Stick for Foot-and-Mouth Disease"). The test kit is the first and the only FMD antigen test kit to be approved as an in-vitro diagnostic medical device (IVD) in Japan. Widespread use of this kit in Japan, of course, and overseas as well should contribute to the development of the global livestock industry.

## Preventing FMD, a Disease with Major Economic Impacts

FMD spreads through the infection of viruses to livestock, including cattle, pigs, and sheep. Japan experienced a pandemic in Miyazaki Prefecture in 2010, and about 300,000 livestock had to be destroyed. Damage to the industry in Miyazaki Prefecture is estimated to have reached ¥235 billion by 2014. Farmers forced to kill their valuable livestock were also hurt emotionally.

OIE (the World Organisation for Animal Health) recognized Japan as an FMD-free country in 2011, but the threat of the disease reentering Japan from neighboring countries is still continuing. The Japanese government describes their basic policy as having a tougher quarantine system at ports and airports, early diagnostics and reporting, and immediate and accurate initial responses. Early detection is the key to preventing the spread of the disease, and quick diagnosis is essential in that regard.

## OUTBREAKS OF FOOT-AND-MOUTH DISEASE (FMD) WORLDWIDE (As of April 2, 2018)



■ Countries where vaccination is not practiced, and confirmed FMD outbreak since 2008

Source: Ministry of Agriculture, Forestry and Fisheries



Antigen detection kit for FMD "NH Immuno Stick for Foot-and-Mouth Disease"

## Simple Test to Detect FMD On-site

The antigen detection kit for FMD "NH Immuno Stick for Foot-and-Mouth Disease" is a simplified kit for quickly performing tests on-site, such as at a farm, in the case of finding livestock suspected of FMD. The test kit uses immunochromatography\* as a detection method, and no special analytical instrument is required. The results are to be ready in about 20 minutes visually. Use of this kit to test for FMD prior to the government's final diagnostics will help permit quick and accurate initial responses to prevent the spread of FMD. Our test kit showed good results in validation tests using clinical samples from Japan and overseas, and thus, the usefulness of the kit was confirmed. The Japanese government approved our test kit as a veterinary-use in-vitro diagnostic test kit.

\* A measuring method using antigen-antibody reactions. The formation of an immune complex combining antigens of the test sample and antibodies of the reagent increases visibility and appears at a predetermined place as a visible line.

## Contributing to Stable Supply of Fresh Meats with Pharmaceutical Products beyond FMD

Our FMD antigen detection kit is the first pharmaceutical product from the NH Foods Group. By developing the test kit, we accumulated technical knowledge needed for veterinary-use pharmaceutical products. We are willing to apply the knowledge for the development of new technologies which will contribute to prevent the outbreak and spread of serious livestock diseases, not just FMD, and thus contribute to the stable supply of fresh meats.



# Processed Foods Business Division

We will execute organization reforms to rise out of low profitability and create a structure that embraces challenges from a customer perspective.

## Nobuhisa Ikawa

Director and Managing Executive Officer,  
General Manager of Processed Foods  
Business Division



## Looking Back on Fiscal 2018

The Processed Foods Business Division posted net sales of ¥353.1 billion and business profit of ¥7.8 billion—which amounted to decreased net sales and increased business profit compared with the previous year—despite increasing personnel and distribution costs and a general slump in the gift market. These challenging factors were offset by growth in demand for core consumer products, such as *SCHAU ESSEN*™, and a shift toward a manufacturing and sales structure emphasizing profit.

Seeking to reinforce profitability by “Strengthen profitability by improving the efficiency of existing businesses,” which is a business policy under Medium-Term Management Plan 2020, the Processed Foods Business Division directed concerted efforts toward improving the gross profit margin through a focus on core brands and raising productivity in manufacturing operations.

Our focus on core brands put the spotlight on *SCHAU ESSEN* and microwave cooking as a new way to enjoy the sausages and also extended the line with new products, including *SCHAU ESSEN*™ *Hot Chili* and *SCHAU ESSEN*™ *Pizza*. We also

worked to improve the segment’s gross profit margin by strengthening promotional campaigns for core products, particularly *Chuka Meisai*™ and *Ishigama Kobo*™. For the enhancement of productivity in manufacturing operations, we reviewed unprofitable product lines and changed operating days at some factories making ham and sausages from 300 days per year to 250 days per year to standardize our manufacturing plan. These efforts led to a cost reduction. From an investment aspect, the installation of a more efficient, laborsaving line for pizza production generated tangible results, and we plan to apply this approach laterally to other factories as a model for success.

In the gift-giving category, sales volume decreased, as price revisions implemented in line with higher delivery charges made consumers feel that other companies’ products were more affordable. Going forward, we will have to redefine our gift strategy, including measures to deal with skyrocketing personnel costs on manufacturing lines and at gift centers.

## Environment Surrounding NH Foods Group (Risks and Opportunities)

In addition to issues shared with other domestic operations, such as rising labor and distribution costs due to a shortage of workers, we expect there is risk of increased prices on principal raw materials, sheep casing, and other materials, owing to an imbalance in global supply and demand caused by an outbreak of African swine fever in China. Meanwhile, wider opportunities for growth are expanding,

including demand for quick meal oriented microwavable products, snacks to go with a drink at home, and purchasing by inbound visitors to Japan.

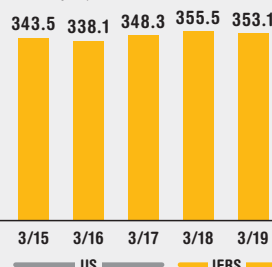
The Processed Foods Business Division seeks to cast off low profitability through such approaches as a review of manufacturing lines and operating costs, and will strive to shape a new food culture with new categories and new hit products.

### SHARE OF NET SALES

23.2  
%

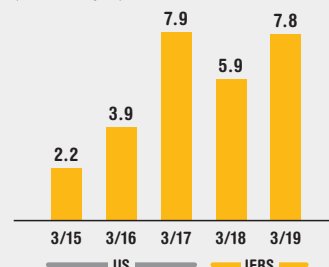
### NET SALES

(Billions of yen)



### BUSINESS PROFIT

(Billions of yen)



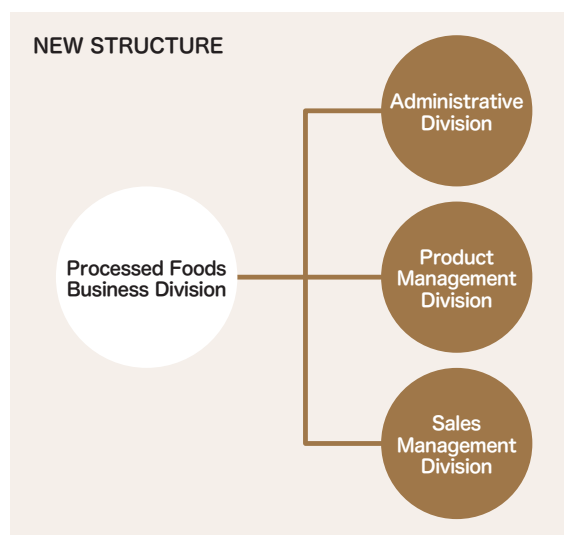
## Toward Medium-Term Management Plan 2020 Targets

### Restructuring to Cast Off Low Profitability

There was a delay in restructuring the processed foods business, which left the segment with a framework built on conventional concepts and successes of the past. In fiscal 2019, the multi-layered Processed Foods Business Division has been reorganized into three divisions, and, under this new structure, the segment will accelerate decision making and clarify responsibilities and authority, and build a more efficient structure infused with a challenging spirit.

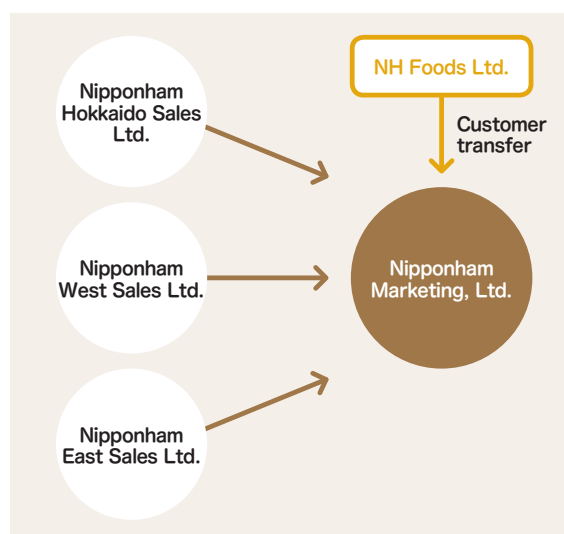
#### 1) Constructively Integrate Ham and Sausages Business Division and Deli and Processed Foods Business Division

Our objective in integrating these two business divisions is to improve productivity by centralizing raw materials procurement and standardizing manufacturing and to reduce costs through the integration of management units. In addition, product development synergies will facilitate mutual use of brands represented by *SCHAU ESSEN Pizza* as well as mutual access to development techniques accumulated over many years. In fiscal 2018, managers in the Ham and Sausages Business Division and Deli and Processed Foods Business Division held concurrent positions in both business divisions, and synergies have already appeared. To further accelerate the process, we will have to hone a sharper competitive awareness and promote greater efficiency and stronger product development capabilities.



#### 2) Stronger Sales Structure

In the sales division, which underpins the business model used for the processed foods business, the sales function that NH Foods and its sales companies had mutually performed was collectively brought under a newly established company—Nipponham Marketing, Ltd.—and, with the transfer of key NH Foods' customers to the new company, the previously decentralized sales function becomes centralized. We will build a structure that reinforces contact with customers, expands the allocation of brand products, promotes the use of frontline insights in product development, and cultivates new marketing channels, and this will lead to the development of human resources who excel in both product development and sales. In addition, for NH Foods, this structure will turn the sales division into a product development and sales division and enhance the feedback function so that the frontline knowledge of people closest to customers can be applied to the development of new products.



#### 3) Enhancing Efficiency of Staffing Division

By concentrating the marketing function previously executed by each division into one division, we will collectively manage responsibilities and authority for product development and sales promotions and promote effective and efficient campaigns. In addition, the Administrative Division will review business processes and achieve both versatility and specialization to cut costs by about 30%.

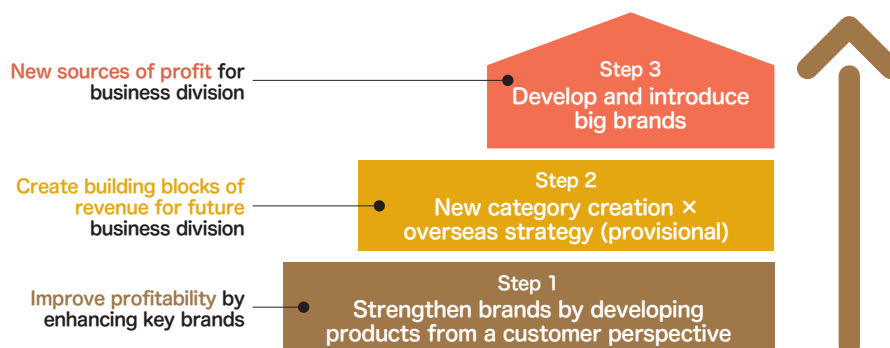


### Product Development from Customer Perspective

The Processed Foods Business Division has grown through creativity that translates into hit products and new product categories. But, in recent years, diversifying lifestyles have made it difficult to come up with formulaic hit products. The segment has prioritized efforts to reinforce product development capabilities and will promote reforms in three steps.

In Step 1, we will emphasize brand strengthening through product development from a customer perspective. In Step 2, we will utilize product development capabilities to create new product categories. This will require us to look beyond Japan and select good overseas-made products, which will be the building blocks of stable revenue into the future. In Step 3, we will use these building blocks to cultivate new sources of profits, including wider demand for major brands. For Step 1, which began in fiscal 2018 and is extending through to fiscal 2019, we will launch microwavable *SCHAU ESSEN* to meet a growing need for quick cooking options, *SCHAU ESSEN Tray* for sale at convenience stores and aimed at consumers living the single life, and *SCHAU ESSEN Hot Chili* to match current taste trends. We will also capture the interest of new customers, particularly young adults, by complementing existing television commercials with enhanced web-based sales campaigns.

#### STEPS TO STRENGTHEN PRODUCT DEVELOPMENT CAPABILITIES



Business model

Development

## Toward a Sustainable Society

### Addressing Food Allergies

R&D on foods from a food allergy perspective began in 1996, kindled by customer comments. Nipponham Northeast Ltd., which operates a dedicated factory for products free of seven specified raw materials (milk, eggs, wheat, buckwheat, peanuts, shrimp, and crab) manufactures more than 20 types of products, including ham, sausages, hamburger pate, and bread made with rice flour.

Also, since September 2018, the four companies that make and market similar allergy-friendly foods are collaborating as “Project A”, and working on activities to provide information and raise awareness about food allergies and expand interest in allergen-friendly foods.



Recipes appropriate for people with food allergies are often posted to our website.

Note: See our website for more details.

WEB

Allergy-friendly recipes

[https://www.nipponham.co.jp/recipes/food\\_allergy/](https://www.nipponham.co.jp/recipes/food_allergy/) (Japanese only)

## Toward Medium-Term Management Plan 2020 Targets

### Product Launches Matched to Market Needs

To speed up product development, directors and top management of production, sales, and marketing participate in monthly product development review meetings. As a lead-in to cultivate a challenging atmosphere and establish major brands, we hold new product development proposal meetings, involving young members of production and research divisions, and product idea invitation circles to draw up ideas from the sales front line.

For our products launch cycle that used to be twice a year, in March and in August, we have adopted a different approach to deliver more timely responses to market needs and to coincide with the era changeover when Japan's new emperor ascended to the Chrysanthemum Throne in May 2019.

### Carving Out New Marketing Channels

To the Group, changes in the market are opportunities for growth, and the Processed Foods Business Division is keen to develop products designed to carve out new marketing channels. In September 2019, we launched *Stock Pork*, a processed meat that can be stored at room temperature, as a stock product for working women and the single segment. In addition to new menu ideas presented at existing sales channels, such as supermarkets, we will utilize other retail networks, such as drugstores and home centers, to draw attention to non-perishable foods, emergency rations, and foods for camping and mountain climbing, as well as the e-commerce channel. We also intend to expand exports.

In other activities, we are involved in collaborative efforts on product development with other companies, and, by creating new products this way, we will create contact points with new customers and raise our brand profile.



*Stock Pork*, processed meat that can be stored at room temperature

Business model

Development

## Toward a Sustainable Society

### Reducing Environmental Burden from Packaging

Depletion of resources and issues related to the final disposal sites for garbage as well as the problem of plastics in oceans are topics under a global spotlight. Given greater market awareness, the Group is keen to respond through simplified packaging and other approaches to reduce the environmental burden from containers and packaging. We opted for more lightweight trays and outer wrap for such products as *Chuka Meisai*, *Ishigama Kobo* pizza, and the *Kore wa Benri* series to reduce the amount of plastic used in packaging. We are also contributing to reduced consumption of petroleum and lower CO<sub>2</sub> emissions through the use of biomass packaging made with a certain percentage of plant-based materials for the *Irodori Kitchen* series. Elsewhere, we use recycled PET materials in the packaging for *Kiwami-Yaki™ Hamburger Pate*.

### Developing Functional Foods

In response to heightened health needs, we offer the *Healthy Kitchen* series. The ham and bacon in the *Healthy Kitchen ZERO* series has zero carbohydrates\* but provides a satisfying texture and a delicious, meaty flavor. The *Healthy Kitchen Green Label* series, a food with functional claims, features gamma-aminobutyric acid (GABA), which benefits the health of individuals worried about high blood pressure.

\* Based on Food Labeling Standards. Direct analysis of carbohydrates showed less than 0.5g (per 100g serving), based on Food Labeling Standards, and content is thus listed as zero.

### Improved Business Productivity

From fiscal 2018, we took a revenue emphasis approach to value chains in the processed foods business. To boost productivity, we will work from two sides, seeking to reduce costs and increase gross profit. On the cost reduction front, we will consider asset replacement by investing in laborsaving equipment and abandoning unprofitable lines and apply forward-looking options, such as inspection work using AI. In addition, to deal with rising logistics costs against the backdrop of a labor shortage, we will establish an optimized delivery network based on the wider application of factory direct delivery and joint delivery options.

To increase gross profit, we will strive to offset higher prices on principal raw materials and sheep casing by cultivating new suppliers and reviewing procurement methods to hold down costs. In addition, we will continue to optimize the product mix by introducing new products and extending the selection of brand-based products.



Nipponham Processed Foods Ltd. introduced laborsaving equipment into the pizza line at its Kanto Plant (left) and its hamburger steak line at its Kuwana Plant (right).

### Business model Manufacturing

## Toward a Sustainable Society

### SDGs Joint Workshop

Targets to achieve Sustainable Development Goals (SDGs) are set for each factory under the Group, and steps are taken at each location toward the realization of a sustainable society, including product development with an SDGs connection, efforts to reduce environmental impact, efforts to create a workplace environment where employees feel motivated, and activities that contribute to the local community. In May 2019, a joint workshop on SDGs initiatives was held at the Kansai Plant of Nipponham Processed Foods Ltd., where participants from three companies and five factories engaged in active opinion exchange and set targets to achieve.



Workshop participants at Nipponham Processed Foods Ltd.'s Kansai Plant

## Toward Medium-Term Management Plan 2020 Targets

### Thinking Outside the Box

For the processed foods business, which has grown along with successful product development, strong product development capabilities are vital, and this will never change. Cost improvements and greater efficiency are, of course, extremely important, but any progress on these aspects of operations must underpin enhanced product development capabilities.

We have earmarked ¥23 billion for capital expenditures in fiscal 2019, including the greater use of laborsaving features on production lines, construction of a new factory in Hokkaido, and construction of a center to optimize the logistics network. In addition, we will set the stage for developing hit products through such pursuits as the collection of frontline information from sales teams, joint activities with the Lifestyle Research Office, and efforts to encourage young developers to offer ideas.

The Processed Foods Business Division will think outside the box, create categories that shape a new food culture, and establish new brands. This will underpin sustainable growth.



Logistics base with comprehensive low-temperature control features



The Entier™ series won a FOODEX Bishoku-Joshi Award 2019 grand prize in the meal category.

Business model

Logistics

## Toward a Sustainable Society

### Enhanced Logistics Efficiency and Lower Environmental Impact

As the shortage of drivers continues, the Group applies a modal shift and joint delivery to make logistics operations throughout the Group more efficient while reducing environmental impact. At one time, ingredients transported by ship from overseas were discharged at Tokyo and Osaka and then distributed by vehicle to manufacturing points across the country. Now, shipments are discharged at ports close to manufacturing points. Transport from manufacturing points to markets is also changing, with a modal shift from vehicles. In addition, we are promoting joint delivery combining our products with those of other companies.





# Fresh Meats Business Division

We will strive to achieve continuous growth through sales expansion underpinned by enhanced procurement capabilities and seek to capture 25% of the domestic fresh meats market.

## Katsumi Inoue

Vice President and Representative  
Director, General Manager of  
Fresh Meats Business Division



## Looking Back on Fiscal 2018

The Fresh Meats Business Division was impacted by low-trending market prices on domestic pork and chicken and a drop in sales volume, particularly imported fresh meats, paralleling lower domestic meat prices, as well as one-time expenses, including upgrade costs at distribution points and losses stemming from damage caused by Typhoon No. 21 and the Hokkaido Eastern Iburi earthquake. Net sales reached ¥757.0 billion and business profit settled at ¥35.7 billion, both down from the previous fiscal year.

One of the business policies under Medium-Term Management Plan 2020 is to strengthen profitability by improving the efficiency of existing businesses. With this in mind, the Fresh Meats Business Division focused on building a well-balanced production and supply structure, reinforcing procurement of imports, establishing a sustainable value chain, and strengthening sales to boost market share.

In efforts to build a well-balanced production and supply structure, we achieved a certain degree of

success, achieved mainly by Interfarm Co., Ltd., and Niiburo, Co., Ltd., which brought new farms into operation, and capital alliances with other companies to enhance purchasing activities. However, the impact of natural disasters and livestock diseases led to sluggish growth in production volume at our own facilities. In efforts to reinforce the procurement of imports, we faced an uphill battle in trying to expand volume, due to rising prices on imported fresh meats, but we directed attention toward forging stronger connections with overseas meat packers and emphasizing antibiotic-free products. In efforts to establish a sustainable value chain, we completed upgrades at domestic staging points to create a stable, more efficient distribution system even under the labor shortage and tougher restrictions in the distribution sector. Also, in efforts to boost market share, we worked to expand sales through volume retailers, refined proposals to convenience stores and restaurant chains, and put greater emphasis on capturing the attention of restaurants, especially in city centers. But we were unable to increase sales volume.

## Environment Surrounding NH Foods Group (Risks and Opportunities)

Japan's population peaked in 2010 and has been on a downtrend since then. However, consumption of pork and chicken per capita is increasing every year. Nevertheless, sales volume on a consolidated basis has been lackluster for the past two years. If we want to reach our goal—25% of the domestic fresh meats market—we have to achieve a higher level of operating efficiency.

In Japan, the increase in costs is accelerating, and personnel costs are a particularly large component of overall costs due to a shortage of labor. Additional concerns include rising import prices, which reflect heightened global demand for fresh meats as well as the spread of livestock diseases, such as swine fever,

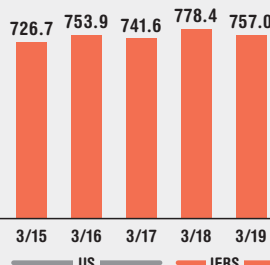
and environmental risks, such as drought. However, it is most imperative when confronted by these many uncertainties that we clearly demonstrate an ability to convert risk into opportunities for growth. On the production front, we aim to improve productivity through the use of AI and other information technologies, while, on the procurement front, we will forge ties with leading companies at home and abroad. These approaches will enable us to respond accurately to changes in society, notably, greater meat consumption among seniors, wider demand from inbound travelers, and a more pervasive attitude toward good health, and thereby underpin growth.

### SHARE OF NET SALES

49.8  
%

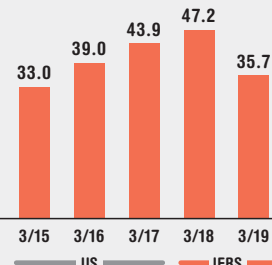
### NET SALES

(Billions of yen)



### BUSINESS PROFIT

(Billions of yen)



## Toward Medium-Term Management Plan 2020 Targets

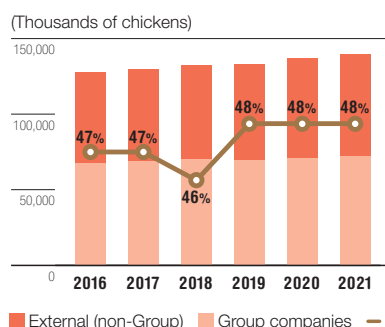
### Strategy for Expanding Sales Volume

To enhance sales power, the entire NH Foods Group is engaged in efforts to strengthen sales, proposal-making, product appeal, and organizational cooperation capabilities intended to move a wide assortment of products over an extensive network of channels at a good profit.

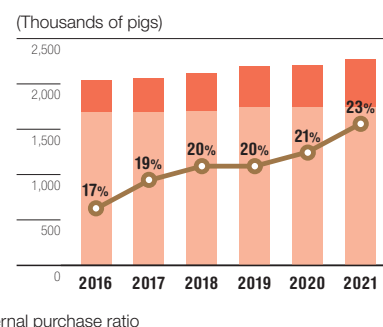
Of the five million tons of fresh meat consumed in Japan, we estimate\* about 60% is handled by volume retailers and meat processors, with NH Foods' share of this market consistently around 26%. The remaining 40% or so is handled mainly by convenience stores, commercial facilities, and restaurants, and this is where our share is still rather low. We seek to capture 25% of the domestic fresh meats market by maintaining sales volume over high-share channels while exploring other channels, including convenience stores, commercial facilities, and restaurants, where there is still room for growth. A bigger share of the domestic fresh meats market will attract the attention of meat packers and producers at home and abroad, which will foster the ability to ensure stable supply and, ultimately, enhance product appeal and proposal-making capabilities. A 25% share of the domestic market will solidify the Group's business foundation as well, and we aim to achieve 105% volume growth in fiscal 2019 by drawing on group-wide sales, proposal-making, product appeal, and organizational cooperation capabilities.

To achieve stable profit, we have to shine a bright spotlight on value-added quality. We will distinguish our products from the competition by showcasing branded fresh meats, such as *Sakurhime*<sup>TM</sup> domestic chicken, *Mugikomachi*<sup>TM</sup> domestic pork, and *Omugi-Gyu* angus beef from Australia, and by offering products processed overseas as well as antibiotic-free products.

#### VOLUME OF CHICKEN HANDLED (NUMBER OF CHICKENS) AND EXTERNAL PURCHASE RATIO



#### VOLUME OF PORK HANDLED (NUMBER OF PIGS) AND EXTERNAL PURCHASE RATIO



\* Estimate by NH Foods, based on the food supply and demand table and survey on trends in fresh meat sales, written up by Agriculture & Livestock Industries Corporation, and a breakdown of fresh meat consumption, provided by the Ministry of Agriculture, Forestry and Fisheries.

Business model  
Production and breeding

## Toward a Sustainable Society

### Supporting Development of the Next Generation of Human Resources in Cooperation with Obihiro University of Agriculture and Veterinary Medicine

In 2018, the NH Foods Group began hands-on training and lectures for students and instructors of Obihiro University of Agriculture and Veterinary Medicine under a comprehensive collaboration agreement aimed at promoting the livestock industry and fostering the next generation of human resources. Participants observed the flow of manufacturing operations at each stage at sites such as the farms of Interfarm Co., Ltd., the processing line of Nippon Food Packer, Inc., and the processing line of Nippon White Farm Co., Ltd., as well as getting on-site experience of the welfare management, disease prevention, and food sanitation of animals. These experiences give those who will form the future of the livestock industry knowledge they cannot get from university classes.



Touring the Shiretoko Plant of Nippon White Farm Co., Ltd.

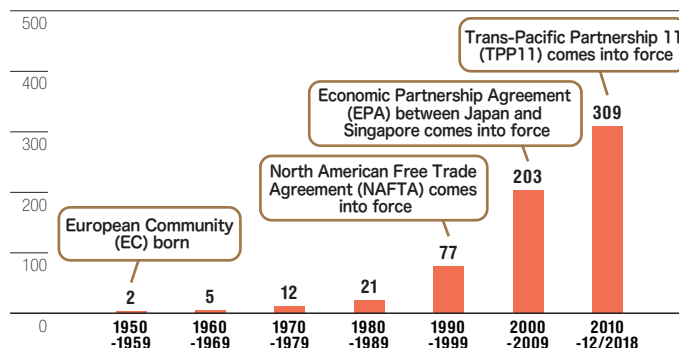
## Effective Use of Existing Facilities and Stronger Partnerships

In the domestic fresh meats sector, we will continue to emphasize scheduled expansion at Company-owned chicken farms and also promote increased procurement from external sources. For pork operations, our focus is on the maintenance and upgrade of production facilities, ensuring the stability of pickup operators, and reducing the accident rate by reinforcing measures to prevent diseases. In beef operations, we will start full-scale sales of beef cattle, and, against a backdrop of yearly decreases in production volume across Japan, we will look also to securing future food supply, augment the integrated system for breeding that aligns us to our joint ventures and alliances, and build a system that guarantees quantity and also strengthens production and ensures access to a stable supply of domestically raised cattle.

Tariffs are gradually dropping, thanks to the 11-Pacific-Rim-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership—also known as TPP11—and

Economic Partnership Agreements, or EPAs, between Japan and the EU. Negotiations also moved forward on a Japan-U.S. Trade Agreement on Goods. NH Foods will respond to the new tariff system from the dual perspective of maintaining and further developing the domestic livestock industry and ensuring food for the future including imports. Plus, we will not limit our lineups to products that are easy to sell but rather take a broad-based approach to procurement that includes products recommended by suppliers, and utilize accumulated market insights to standardize these products to the preferences of the domestic market. This will lead to stronger partnerships with business partners and expand market share.

### CUMULATIVE NUMBER OF FREE TRADE AGREEMENTS (FTAs) ENACTED WORLDWIDE



Sources: JETRO Global Trade and Investment Report 2018, Japan and world's FTAs at a glance (as of December 2018)

Business model

Production and breeding

## Toward a Sustainable Society

### Support for Commissioned Farmers

The NH Foods Group contributes to continuity in the livestock industry by undertaking some of its commissioned farming operations. All of the poultry rearing work at poultry farms of the Miyazaki Production Division of Nippon White Farm Co., Ltd. is done by commissioned farmers. At the request of commissioned farmers, the company undertakes the operations necessary at the poultry farms of the Miyazaki Production Division from when mature birds are shipped until the next chicks arrive. These include the removal of droppings from chicken coops, coop washing and sterilization, and also simple coop repairs. This support enables commissioned farmers to reduce their work volume and ensure they get days off, and this is helping to increase their productivity and improve the quality of chicken meat.



Cleaning of chicken coops



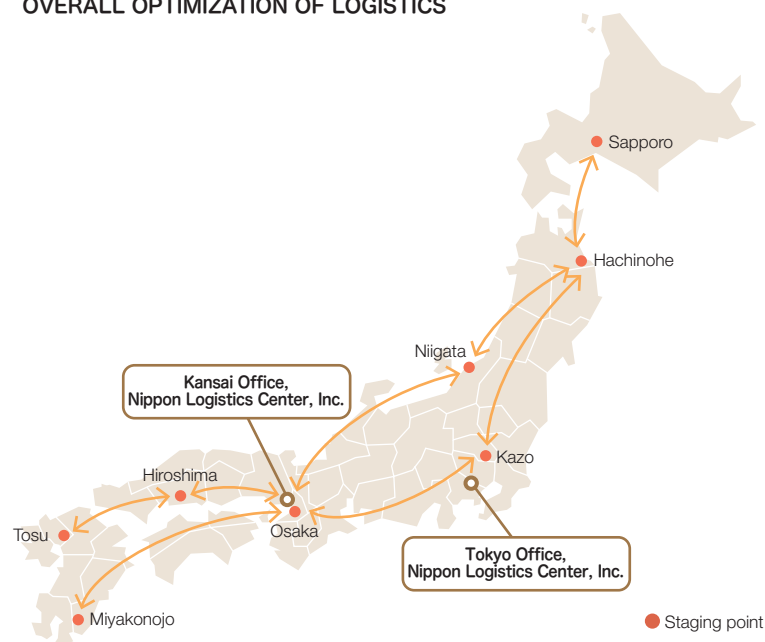
## Toward Medium-Term Management Plan 2020 Targets

### Establishing Operating Model to Support Sustainable Growth (Distribution Reform)

To achieve greater optimization in distribution overall, we established a system using staging points to underpin sustainable supply operations inside and outside the Group despite the challenges presented by the prevailing labor shortage. We also took steps to improve distribution-related working conditions, and are now fully compliant with the Ministry of Health, Labour and Welfare's guidelines on the working hours of truck drivers.

In addition to efforts aimed at a bigger market share and future growth is the need for appropriate transport capabilities and enhanced storage capabilities, including refrigerators. We will endeavor to strengthen the distribution system even further and are pushing plans for new refrigerators. To deal with the labor shortage, we will standardize operations and embrace laborsaving technologies.

#### OVERALL OPTIMIZATION OF LOGISTICS



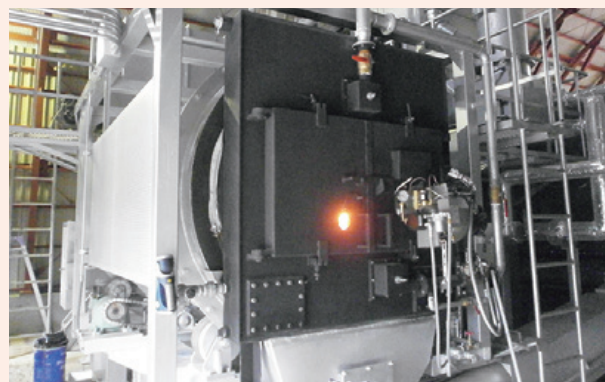
Business model

Logistics

## Toward a Sustainable Society

### Cyclical Biomass Power Generation Utilizing Poultry Manure

In 2003, Nippon White Farm Co., Ltd. established Miyazaki Biomass Recycle Co., Ltd. as a joint venture with poultry farmers, local agricultural cooperatives, and businesses from within Miyazaki Prefecture. This company was the first biomass power producer in Japan to use poultry manure, and has annual generating capacity of 76,662MWh, enough power to supply roughly 20,000 regular households. Approximately 43,000 tons of poultry manure are generated each year from production farms contracted by the Miyazaki Production Division of Nippon White Farm Co., Ltd., and about 90% of this is incinerated and used for biomass power generation.



Miyazaki Biomass Recycle Co., Ltd.'s biomass power plant

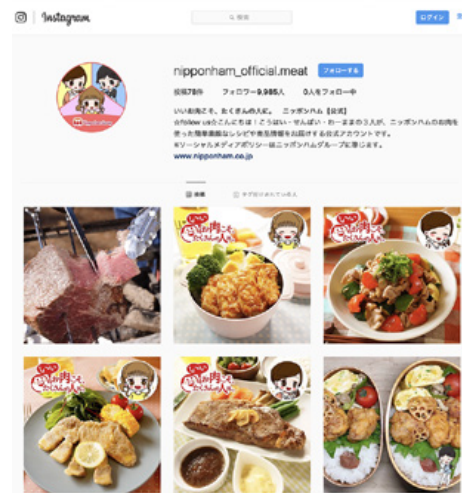


## Product Development and Promotional Activities Based on Consumer Awareness

“Good meats for all to enjoy.” This slogan has raised our profile, making “NH Foods synonymous with meat.” NH Foods created an Instagram account on November 29, 2018—as November 29 is Meat Day in Japan—and began sharing photos and other content geared to people in key age-groups via three characters—newly hired *Kohai-chan*, mother with small children, *Wa-mama*, and *Senpai*, who enjoys work and personal time, too. The posts include scenes featuring meat as well as photos of meat dishes, recipes, and comments. Our primary objective with Instagram is to present meal-time solutions that strike a chord with women in their 20s, 30s, and 40s and thus create a new base of meat lovers.



Instagram account  
@nipponham\_official.meat



Business model  
Manufacturing  
and  
sales

## Toward a Sustainable Society

### “Visibility” on Plant Energy Usage

The Isesaki Plant of Nippon Pure Food, Inc., which came on stream in October 2018, manufactures mostly heat-processed foods such as roast beef and roast pork. The plant uses a central monitoring system to consolidate operating status of its main production machines, and the resulting “visibility” on the state of electric power, gas, water, hot water, and steam usage has proved effective in helping reduce energy and resource consumption. In addition, the company is aiming to lower air pollution levels\* by use of city gas to power the boiler used for producing steam.

\* It is expected that the annual volume of air pollution emissions from methylnaphthalene, a class 1 designated chemical substance, will decline by around 39.0kg compared to a boiler powered by A-type heavy oil.



Isesaki Plant, Nippon Pure Food, Inc.

## Toward Medium-Term Management Plan 2020 Targets

### Keen to Build a Sustainable Value Chain

Efforts to reinforce human resources development and hiring practices throughout the Group are designed to hone a sharper competitive edge and offset the consequences of the labor shortage. We are also keen to introduce smart pig farming, which utilizes AI and IoT technology as well as laborsaving equipment to reduce the burden on farm workers while boosting efficiency.

We aim to leverage improvements at many points, with capital expenditures for fiscal 2019, budgeted at ¥30.2 billion. Production operations will use capital for new farm construction and factory expansion or renovation and to upgrade existing facilities, including processing lines, and marketing operations will apply capital to relocate or rebuild offices. These investments will strengthen the operating foundation.



Nipponham Food Group has 117 sales bases across Japan



"YIELDAS," a fully automated chicken deboning machine

Business model

Sales

## Toward a Sustainable Society

### Reducing Plastic Waste through Local Packaging of *Sakurahime*

The Group is pursuing reduction in packing for fresh meat products normally sold on plastic trays. Domestically produced chicken brand *Sakurahime* is packed close to where the chicken is processed for supply to volume retailers, and, by vacuum packing it at a local food plant near where they are raised, we are able to deliver to customers a product that is extremely fresh in an unopened state. The packs no longer feature trays, which not only leads to less plastic waste, but also helps reduce the work of in-store packing by our client stores.



Note: See our website for more details.

WEB

Launch of *Sakurahime*

<https://www.nipponham.co.jp/sakurahime/package/> (Japanese only)

## Affiliated Business Division

NH Foods will transition into a manufacturer in the businesses covered by the Affiliated Business Division to promote long-term growth and strive to be an honorable business entity with a sense of presence.

### Kazuhiro Mikuni

Executive Officer and General Manager  
of Affiliated Business Division



### Looking Back on Fiscal 2018

The Affiliated Business Division is engaged in businesses across several product groups, mainly marine products and dairy products, and operations hinge on three core companies: Marine Foods Corporation, which specializes in raw fish products for sushi and processed marine products; Hoko Co., Ltd., which handles cheese, canned foods, frozen foods, and freeze-dried foods; and Nippon Luna, Inc., which offers yogurt and lactic acid probiotic beverages.

In the marine products business, sales of sushi toppings—a key category—were up, but sales of products other than sushi toppings stalled, owing to skyrocketing market prices for ingredients and intensifying competition. We streamlined low-profit

products and implemented price revisions and were rewarded with a better profit structure. But the impact of lower sales volume inevitably led to lower profit.

In the dairy products business, sluggish market growth and heightened competition eroded sales of lactic acid probiotic beverages, and with sharply higher expenses for raw materials, personnel, and distribution and start-up costs for a new plant, the business showed a drop in profit.

Consequently, the Affiliated Business Division recorded disappointing results, as sales and operating income dropped year on year, to ¥155.1 billion and ¥400 million, respectively.

### Environment Surrounding NH Foods Group (Risks and Opportunities)

In the marine products business, global production and consumption of seafood is increasing, and, in recent years, the aquaculture industry has surpassed the fishing industry. However, in Japan, both production and consumption are on a down-trend. Globally, it will be harder to procure marine raw materials given rising demand, and prices will, undoubtedly, continue to climb. In the dairy products business, the yogurt market had shifted in a favorable direction but this trend may slow. The cheese market is expected to benefit from broader free trade agreement content and remain in a growth mode.

In the marine products business, we aim to improve profits amid skyrocketing raw materials

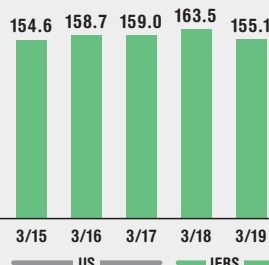
prices by reinforcing procurement capabilities, and we will further implement structural reforms by establishing a raw materials procurement network with locations in Japan and abroad and by leveraging additional business restructuring, including measures to weed out unprofitable products. In the dairy products business, broader free trade agreement content should foster expansion of the snack market, which includes cheese, and the division aims to capitalize on the opportunity. An emphasis will be placed on developing products matched to new trends in the market and evolving customer needs and on making product suggestions more appealing. These efforts will boost sales and underpin an improvement in profits.

#### SHARE OF NET SALES

10.2  
%

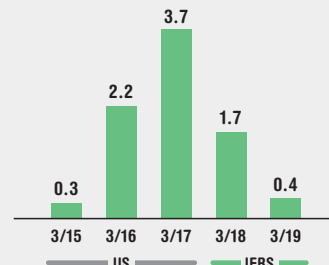
#### NET SALES

(Billions of yen)



#### BUSINESS PROFIT

(Billions of yen)





## Toward Medium-Term Management Plan 2020 Targets

# Reinforce Marine Products Value Chain from Procurement and Supply through to Proposals

For Marine Foods Corporation, the goal is to bolster its marine products value chain, and efforts are being directed toward establishing a raw materials procurement network with locations in Japan and abroad, building a supply structure for company-brand products using its own procurement routes, and strengthening its ability to negotiate business deals with the restaurant market.

Kicking off efforts to establish a raw materials procurement network with locations in Japan and abroad, Marine Foods started purchasing farm-raised salmon from Turkey and engaging in shrimp farming in Thailand. To strengthen procurement in the Far East, the company opened an office in Vladivostok, Russia. The company is also directing efforts toward tuna farming in the Uwakai Sea in addition to domestic *buri* (yellow-tail) farming through joint activities with Yusu Gyogyo Kyodo Kumiai, in Ehime Prefecture. Around autumn 2019, Marine Foods plans to begin domestic sales of farmed shrimp from Thailand and Ehime-raised *buri*.

In efforts to build a supply structure for company-brand products using its own procurement routes, Marine Foods will establish overseas production points, exemplified by the construction of a processing plant in Vietnam. Farmed salmon from Turkey and other raw materials procured through company-carved procurement channels will be processed into sushi toppings in Vietnam. This is one approach to enhancing value chains.

To strengthen its ability to negotiate business deals with the restaurant market, Marine Foods will set up a dedicated team and strive to expand sales mainly by capturing new customers, particularly restaurant chains, a segment of the industry that the company had not really approached before.

Through the above, Marine Foods will integrate activities from raw materials procurement to menu suggestions and thereby boost total value.



Uwakai fish farm



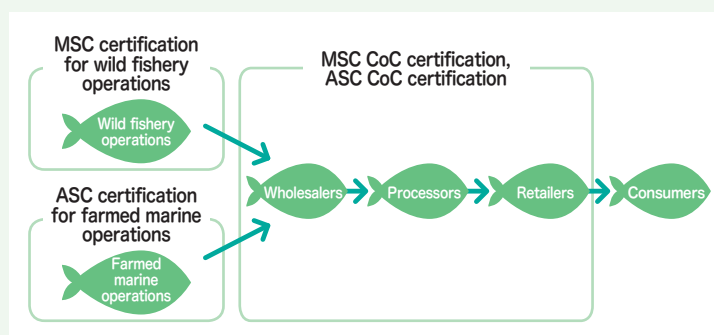
Ehime Uwamaru bluefin tuna

Business model  
Procurement

## Toward a Sustainable Society

# Promoting CSR Procurement

As part of its CSR procurement activities, Marine Foods is working to use sustainable marine resources. In order to enable the processing and distribution of marine products that are in accordance with its receipt of MSC<sup>\*1</sup> certification for wild marine products and ASC<sup>\*2</sup> certification for farmed marine products, in 2018 the company obtained CoC<sup>\*3</sup> certification for some of its seafood. Going forward, in addition to expanding CoC certified seafood, it aims to secure certification for the farmed marine products that are handled by the Group.



<sup>\*1</sup> This requires certification by a third-party institution based on the "Principles and Standards for Sustainable Fishing" as defined by the MSC (Marine Stewardship Council).

<sup>\*2</sup> This requires certification by a third-party institution based on the ASC Standards as defined by the ASC (Aquaculture Stewardship Council).

<sup>\*3</sup> This requires creation and implementation of a management structure that conforms to CoC (Chain of Custody) inspection regulations.

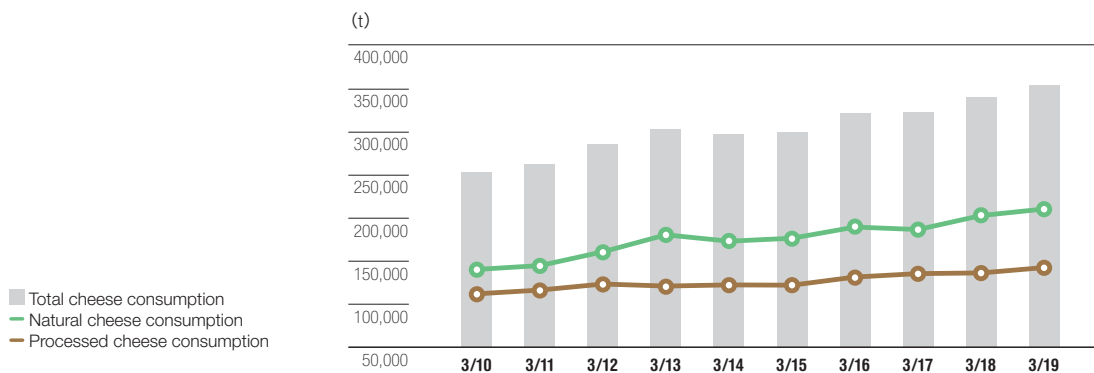


## Bigger Share for Cheese Products

Fueled by free trade agreement content, the cheese market is likely to grow. Hoko, with its strength in commercial-use cheese, will capitalize on opportunities to expand sales and capture a larger share of the market.

In raw materials procurement, Hoko will cultivate new procurement points in Europe and North and South America and reduce its reliance on points in Oceania, seeking stability in raw materials procurement. In addition, investment in state-of-the-art facilities using AI and IoT will lead to higher productivity and enhanced cost-competitiveness. An emphasis will also be placed on product development using flexible processing technology, a major strength.

### CHEESE CONSUMPTION OVER PAST 10 YEARS



Source: Livestock Industry Department, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries

### Business model Manufacturing

### Toward a Sustainable Society

## Reducing Environmental Impact through Printing of Packages

Hoko is aiming to reduce its environmental impact by switching the printing method for the packaging of main products such as its *Rolf Melting Cheese* series to water-based gravure printing. The previous method of oil-based printing uses a large volume of organic solvents, which are a cause of air pollution due to the volatile organic compounds (VOCs\*) they release during the drying process. The switch to water-based gravure printing can reduce the volume of VOCs emitted by around 22%, and the intention is to further expand the number of products for which water-based gravure printing is used.

\*4 VOCs include toluene and xylene.



Rolf Melting Cheese

## Toward Medium-Term Management Plan 2020 Targets

### Reshaping Yogurt Business

Nippon Luna turned in disappointing business results, mainly due to stiffer competition amid sluggish market growth as well as rising costs prompted by the start of operations at a new plant. In fiscal 2019, the company will enhance cost-competitiveness, as the Takasaki Plant moves into full-scale operation. The new plant has an automated, unmanned line, brings container molding in-house, and is equipped with a raw milk ingredients production line. To be better able to offer suggestions to customers, the company will retune its product development structure to match the speed required by major convenience stores. Skyr, a high-protein, zero-fat foodstuff that is a staple food in Iceland, is increasingly gaining popularity in the United States and Europe as a health food. We have been conducting promotional activities ahead of its Japan launch in the spring of 2020 with the aim of creating new value that will resonate with consumers.

### Transforming into Honorable Business Entity with Sense of Presence

NH Foods expects investment in the Affiliated Business Division to total ¥4.2 billion in fiscal 2019. In the marine products business, funds have been earmarked to establish joint ventures with local marine products companies, mainly in Thailand and Vietnam, to ensure access to raw materials. In the dairy products business, funds will be applied to improve productivity through upgrades to production equipment for diced cheese and to install equipment for making skyr.

Given the above plans, our approach in the marine products business is not to relax our grip on structural reform but to accelerate business expansion in line with profitability. In the dairy products business, we will seek to create new markets through effective promotional campaigns and expand market share through sharper development and sales capabilities.

In addition, we will vigorously tackle workstyle reform and SDGs and cultivate an environment where employees are excited to come to work and approach their duties with enthusiasm and maintain workplaces that motivate employees.

Business model  
Manufacturing

## Toward a Sustainable Society

### Environmental Measures at a New Plant

Nippon Luna opened its Takasaki Plant in November 2018 to manufacture items such as yogurt. The plant utilizes a diverse range of measures in order to use energy in an efficient manner, including using waste heat captured from the production lines to heat water in boilers, as well as the installation of an ice thermal storage tank that runs on nighttime electricity and a boiler powered by city gas. In addition, wastewater is treated using equipment that features a special filling material with a high surface area containing micro-organisms, which enables not only more efficient wastewater treatment, but also reduces the volume of sludge produced.



Takasaki Plant, Nippon Luna, Inc.

# Overseas Business Division

We will rebuild overseas operations to ensure stable profits.

## Tetsuhiro Kito

Director and Managing Executive Officer,  
General Manager of Overseas Business  
Division



## Looking Back on Fiscal 2018

The Overseas Business Division is changing gears in overseas market development under the Medium-Term Management Plan 2020. A certain degree of success has been achieved, but new challenges have also emerged.

In our Australia operations, the emphasis was on a business improvement project designed to boost productivity. Greater demand from some markets, including China, as well as favorable conditions in cattle collection facilitated progress in eliminating losses and stabilizing business operations. Meanwhile, at Breeders & Packers Uruguay S.A. (BPU), drought made the cattle collection environment more difficult while the weakening of neighboring currencies against the U.S. dollar eroded price competitiveness and negatively impacted sales. As a result, BPU saw its losses deepen.

In Asian and European businesses, efforts were directed toward improving productivity at chicken farms operated by Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi, in Turkey, and expanding the number of poultry processed. An issue that required attention, however, was an increase in manufacturing costs which paralleled the Turkish lira's meltdown. In the Americas, the processed foods business of Day-Lee Foods, Inc., saw earnings squeezed by price wars and the skyrocketing cost of raw materials, so measures to reduce manufacturing costs and business expenses overall became an issue to address.

All told, the Overseas Business Division was unable to return to the black, but the loss was a lighter shade of red. Sales were up, hitting ¥255.2 billion, and the operating loss settled at ¥3.8 billion.

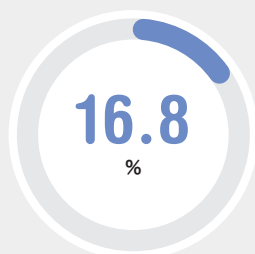
## Environment Surrounding NH Foods Group (Risks and Opportunities)

A growing world population and increasing demand for meat in China will give operations in Australia and Uruguay new opportunities to expand sales. But expectations will be tempered by the soaring cost of grain used as cattle feed and a decrease in the number of cattle raised due to climate change. Of note, Australia has strict requirements for

imported grain, so climate change carries significant risk in livestock operations.

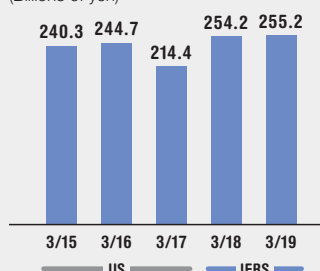
We recognize that generating profit from the beef business in Australia and Uruguay, the poultry business in Turkey, and the processing business in Asia and the Americas is an urgent task for the Overseas Business Division.

### SHARE OF NET SALES



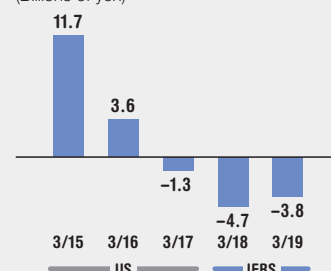
### NET SALES

(Billions of yen)



### BUSINESS PROFIT

(Billions of yen)



## Toward Medium-Term Management Plan 2020 Targets

### Continued Progress on Beef Business Improvement Project in Australia

A business improvement project unveiled in fiscal 2018 for Australia beef operations generated an improvement effect of about ¥2.8 billion. Specific measures at farms were to invest in a better fattening environment and promote cattle collection linked to sales. On the production front, efforts were directed toward reinforcing the cattle collection system and building an optimum production system. And pertaining to sales, the project highlighted steps to enhance and promote branding. Going forward, we will constantly push these measures forward and strive to secure stable earnings by setting purchase prices based on simulation-derived sales projections, optimizing and standardizing the number of cattle for processing at each factory, and establishing a business model that does not rely on the number of cattle processed.



Business model

Production and breeding

## Toward a Sustainable Society

### Diverse Initiatives in the Fresh Meat Business (Australia)

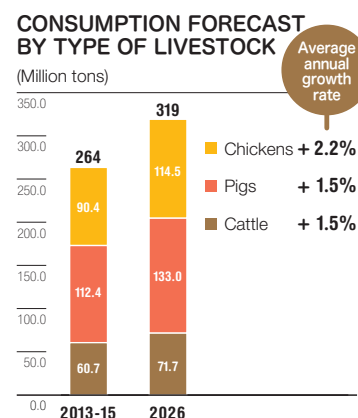
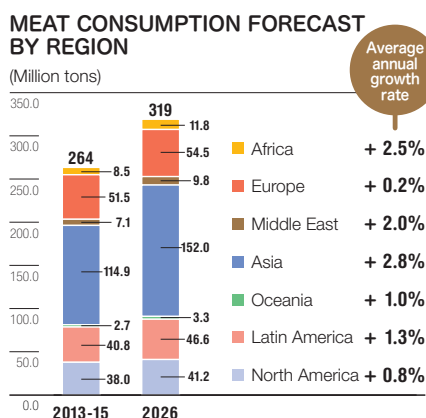
Whyalla Beef Pty. Ltd., which handles the production, breeding, and processing of cattle, reuses the wastewater and cattle manure produced at its facilities to grow grains and grass in its cyclical agriculture initiatives and uses them as raw materials for cattle feed. In order to raise the quality of feed and increase production efficiency, in 2019 it made a start on upgrading and reinforcing the neighboring feed plant. Moreover, Oakey Beef Exports Pty. Ltd. has constructed a world-class sanitary management system that enables the use-by date of refrigerated beef to be extended from the normal 60 days to 100 days at its meat processing plant, and this is contributing to a reduction in food loss.





## Success in Australia Applied Laterally to BPU in Uruguay

To improve the beef business overall, we will apply the success achieved in Australia to BPU. The objectives will be to stabilize cattle collection by reinforcing procurement linked to sales and to reduce processing and manufacturing costs by strengthening management through the use of key performance indicators. We will also strengthen alliances inside and outside the NH Foods Group and leverage sales measures utilizing advantages afforded by Uruguay production to rebuild the sales strategy for China, which accounts for half of sales.



Source: Created from world food supply and demand projections to 2026 by Ministry of Agriculture, Forestry and Fisheries

## Ensuring Stable Earnings from Poultry Business in Turkey

Poultry business in Turkey needs to eliminate the impact from the rising cost of imported feed caused by currency depreciation. Toward this end, an investment was made in a feed mill, which went into full-scale production in June 2019. Consumption of chicken in Turkey is brisk, so the emphasis will be on expanding the lineup of value-added products as well as setting targets for each brand and increasing sales volume.



Business model

Production and breeding

### Toward a Sustainable Society

## Production of High-Quality, Safe, and Reliable Beef (Uruguay)

Breeders & Packers Uruguay S.A. (BPU) is working together with the producer's group "Producer's Club" to ensure stable procurement of high-quality cattle, while also making progress on developing product brands that were not manufactured using antibiotics or growth hormones. BPU is the only manufacturer in Uruguay to hold both BRC7-AA\*1 and FSSC22000\*2 certification, and it is also making a contribution to reducing food loss by efforts such as achieving a quality assurance period of 120 days via the management of each stage of the production process from farm to shipment.



Breeder & Packers Uruguay S.A. (BPU)

\*1 This certification is a global standard developed by the British Retail Consortium, and is held by more than 18,000 suppliers in 100 countries.

\*2 This is a global standard for food safety management developed based on ISO 22000 and other standards by the Foundation for Food Safety Certification in the Netherlands.

## Toward Medium-Term Management Plan 2020 Targets

### Ensuring Stable Earnings in North America

The issues facing Day-Lee Foods, Inc., which is responsible for business in North America, are procuring raw materials for Japan and improving profitability on processing operations, especially processed chicken products. In fiscal 2018, higher costs due mainly to a change in raw materials led to an increase in overall manufacturing costs despite an improvement in productivity. To cut costs, the company will encourage continuous productivity improvement activities and an appropriate level of reducing labor through facility investment. For product development and sales, the company will reinforce its structure for developing new products and work to ensure stable earnings through a review of sales promotion activities.

### Supplying Competitively Superior Raw Materials and Products for Japan

We will draw on the merits of multinational agreements, including TPP and EPAs, to facilitate procurement and supply of fresh meats, processed foods, and marine products for export to Japan from overseas markets. We will also expand the procurement of products, such as pork from Spain and Eastern Europe, that present advantages in terms of price and quality. In addition, we will utilize NH Foods Group points of presence and promote third-country export and sale facilitated by economic partnerships within each region. To make these approaches more effective, we will cultivate our own sales contacts, deepen relationships with partners in each country, and hone our distribution capabilities.

For fiscal 2019, we will budget ¥8.2 billion for capital expenditures to ensure stable earnings. Funds will be earmarked for expansion of the feed factory in Turkey and reinforcing fattening and processing facilities in Australia as well as bringing a processed foods factory into operation in Indonesia.

Business model

Export  
and  
sales

## Toward a Sustainable Society

### Strengthening CSR Activities Overseas (UK)

The NH Foods Group has signed an official partnership agreement with The Liverpool Football Club (LFC), a world-renowned soccer team in the English Premier League. LFC is actively involved in local community support activities, and was searching for partners to help it expand these activities to the Asia/ASEAN region. The Group supports LFC by providing food and funds, thereby leading to stronger CSR activities overseas.



Ceremony at Liverpool FC's home stadium (Anfield)  
NH Foods' President Yoshihide Hata (right) and Liverpool FC's CCO Billy Hogan (left)

## Outside Directors Roundtable Discussion on Corporate Governance

Efforts to promote corporate governance will contribute to the realization of a company that provides the greatest “Joy of Eating” in the world.



**Atsushi Iwasaki**

Outside Director

**Yasuko Kono**

Outside Director

**Hideo Arase**

Outside Director

The NH Foods Group invites individuals with diverse knowledge, experience, and capabilities to be outside directors and who will engage in management activities from an objective position as this underpins an optimal governance system geared toward the corporate ideal of a company that provides the greatest “Joy of Eating” in the world. Outside directors Yasuko Kono, Atsushi Iwasaki, and Hideo Arase talked about corporate governance within the NH Foods Group, ESG initiatives, and expectations for sustainable growth.

### Objectives as Outside Directors

**Kono:** Since I was appointed to the position of an outside director, I have inspected 25 sites, including production sites and distribution sites, under the NH Foods Group umbrella. Up to that time, I had primarily considered food from buying and eating perspectives, but my horizons certainly broadened as I learned about corporate activities from production and sales perspectives. At all the sites I visited, there was an uncompromising attitude toward safety and hygiene and toward quality control, and status was better than I thought it would be. I felt that every single employee was doing his or her utmost to ensure that as many customers as possible enjoy NH Foods-brand products. Based on this insider’s look into the corporate position, I would like to be a bridge between the NH Foods Group and customers, bringing unseen aspects of the Company’s effort to light for customers. A consistent approach is sure to lead to higher brand value.

**Iwasaki:** The biggest role of an outside director is to help boost corporate value. For the past four years, I have watched the Company as an outside Audit & Supervisory Board Member. A company may have a good corporate atmosphere, and a big company especially is going to want to protect that status. Going forward, I will fulfill my role as an outside director by offering inspiration for change. So then, what kind of company do I expect NH Foods to become? I have identified three facets of corporate existence. First, NH Foods will be

a company free of harassment. This is an absolute must. Second, it will be a company that can infer the real meaning in numbers, so, instead of forming decisions based on only the bottom line, the Company will look for the significance behind the numbers and apply this to corporate management. I’m an accountant, so I think this kind of management insight is very important. Third, NH Foods will be a company that has the capacity to support employees in their efforts to take on challenges. One of the Action Guidelines that the Group has adopted says *to strive to anticipate the changing times and overcome challenges proactively and with courage*. But there is a constant need to confirm that the work environment welcomes and recognizes efforts by employees who are keen to comply with those guidelines. I will emphasize these three facets and engage in conversation from a different perspective than that of an outside Audit & Supervisory Board Member.

**Arase:** I worked for a medical equipment maker for more than 40 years, and much of my career was spent overseas. I have always been one to take the initiative, in an organizational sense, with a sense of curiosity and ambition. In my 30s, I got the Hong Kong branch running. In my 40s, I was the person responsible for business in Europe and focused my efforts on introducing new products and eliminating long-term risk. Then in my 50s, I rebuilt a poorly performing



**I would like to contribute to higher corporate value by serving as a bridge between the NH Foods Group and customers.**

company in Brazil, and, moving on to the United States, I got into M&As, business portfolio restructuring, and subsidiary management. In my 60s, I reinforced governance and compliance practices in Singapore. I see my personal core competence being insights related to the planning and execution of strategies, marketing, organization reform, and human resources development. I believe NH Foods’ mission is to respond to stakeholders’ expectations through continuous growth, and I feel I can contribute to the Company’s growth based on the experience I have accumulated to date.

### Discussions in Meetings of the Board of Directors

**Iwasaki:** Compared with four years ago when I was appointed as an outside Audit & Supervisory Board Member, discussions by the current Board of Directors are quite invigorating. Not only has NH Foods always had the groundwork to support robust comments from outside directors, but also in-house efforts to evaluate and improve comply-or-explain, and associate with the introduction of the Corporate Governance Code. Having outside directors seems to have invigorated discussions at Board of Directors meetings.

**Kono:** From my position, I may comment on what a company should do from a CSR perspective, and the atmosphere at meetings allows for a clear discussion on whatever the topic is. But voicing opinions easily doesn’t necessarily mean good discussions. It’s important to know what viewpoint is appropriate for the topic of discussion and how to form a consensus. Going forward, I think meetings should be held as needed if there are topics that should be discussed by the Board of Directors, even if the issues fall outside the topics planned out at the start of the fiscal year.

### Executive Appointments Committee and Compensation Committee

**Kono:** Following the General Meeting of Shareholders in 2019, I took on the role of chairperson for the Executive Appointments



Committee. Corporate management is increasingly drawing the attention of society, and, against this backdrop, the appointment and dismissal of executive team members as well as their evaluation are understood to be an important duty of outside directors. From this fiscal year, Mr. Arase, with experience in overseas business and corporate management, has been appointed to the committee. For the committee to function properly, it's important to bring in people from outside the Company with the necessary insights and to promote diversity.

**Iwasaki:** With regard to the nomination of directors, I realize that the specific selection of candidates is a role for in-house directors to fulfill. However, in deciding the precise rules for nomination and ensuring transparency in the process, outside directors fulfill accountability. Also, from this fiscal year, I became chairperson of the Compensation Committee, and it's my goal to create a Company-appropriate framework for the fixed and variable portions of directors' compensation and the long-term incentive system. I would compare the Company's current status with general conditions, and design a system that can obtain internal understanding as well as is suitable from a social perspective and well-regarded by investors. I intend to pursue in-depth discussions over the next year.

## Initiatives for Compliance

**Kono:** Compliance is essential for any company, and I think NH Foods has done a good job of building an overall framework for compliance and promoting awareness. Also, all offices have a compliance manager, and these managers all meet regularly at headquarters to exchange opinions. The Company also holds a compliance conference once a year. Nevertheless, my fear is that the awareness of purpose—what compliance is intended to achieve—would be diminished. People have heard the word “compliance” so much that it doesn't pack the punch it used to, and I don't want compliance to become some simple, repeated process. I want people to be fully engaged in compliance.

**Iwasaki:** NF Foods holds compliance activities to an extremely high standard relative to other companies. However, as Ms. Kono mentioned, it's not good when people become blasé and complacent about compliance. I think the Company can be more resourceful in its approach to compliance activities. You see, it is far more likely that executives will cause a compliance-related problem, not a regular employee. Therefore, we should consider past examples of compliance violations, including anything that happened at NH Foods, and design activities that are absolutely unswerving in their purpose.

**Arase:** I have been involved in compliance within Asia since 2015, and I sense that the meaning of compliance has changed. Back then, compliance meant legal compliance. Now, it has come to encompass responding to stakeholder requests. For example, perceptions on overtime have changed. If overtime conforms to the Labor Standards Act and is properly compensated, then, legally, there is no problem. But, recently, companies where employees work a lot of overtime are tagged as exploiting their employees. Compliance efforts will have to be attuned to requests from stakeholders, including employees, customers, government, and shareholders, and meet expectations.



**Within the NH Foods Group, compliance activities are held to an extremely high standard, but greater resourcefulness in compliance practices will contribute to the creation of a framework that meets an even higher standard.**

## Diversity

**Kono:** Since my predecessor was appointed, NH Foods has had a structure in place that included one female outside director. Is this a reflection of changing perspectives within the Company, or is the Company simply jumping on the trending popularity of diversity? The diversity issues aren't limited to women. It's relatively easy to promote diversity by bringing in specific individuals from outside. The harder part is developing human resources who will assume accountability within the company. As a woman, I hit career plateaus as I progress through different stages of life, but, even then, society had acquired a certain level of understanding about working women. NH Foods has to think about how work styles can evolve and promote a deeper awareness of the human resources system among employees. How does NH Foods define diversity? The Company must be very clear in this.

**Iwasaki:** NH Foods is a food maker seeking to expand overseas sales as one of the Company's objectives. For this reason, the Company has to establish a grassroots structure that enables women and locally hired employees to play more active roles in the organization and rise to the executive level. Overall, there may be consensus when this topic is brought up, but, on each aspect of this structure, there are many inconsistencies. A fast and routine increase in the ratio of women in management positions is not really good enough. The increase should be a natural progression, and a system to ensure fair evaluation is a must. For example, the Company needs to go beyond the simple evaluation of performance by sales and profit and embrace measures that let every single employee set targets and then accurately assess efforts to achieve those targets.

**Arase:** At the place where I previously worked in Singapore, more than half of the employees were women, and, also, since Singapore is a multiethnic city state, value perceptions were naturally different to me. When I returned to Japan, I was struck by

how poles apart we are from the rest of the world on diversity. To promote diversity, a big step forward could—and should—come from efforts by corporate Japan. For instance, people from overseas locations within the NH Foods Group could be brought into domestic operations on a regular basis. The opportunity for direct contact with different races, genders, value perceptions, and lifestyles is the first step to understanding diversity. Overseas, I took an innovative approach to communication. To ensure that instructions were conveyed properly, I changed the way I wrote emails when sending messages to area managers in other countries. I would like to share with everyone the insights I have acquired through my contact with different cultures and communication practices.

## ESG Initiatives

**Kono:** At NH Foods, there is a high sense of awareness regarding the disclosure of non-financial information, and divisions that deal with CSR promote systematic activities. However, the level of awareness in offices and frontline divisions needs to be raised. Meanwhile, business partners also make requests. For example, business partners keen to address the issue of plastics in the ocean have asked the question “Can’t something be done about the plastic straws attached to drinkable yogurts?” This really drove home to me that ESG initiatives are needed on the front line, too.

**Iwasaki:** CSR initiatives, especially progress on CSR procurement, have to be acknowledged. But here, too, there is overall agreement and localized disagreement. Some internal voices call for a top-down approach that presents the big picture to define priorities and make systematic progress toward targets. Supporting this top-down approach is also something we outside directors do. Responding to changes in society will cause temporary expenses, but, from a corporate longevity perspective, this is a necessary investment. Suggestions on what investments to pursue will help senior management in decision making.



In promoting ESG initiatives, the trick will be working E and S into G.

**Arase:** For ESG, the trick will be working environment E and society S into governance G. We can help incorporate S into G through conversations that make it easy to convey stakeholder opinions to the Board of Directors. And then there’s E—a risk with the power to significantly impact the sustainability of a business. Consider the chain reaction—climate change causes a poor crop of grain, which leads to a shortage of feed for livestock, which prompts a reduction in production of fresh meats. Shifting E factors must be monitored. Overseas, more and more companies have their board of directors discuss E and S, and, going forward, I’d like to see the Board of Directors at NH Foods pursue discussion of E and S and associated risks and opportunities in more depth. What worries me most as NH Foods rolls out E and S initiatives is the assumption that the front line will naturally embrace these initiatives because the environment and society are changing. We outside directors can help to dispel this assumption since we have an outside perspective and will support efforts to work E and S into G.

**Kono:** The Advisory Committee for the National Action Plan on Business and Human Rights, of which I am a member, laid out a National Action Plan (NAP) that will be announced in June 2020. Like other companies expanding their overseas operations, NH Foods will have to deal appropriately with negative issues, such as the violation of human rights of workers and area residents

as well as environmental pollution at production sites where the Company has established operations. Accountability will come into question. It will be part of the outside directors’ duties to identify trends in Japan and overseas and share knowledge with management. I want NH Foods to be a company that anticipates social changes, implements the necessary investments, and has the challenging spirit to engage in businesses with confidence.

## Accessible Information Promotes Understanding for Stakeholders

**Iwasaki:** To gain the understanding of stakeholders, a company has to make information accessible. NH Foods has made excellent moves, including the sale of foods for people with food allergies, but I don’t think the merits of these efforts have been fully conveyed to society. We have been involved in publishing information for consumers at other companies, so we draw on this experience to offer advice relevant to NH Foods. This will contribute to higher brand value for products in the Group’s portfolio and, by extension, raise corporate value.

**Kono:** I mentioned earlier that I had been around to production and distribution sites. The efforts I saw being made exceeded my expectations. Such great work is being done, and I think it’s a shame that more people aren’t aware of what the Group is doing. NH Foods has exceptionally good content, and sharing it better would certainly underpin higher corporate value. I would like to contribute to accessible information from a consumer perspective.

## Future Initiatives

**Iwasaki:** NH Foods has three outside directors, and outside directors make up one-third of Board members. But meeting some prescribed standard for the number of people is not necessarily good. Outside directors have to serve a purpose. We three outside directors will be put to the test, exchanging opinions, and bouncing ideas off each other, to contribute to the sustainable development of NH Foods.

# Corporate Governance

The NH Foods Group aims to enhance the management transparency and efficiency of the entire Group and increase its corporate value by pursuing thorough compliance management and enhanced corporate governance.

Note: For more information, please see the Company website.

WEB

NH Foods corporate governance

<https://www.nipponham.co.jp/eng/ir/policy/governance.html>

## Basic views on corporate governance

In order to establish a corporate governance system which the NH Foods Group considers most appropriate and in order to make such a system functional so that the Company is able to exercise social responsibility for the Group and to realize the vision of the Group as the World Leader in Delivering the “Joy of Eating,” the Company presents its basic views on the corporate governance of the Group and will continuously strive to enhance

such corporate governance.

The principles of corporate governance of the Group are to enhance its management transparency and efficiency, to ensure timely and proper decision making as well as appropriate business operations, to enable proactive and courageous business judgments, and to clarify its responsibility.

## Efforts to strengthen corporate governance

### ACHIEVEMENTS IN THE REINFORCEMENT OF CORPORATE GOVERNANCE

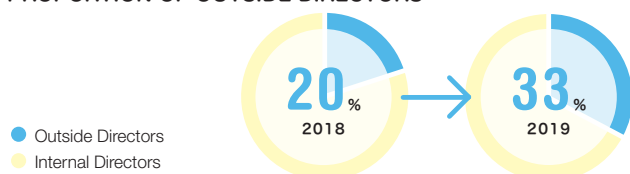
(Year)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Medium-Term Management Plan	New Medium-Term Management Plan Part 1 Restructuring of our corporate culture and promoting management reform			New Medium-Term Management Plan Part 2 Corporate value improvement by continuous reform and challenge			New Medium-Term Management Plan Part 3 Solidifying domestic operations and becoming a global enterprise			New Medium-Term Management Plan Part 4 Improve the profitability of domestic operations and reinforce the foundation of overseas operations			New Medium-Term Management Plan Part 5 Creating a stable business model through reform			Medium-Term Management Plan 2020 Building systems that pave the way to the future	
Number of Directors*	11	10	11	10	10	12	10	12	12	10	10	10	10	10	10	10	9
Of whom, Outside Directors	2	2	2	2	2	2	1	2	2	2	2	2	2	2	2	2	3
Number of Audit & Supervisory Board Members*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Of whom, Outside Audit & Supervisory Board Members	4	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Committees	<p>2002 Established Corporate Ethics Committee (until 2004)</p> <p>2006 Established Corporate Value Evaluation Committee (Antitakeover measures are introduced)</p> <p>2015 Renamed Corporate Value Enhancement Committee (Note)</p> <p>2003 Established Compliance Committee</p> <p>2003 Established Compensation System Committee</p> <p>2011 Renamed Compensation Committee</p> <p>2011 Established Executive Appointments Committee</p> <p>Established Board of Independent Officers and Representative Directors, and Board of Independent Officers</p> <p>2016 Established CSR Promotion Committee</p> <p>2018</p> <p>2003 Established Crisis Management Committee</p> <p>2007 Renamed Risk Management Committee</p> <p>2008 Established JSOX Committee / 2009 Renamed Internal Control/JSOX Committee</p>																
Management Committees	<p>2003 Established Management Strategy Committee, Investment and Finance Committee, and Corporate Executive Committee</p> <p>2004 Established Corporate Governance Committee</p>																
NI (Nipponham Group Identity)	<p>2002 Revised Nipponham Group Code of Conduct</p> <p>2010 Revised Nipponham Group Action Guidelines</p> <p>2005 Established the Group Brand</p> <p>2014 Changed the Group Brand and the Corporate Brand</p>																

(1986 Established Nippon Ham Co., Ltd. Corporate Philosophies, Management Principles, and Action Guidelines)

\* Number after the Ordinary General Meeting of Shareholders

(Note) Although the antitakeover measures were abolished at the conclusion of the Company's Ordinary General Meeting of Shareholders held in June 2018, the Corporate Value Enhancement Committee continues its activities as a place for improving the Group's corporate value through the exchange of opinions among the President and Representative Director, the other Directors, Audit & Supervisory Board Members, and outside experts.

## PROPORTION OF OUTSIDE DIRECTORS



The Board of Directors of the Company currently comprises six internal executive directors and three independent outside directors, with the aims of enhancing management transparency, supervising business operations, and strengthening governance.

## PROPORTION OF OUTSIDE AUDIT &amp; SUPERVISORY BOARD MEMBERS



## Corporate governance system

## Directors and the Board of Directors

The Company clarifies responsibilities and authority in the management supervisory function by directors and the business execution function by executive officers. The Company sets the number of directors of at least three but no more than 12, taking timely and appropriate decision making and the scope of the Board of the Directors' responsibilities into consideration and in order to ensure the transparency of the Board of Directors. Also, in general, the Company appoints multiple outside

directors. Currently, there are nine directors, which include three outside directors and they are eight males and one female. In addition, the director's term of office is one year in order to clarify management responsibility for each fiscal year. The Board of Directors is held monthly wherein the president and representative director serves as the chairperson, and makes decisions on the matters set forth in the laws, regulations, and the Articles of Incorporation, as well as other important matters.

## Audit &amp; Supervisory Board Members and the Audit &amp; Supervisory Board

The Audit & Supervisory Board takes part in the supervisory function of the Company in cooperation with the Board of Directors, and, as an independent organization entrusted by the shareholders, audits the execution of duties by directors. The Company sets the number of audit & supervisory board members of at least three but no more than five, in order to fully perform the supervisory function toward the Board of Directors. Also, in general, the Company appoints three or more outside audit & supervisory board members.

Currently, there are five audit & supervisory board members, which include three outside audit & supervisory board members and all of them are men. The Audit & Supervisory Board should include individuals who have appropriate expertise in finance, accounting, and legal affairs, and the Company must appoint at least one audit & supervisory board member who has abundant knowledge in finance and accounting. The Audit & Supervisory Board is held monthly, and makes decisions on important matters concerning auditing.

OPINIONS OF OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS AND THEIR MEETING ATTENDANCE RECORD  
(From April 1, 2018 to March 31, 2019)

Category	Name	Opinions Expressed	Meeting Attendance Record
Outside Directors	Iwao Taka	Mr. Taka expressed his opinions on overall management in a timely manner to promote sound and efficient management, from his professional standpoint as a university professor specializing in corporate ethics and CSR, as well as his broad knowledge of international economics. He also served as chairperson of the Executive Appointments Committee, chairperson of the Compensation Committee, a member of the Corporate Value Enhancement Committee, and a member of the CSR Promotion Committee.	Attended 16 of 19 Board of Directors' meetings (Attendance rate: 84.2%)
	Yasuko Kono	Ms. Kono, from time to time, expressed her opinions on the promotion of the consumer-oriented "Management for No. 1 Quality" based on her abundant experience and knowledge of consumer affairs. She also served as a member of the Executive Appointments Committee, the Compensation Committee, and the CSR Promotion Committee.	Attended 13 of 13 Board of Directors' meetings (Attendance rate: 100%)
Outside Audit & Supervisory Board Members	Akira Otsuka	Mr. Otsuka expressed his opinions in a timely manner to ensure the legality and appropriateness of Group management from his professional standpoint as an attorney-at-law and abundant experience with fairness and objectivity. He also served as a member of the Compensation Committee, a member of the Corporate Value Enhancement Committee, and an observer of the CSR Promotion Committee.	Attended 19 of 19 Board of Directors' meetings (Attendance rate: 100%) Attended 27 of 27 Audit & Supervisory Board meetings (Attendance rate: 100%)
	Akihiko Shiba	Mr. Shiba expressed his opinions in a timely manner to ensure the legality and appropriateness of Group management from his professional standpoint as an attorney-at-law and abundant experience with fairness and objectivity. He also served as an observer of the Compliance Committee.	Attended 19 of 19 Board of Directors' meetings (Attendance rate: 100%) Attended 26 of 27 Audit & Supervisory Board meetings (Attendance rate: 96.3%)
	Atsushi Iwasaki	Mr. Iwasaki expressed his opinions on financial accounting as well as management in general from his professional standpoint as a certified public accountant and his abundant experience in a timely manner.	Attended 18 of 19 Board of Directors' meetings (Attendance rate: 94.7%) Attended 25 of 27 Audit & Supervisory Board meetings (Attendance rate: 92.6%)

(Note) Regarding the number of times Ms. Yasuko Kono attended, only the meetings of the Board of Directors held after her appointment on June 26, 2018 are counted.



## Evaluation of effectiveness of the Board of Directors

The Company has conducted analysis and evaluation of the effectiveness of the Board of Directors in accordance with the NH Foods Group Fundamental Policy on Corporate Governance since fiscal 2015, for the purpose of identifying issues on the system and operation of the Board of Directors of the Company and leading to the efforts to improve the effectiveness of the Board of Directors.

For three years up until fiscal 2017, we conducted the evaluation by self-evaluations through questionnaires, but in fiscal 2018, in order to further increase the objectivity and delve deeper into concerning issues, we conducted the evaluation by way of external evaluation, through interviews in addition to the questionnaires.

### Method and Process of Evaluation of Effectiveness

In fiscal 2018, the evaluation was conducted by way of external evaluation through interviews and questionnaires for all directors and audit & supervisory board members, for the purpose of evaluating the activities of the Board of Directors during fiscal 2018 as well as evaluating the progress of improvement of the issues identified through the evaluation in fiscal 2017. Also, in an

attempt to ensure obtaining their candid opinions and conducting objective analysis, answers to the questionnaires were directly returned to a third-party evaluation organization, not via the Company's secretariat. Further, in order to delve deeper into concerning issues which were indicated in the questionnaires, all directors and audit & supervisory board members were interviewed.

### Initiatives to Resolve the Issues of Fiscal 2018

Based on the results of the evaluation on the effectiveness of the Board of Directors in fiscal 2018, two initiatives were determined and carried out to enhance effectiveness as follows:

(i) Implementation of Training Sessions and Information Distribution

We implemented reinforcements of early distribution of briefing materials, prior explanation directed to outside officers, provisions of information regarding the Company's businesses for newly appointed outside officers, and continuous training sessions for corporate officers to acquire the required knowledge.

(ii) Implementation of "Selection, Education, and Transfer Programs" for Next-Generation Executives

As training programs for next-generation executives, based on the five requirements of human resources character required for executives, we conducted an analysis on behavioral characteristics by way of a 360-degree evaluation and individual interviews for executive officers.

In the evaluation for fiscal 2019, while steady progress was confirmed for both of the above initiatives, it was confirmed that (i) further reinforcement of training sessions provided for newly appointed corporate officers when they take office and (ii) continuance of programs for next-generation executives are necessary.

### Initiatives for Fiscal 2019

The Company's Board of Directors has confirmed that, in addition to continuous consideration for expanding discussions on management strategies from a companywide perspective, the following two initiatives will be strengthened for further enhancement of its effectiveness.

(i) We will clarify the priority order of matters on which the Board of Directors should focus on in its discussions, such as medium- to long-term strategy and long-term visions, and set a schedule for them.

(ii) We will reinforce training sessions for newly appointed corporate officers when they take office and also reinforce training sessions for corporate officers, including providing support for participation in outside training sessions.

## Optional committees

To enhance the objectivity and transparency of management, the Company has established the following optional committees as advisory bodies to the Board of Directors.

	Objectives	Times Convened in FY2018
Compliance Committee	Comprehensively review Groupwide compliance and make proposals to the Board of Directors and Management Strategy Committee to accomplish the Group's goal of becoming the most trustworthy corporate group in Japan	6 (97.6% attendance)
Executive Appointments Committee	To improve the supervisory function of the Board of Directors by way of enhancing the transparency and objectivity of decisions on candidates for the Representative Directors/Directors/Audit & Supervisory Board Members as well as discussion on dismissal and/or removal of the President and Representative Director and other management (Executive Directors and the Executive Officers).	7 (97.1% attendance)
Compensation Committee	Enhance the transparency and objectivity of decisions on compensation for corporate officers (including executive officers) and improve supervisory function of the Board of Directors	3 (93.3% attendance)
Board of Independent Officers and Representative Directors	Improve the Group's corporate value and provide a venue for proposing reformation of corporate culture by free and open discussions among independent officers and representative directors	2 (95.0% attendance)
Board of Independent Officers	To exchange information and to share understandings from an independent and objective perspective.	2 (91.7% attendance)
Corporate Value Enhancement Committee	To improve the Group's corporate value through exchanging opinions among the President and Representative Director, the other Directors, and Audit & Supervisory Board Members as well as outside experts.	4 (87.5% attendance)
CSR Promotion Committee	To report and advise the Board of Directors by considering initiatives toward CSR in a comprehensive manner from the aspects of the environment, society, and governance, in order for the Group to contribute to society as a corporate citizen.	4 (97.7% attendance)

### COMPOSITION OF OPTIONAL COMMITTEES (As of June 25, 2019)

● Committee Chairperson ● Committee Member \*Independent Officer

Position	Name	Executive Appointments Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Officers	Compliance Committee	Corporate Value Enhancement Committee	CSR Promotion Committee
President and Representative Director	Yoshihide Hata		●	●		●	●	●
Vice President and Representative Director	Katsumi Inoue			●			●	●
Director	Tetsuhiro Kito							●
Director	Hajime Takamatsu	●	●			●	●	●
Director	Nobuhisa Ikawa							●
Director	Sadanori Miyagai					●		●
Director (Outside)	Yasuko Kono*	●	●	●	●	●		●
Director (Outside)	Atsushi Iwasaki*	●	●	●	●			●
Director (Outside)	Hideo Arase*	●	●	●	●		●	●
Audit & Supervisory Board Member (Outside)	Akihiko Shiba*	●		●	●			
Audit & Supervisory Board Member (Outside)	Masayuki Kitaguchi*			●	●	Observer		
Audit & Supervisory Board Member (Outside)	Tokushi Yamasaki*			●	●		●	●

Notes: 1. The Compliance Committee comprises the Compliance Department manager, external experts, and union representatives, in addition to the above members.  
2. The Corporate Value Enhancement Committee comprises three external experts independent from the Company, in addition to the above members.

## Compensation of directors and audit & supervisory board members

The Company maintains a highly transparent, fair, and rational compensation system that is designed to attract talented executives who can maximize the Company's corporate value by performing their duties.

It ensures that directors' and audit & supervisory board members' compensations are transparent, fair, and rational by

having the Compensation Committee, chaired by an outside director, deliberate on these matters, with the final decision made by the Board of Directors. Furthermore, the adequacy of its compensation standards based on his/her position is verified every year in the light of a result of the compensation investigation in which Japanese leading companies take part.

### SUMMARY OF COMPENSATION

	Type of compensation	Details
Directors	Basic compensation Performance-based compensation	The basic compensation and the performance-based compensation make up 80% and 20%, respectively. The performance-based compensation is set in the range of 0%-40% according to the annual business performance (net sales, business profit (Note), ROE, and ROIC) and the individually established goal attainment level of management issues.
	Stock acquisition-based compensation	The stock acquisition-based compensation intended to reflect medium- to long-term business performance is a monthly fixed amount. Each Director acquires shares for such fixed amount (through the officers' stock ownership plan) and shall not transfer such shares while he/she remains in office and for one year after his/her retirement from office.
Audit & supervisory board members	Basic compensation only	

(Note) For the purpose of clarifying income derived from business activities, the Group has decided to use business profit instead of the previous operating income. Business profit is calculated by deducting cost of goods sold and selling, general and administrative expenses from net sales, and making adjustments of foreign exchange gains and losses determined by the Group, adjustments in accordance with International Financial Reporting Standards ("IFRS"), and adjustments of non-recurring items.

(Note) The maximum amounts of compensation of Directors and Audit & Supervisory Board Members are ¥42 million per month for Directors (as resolved at the Ordinary General Meeting of Shareholders held on June 27, 1996) and ¥8 million per month for Audit & Supervisory Board Members (as resolved at the Ordinary General Meeting of Shareholders held on June 26, 1998), respectively.

## Business performance evaluation standards

The three evaluation items are (1) companywide business performance, (2) business performance per department (business division, department), and (3) management issues, where the achievement evaluation is independent for each item. As to the index for business performance evaluation, under the aim to enhance the capital effectiveness, ROE has been adopted as the companywide business performance from fiscal 2012. Further, under the aim to enhance the capital effectiveness of the invested capital, ROIC has been adopted as business performance per department from fiscal 2015.

The goals and results of companywide business performance for fiscal 2018 are as follows.

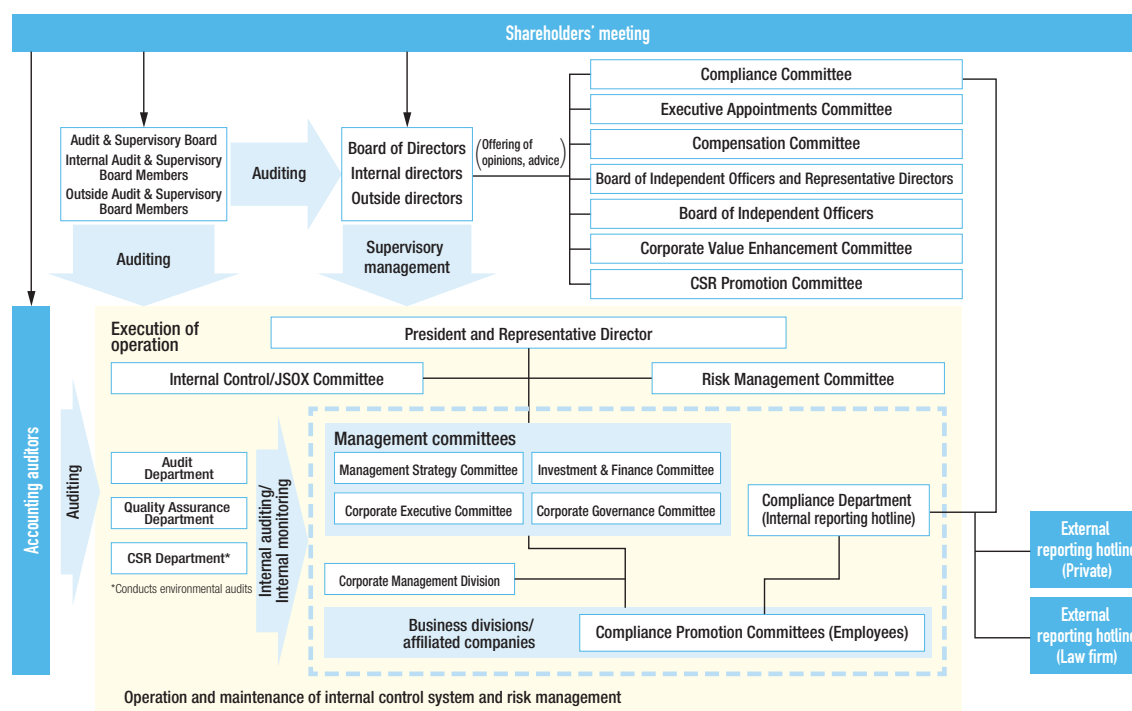
(Millions of Yen)

Item	Goals	Results
Consolidated net sales	1,310,000	1,234,180
Consolidated operating income	50,000	32,265
ROE	7.5%	4.8%

### COMPENSATION AMOUNTS/NUMBER OF CORPORATE OFFICERS WHO RECEIVED COMPENSATION

	Total Amount (Millions of yen)	Compensation by Type (Millions of yen)			Number of Corporate Officers Who Received Compensation
		Basic Compensation	Performance-Based Compensation	Stock Acquisition-Based Compensation	
Directors (excluding outside directors)	328	236	35	56	8
Audit & supervisory board members (excluding outside audit & supervisory board members)	38	38	–	–	2
Outside directors and audit & supervisory board members	60	60	–	–	6

Note: The basic compensation of directors (excluding outside directors) includes performance- and stock acquisition-based compensation.



## Auditing system

### Internal Audits and Audits by Audit & Supervisory Board Members

Internal audits (assigned by 21 auditing staff in the Audit Department) are carried out with audit & supervisory board members and accounting auditors. Such audits are conducted at plants, business offices, and other facilities, as well as at both domestic and overseas subsidiaries to evaluate their accounts and business operations. The results of internal audits are reported to the Board of Directors, and are carefully considered to ensure both thorough compliance and improvement of business operations.

Accounting auditors hold discussions with the Audit Department and obtain the status of internal audits to evaluate the effectiveness of internal controls. They also exchange information concerning audit results to increase the efficiency of audits.

With regard to audits by audit & supervisory board members

(five appointed members), these members attend meetings of the Board of Directors and Management Strategy Committee, as well as other relevant meetings to check business execution by directors. Audit & supervisory board members also monitor the effectiveness of internal controls. To enhance the effectiveness of the internal controls, they seek detailed information regarding matters they judge to be important in the performance of their duties such as matters concerning accounting auditors' audit plans, their judgments on accounting treatment and presentation, and audit results, and set up opportunities for discussions with accounting auditors, on a timely basis, to determine the presence of actual or potential problems that the Audit & Supervisory Board has identified while performing its duties.

## Accounting audits

### 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
Wakyu Shinmen	Deloitte Touche Tohmatsu LLC
Kenichi Takai	Deloitte Touche Tohmatsu LLC
Shunsuke Matsumoto	Deloitte Touche Tohmatsu LLC

Notes: 1. Assistants who helped with accounting audits included 22 CPAs, 16 CPA-certified individuals, and 35 other individuals.

2. As the number of consecutive years that audits have been performed does not exceed seven years, this information is not stated.



# Internal Control

The NH Foods Group is committed to strengthening internal controls at its offices and at Group companies, in recognition of the importance of not only the management framework, but also cumulative efforts in the workplace to fulfill responsibilities to all stakeholders and enhance the effectiveness of compliance and risk management.

## Compliance promotion framework

The NH Foods Group has reinforced compliance by ① **formulating a compliance management policy**, ② **conducting awareness-raising activities** to ensure that employees are aware of these policies in order to implement them, ③ **monitoring** to confirm proper implementation, and ④ **modifying and improving** as necessary. By repeating this cycle, we endeavor to enhance and reinforce compliance management.

### Compliance Committee

Chaired by the President of NH Foods Ltd., the Compliance Committee comprehensively evaluates issues such as verification of compliance status, development of a compliance promotion framework, and the formulation of compliance policies for the entire NH Foods Group. It also plans measures to promote compliance awareness and proposes them to the Board of Directors and other management committees.

### Compliance Promotion Committees

The Compliance Promotion Committees, which have been established within individual Group companies and business divisions, discuss compliance and proactively develop compliance awareness activities.

### Compliance Leader Conference

The Compliance Leader Conference comprises representatives of the Compliance Promotion Committees and plans specific activities for ensuring compliance awareness for the entire NH Foods Group. In fiscal 2018, we worked to eliminate harassment and improve communication between employees under the theme “We all are partners of each other; let’s create and coordinate workplaces we can be proud of.” The conference also discussed a review of the “NH Foods Group Action Standards (Japan version),” and suggested revisions. In fiscal 2019, we will continue this theme, and hold ongoing discussions to promote independent compliance activities by each company in the Group.

#### ① Formulating a compliance management policy

We have established the “NH Foods Group Global Action Standards,” which are common worldwide, and, based on this, we have formulated the “NH Foods Group Action Standards (Japan version)” for Japan.



#### ② Conducting awareness-raising activities

##### Compliance training

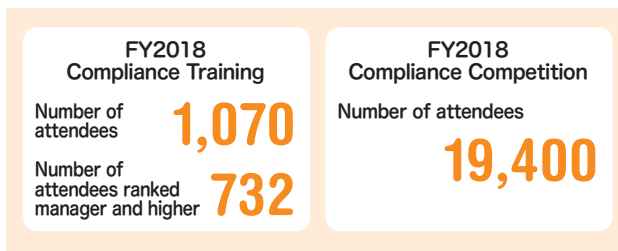
We are working to instill the importance of compliance by holding compliance-training seminars for each level of the organization to disseminate knowledge and generate Group discussions based on case studies.

##### Compliance competition

The competition fosters awareness of compliance. It is attended by all employees of Group companies and business sites.

##### Office study groups

Offices convene study groups individually or with nearby business units to explore material presented on video or in case studies regarding harassment prevention and vitalizing workplace communication.

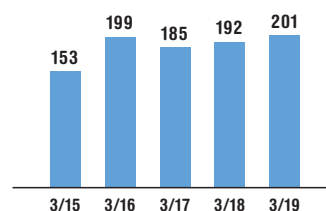


#### ③ Monitoring

##### Consultation desks

We set up a desk in-house and two outside, which all Group employees can freely access in order to report complaints, blow the whistle, or seek advice about workplace issues.

NUMBER OF CONSULTATIONS RECEIVED



In addition to the consultation desks above, we established the Auditor Consultation Desk for reporting Directors in January 2018 in order to encourage reporting of illegal and illicit activities by Group officers.

### Regular communication with employees at 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.

## Corruption Prevention

To prevent bribery, we have established the “NH Foods Group Action Standards (Japanese version)” for Group companies in Japan, and the “NH Foods Group Overseas Governance Policy” for Group companies overseas. We prohibit entertainment and gifts to public officials for the purpose of unjust profit, either directly or indirectly through agents or the like, and ensure awareness of the standards through such means as training and visits to business sites in Japan and internationally.

## Risk management

### Basic Policy

We position risk management as a key management issue for the future growth of the Group. Through the practice of risk management, we endeavor to live up to the trust of our stakeholders and enhance our corporate value.

### Risk Management Activities

Risk management of the Group is founded on two pillars: “preventive activities adopted for non-emergency events (material risk prevention activities)” and “emergency crisis response (the Crisis Management Committee).” Preventive activities adopted for non-emergency events identify risks at each Group company based on internal and external information, and make separate assessments of risks with large potential impact. Through this process, risks with insufficient measures (“material risks”) are selected, and countermeasures for such material risks are proposed and implemented. A crisis response is made when a crisis occurs, with members deemed essential according to the level of crisis gathering to plan and implement countermeasures.

### Risk Management System

The Compliance Department has comprehensively managed the risks within the NH Foods Group. Through close cooperation with the relevant departments, the Compliance Department—acting in line with risk management guidelines—has put systems in place for conveying information promptly and

accurately and for establishing a quick response in the event that any of the anticipated risks should materialize. The Risk Management Committee is responsible for discussing and deciding on issues and countermeasures pertaining to the promotion of risk management throughout the Group.

### Business Continuity Plan (BCP)

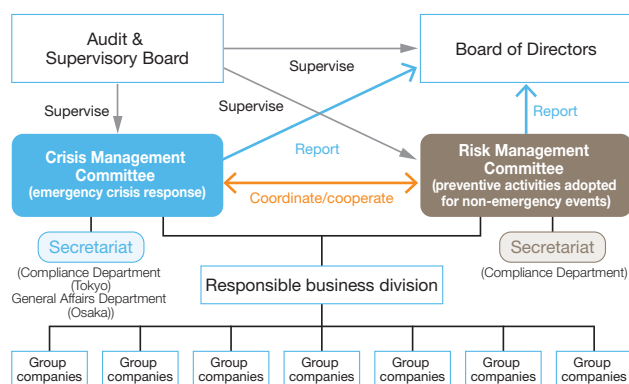
The Group periodically enhances and revises its disaster prevention and BCP manuals, and establishes measures to enable key operations to continue even in the event of a crisis.

Specifically, we use a PDCA cycle, which includes periodically conducting disaster prevention drills at each business location assuming large-scale natural disasters, then revising the disaster prevention and BCP manuals using issues uncovered through this process. We also periodically conduct BCP simulation drills assuming earthquakes directly below the Tokyo metropolitan area and along the Nankai Trough.

### Information Security Measures

The Group recognizes that information security is a major issue affecting operations. We implement information security measures relating to Groupwide IT, including access management, anti-malware measures, and disaster response.

We also endeavor to enhance security by providing annual IT risk education to Group employees and performing security assessments on Group companies. Additionally, based on the increasing sophistication of cyberattacks in recent years, we have taken measures such as building firewall systems and conducting training simulations via security training emails, as well as building a Groupwide Computer Security Incident Response Team (CSIRT), which prepares for unforeseen events, while also obtaining and transmitting internal and external security information.



# Board Members and Executive Officers (As of June 25, 2019)

## Directors



### Yoshihide Hata

President and Representative Director  
(President and CEO)

Mr. Yoshihide Hata joined the Company in 1981. He took office as Director in 2011, and as Director and the General Manager of the Corporate Management Division in 2012, leading the Accounting & Finance Department and Group management as a whole. In 2018, he took office as President and Representative Director.



### Katsumi Inoue

Vice President and Representative Director  
(Executive Vice President)  
General Manager of Fresh Meats Business Division

Mr. Katsumi Inoue joined the Company in 1978. His main responsibility has been the Fresh Meats business in Australia. He took office as Director and General Manager of the Fresh Meats Business Division in 2015, and leads the Fresh Meats business as a whole. He took office as Vice President and Representative Director in 2018.



### Hajime Takamatsu

Director and Managing Executive Officer  
General Manager of Corporate Management Division;  
General Manager of Tokyo Branch Office

Mr. Hajime Takamatsu joined the Company in 1981. He took office as Director in 2015, and as Director and General Manager of the Corporate Management Division in 2018, where he mainly leads business operations in the field of corporate management.



### Nobuhisa Ikawa

Director and Managing Executive Officer  
General Manager of Processed Foods  
Business Division

Mr. Nobuhisa Ikawa joined the Company in 1985. He is mainly responsible for sales, marketing, and product development in the Processed Foods Business Division. Since 2018, he has led the Processed Foods Business Division as a whole as Director and General Manager of that division.

## Outside Directors



### Yasuko Kono

Outside Director

Ms. Yasuko Kono took office as Outside Director in 2018. She has extensive knowledge and experience concerning consumer issues.

## Audit & Supervisory Board Members/Outside Audit & Supervisory Board Members



### Koichi Nishihara

Audit & Supervisory Board Member

Mr. Koichi Nishihara joined the Company in 1975. In 2015, he took office as Audit & Supervisory Board Member, and contributes to the enhanced effectiveness of audits by the Audit & Supervisory Board as a whole, including providing appropriate suggestions based on on-site physical inspections.



### Nobuyuki Tazawa

Audit & Supervisory Board Member

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.



### Masayuki Kitaguchi

Outside Audit & Supervisory Board Member

Mr. Masayuki Kitaguchi took office as Outside Audit & Supervisory Board Member in June 2019. He has professional knowledge and abundant experience as a certified public accountant and attorney at law.



### Tetsuhiro Kito

Director and Managing Executive Officer  
General Manager of Overseas Business Division

Mr. Tetsuhiro Kito joined the Company in 1982. After taking office as Director and the General Manager of the Sales & Marketing Division, Processed Foods Business Division in 2015, and leading sales and marketing of the processed foods business, he took office as General Manager of the Overseas Business Division in April 2019.

### Executive Officers

Fumio Maeda	Hiroyuki Tsukuda
Masahito Kataoka	Kenya Maruyama
Hideki Fujii	Shuichi Toda
Keiji Maeda	Toshiyuki Hagino
Nobuo Oda	Kohei Akiyama
Tadaaki Ito	Kazuhiro Mikuni
Kuniharu Hirai	Hitoshi Yao
Takao Seki	



### Sadanori Miyagai

Director and Managing Executive Officer  
In charge of Quality Assurance Department,  
Customer Service Department and CSR Department

Mr. Sadanori Miyagai joined the Company in 1982. He is responsible for corporate planning and corporate management, and administration of the Fresh Meats Business Division. He took office as Director in June 2019.



### Atsushi Iwasaki

Outside Director

Mr. Atsushi Iwasaki took office as Outside Director in June 2019. He has a proven track record and experience as an Outside Audit & Supervisory Board Member until the fiscal year prior to the year under review, and has professional knowledge as a certified public accountant.



### Hideo Arase

Outside Director

Mr. Hideo Arase took office as Outside Director in June 2019. He was in charge of overseas business at a major manufacturer of medical equipment and has abundant experience and deep insight in global-scale corporate management.



### Akihiko Shiba

Outside Audit & Supervisory Board Member

Mr. Akihiko Shiba took office as Outside Audit & Supervisory Board Member in 2015. He has a professional standpoint and abundant experience as an attorney at law.



### Tokushi Yamasaki

Outside Audit & Supervisory Board Member

Mr. Tokushi Yamasaki took office as Outside Audit & Supervisory Board Member in June 2019. He has served as a securities analyst in the food sector in a major securities company, and possesses professional knowledge and abundant experience in food companies in general.

Note: See our website for bios, positions, responsibilities, and important concurrent positions in our Notice of the 74th Ordinary General Meeting of Shareholders

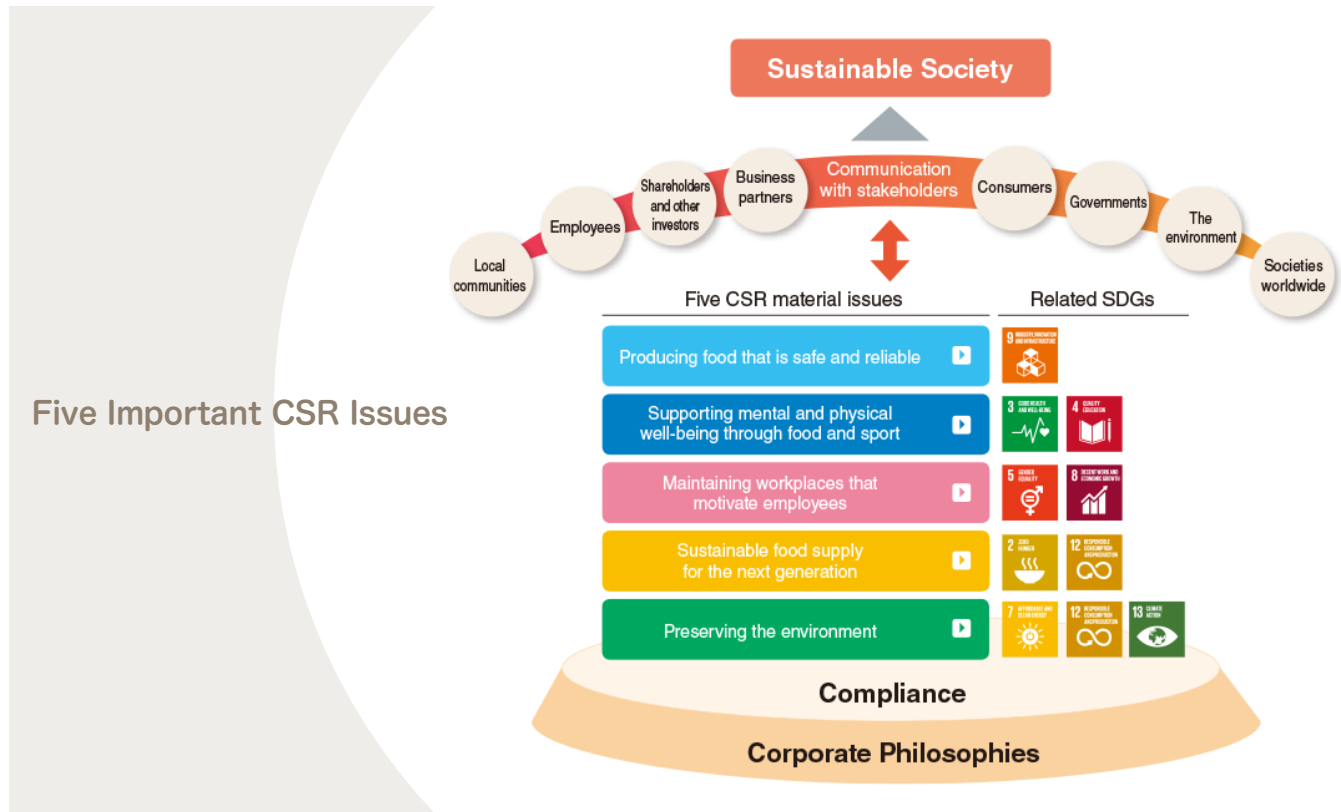
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NH Foods Notice of the 74th Ordinary General Meeting of Shareholders  
<https://www.nipponham.co.jp/eng/ir/events/generalmeeting/>



# Sustainability Highlights

The NH Foods Group lists “Pursue sustainability” as one of the business policies of its Medium-Term Management Plan 2020. We endeavor to resolve social issues through our business activities and contribute to the achievement of the Sustainable Development Goals (SDGs), while valuing communication with stakeholders based on our five important CSR issues.



## Identifying the five important issues

The Group has identified five important issues for CSR: producing food that is safe and reliable, supporting mental and physical well-being through food and sports, maintaining workplaces that motivate employees, sustainable food supply for the next generation, and preserving the environment.

We evaluated and considered these issues from the perspective of our stakeholders and of the Company itself, surveying customers, business partners, shareholders and other

investors, and employees, and conducting interviews with external experts, based on the societal requests that incorporated international trends and initiatives as well as the Group's business environment. We also conducted stakeholder dialogues with external experts and Group executives, after which we made the final decision on our five important CSR issues at the meeting of the Corporate Governance Committee and Board of Directors in January 2016.

## Structure for promoting CSR

Recognizing that the decisions of top management are necessary to promote CSR effectively, we established the CSR Promotion Committee, with the President as the Committee Chairperson and its members primarily comprised of directors

and executive officers. The responsibilities of the CSR Promotion Committee include studying policies and topics relating to CSR as well as confirming progress.

## Producing Food that Is Safe and Reliable

As an enterprise that delivers the “Joy of Eating,” the Group’s social mission is to produce food that is safe and reliable. We are evolving the creation of safe and reliable products at Group business locations and suppliers in Japan and overseas, and by leveraging feedback from our customers.

### CSR procurement

In 2017, we established a CSR Procurement Policy, and are advancing initiatives with our suppliers. In the fiscal year ended March 31, 2019, we held a CSR procurement briefing for 36 of our primary suppliers in Japan (accounting for about 60% of our supply purchases by value). We asked attendees to sign a confirmation letter, and fill out and return a self-check sheet. In

the fiscal year ending March 31, 2020, our target is to have the attending primary suppliers and overseas primary suppliers account for 80% of our supply purchases by value, as we roll out flexible initiatives aimed at gaining an understanding of CSR procurement and requesting cooperation.

### NH Foods Group CSR Procurement Policy

**NH Foods Group is proceeding with initiatives on Corporate Social Responsibility (CSR) procurement activities, collaborating with business partners and creating relationships of trust based on the principles of coexistence and co-prosperity.**

#### 1. Comply with laws and social norms, and build a system for compliance

We comply with laws and regulations and social norms. In addition, we build a system for such compliance.

#### 2. Securing the quality and safety of products and services

We work to raise the safety and quality of products following the NH Foods Group Quality Assurance Policy.

#### 3. Fair and impartial transactions

We judge quality, service, results, price, reliability, etc., in a comprehensive manner. Also, we establish fair and impartial opportunities for entry into the market.

#### 4. Respect for human rights

We respect and give serious consideration to international standards and opinions regarding human rights.

#### 5. Occupational safety and health

We make a safe environment where employees can work with peace of mind.

#### 6. Concern for the global environment

We work to decrease the environmental impact of our supply chain following the NH Foods Group Environmental Policy as we head toward bringing about a sustainable society.

### Promotion systems

The Corporate Social Responsibility Department functions as the administrative body and establishes task teams to take action in collaboration with procurement personnel in each business division. The CSR Promotion Committee investigates material issues.

### Future initiatives

We will continue to explain the CSR Procurement Policy and Guidelines to suppliers in the future. We will also conduct self-checks, etc. to enhance transparency in the supply chain.

## Dialog with customers

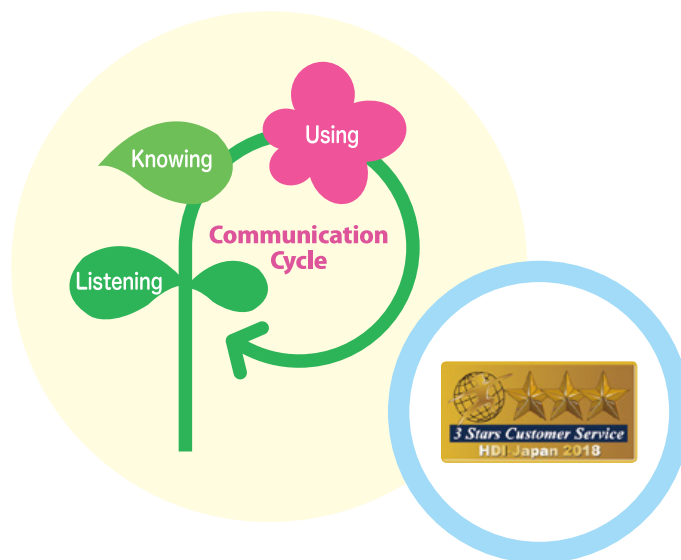
The Group advances consumer-oriented management by sharing customer feedback with the directors and executive management, while operating a communication cycle of “listening, knowing, and using.” In February 2019, NH Foods’ telephone inquiry line won the HDI ranking benchmark’s highest rank of three stars. The reviewers gave high praise to the inquiry line, saying that all representatives provided support politely, with positivity and a sense of collaboration, and that inquiries are resolved with the first contact, with callers able to obtain the information they want for their questions in an appropriate amount of time. We also leverage valuable feedback from our customers, with examples including displaying phosphorus and potassium content on the packaging of *Healthy Kitchen* series products, and adding sample microwave recipes for *SCHAU ESSEN*.

Note: See our website for more details.

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**NH Foods communication with customers**

<https://www.nipponham.co.jp/eng/csr/human/customer/>



## Quality assurance

The Group delivers safe and reliable products to its customers by continually improving its manufacturing environment. As of March 31, 2019, 161 of our manufacturing sites in Japan and abroad have acquired such external certifications as HACCP, FSSC22000, and SQF. The Group’s Quality Assurance Managers perform quality audits and request improvements at manufacturing sites and outsourcing plants in Japan and internationally.

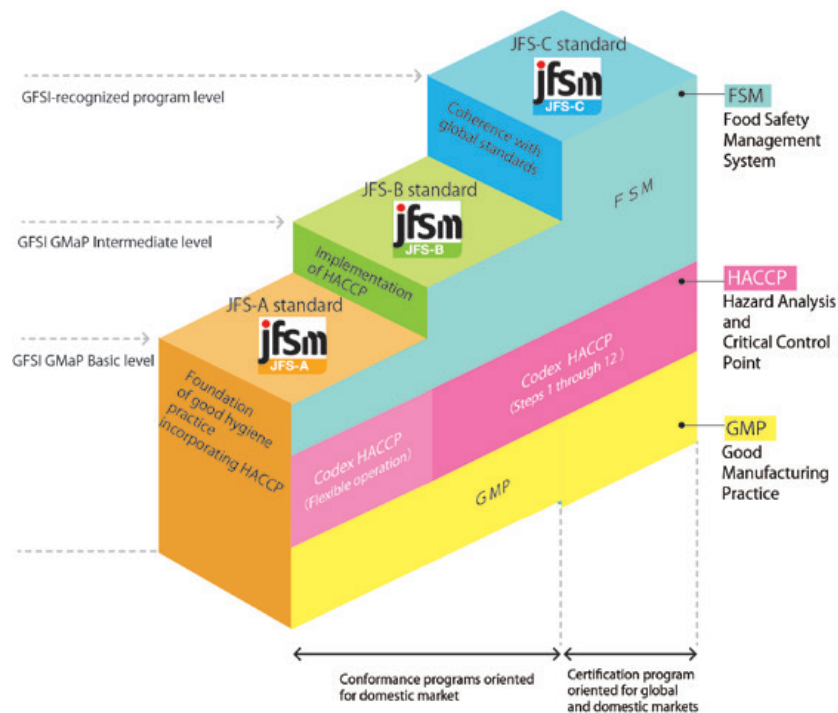
And as the production, manufacture, and distribution of food becomes increasingly global, we are contributing to the creation of JFS standards, a food health and safety management system created in Japan, and certification scheme, as a founder and director of the Japan Food Safety Management Association (JFSM). JFSM advances initiatives with medium- to long-term perspectives aimed at enhancing initiatives to ensure the safety and reliability of foods produced by food-related companies in Japan; creating a platform to ensure the safety and reliability of food for the development and adoption of Japanese food culture internationally; and contributing to the standardization of food safety worldwide.

Note: See our website for more details.

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**NH Foods evaluation by external agencies**

<https://www.nipponham.co.jp/quality/authentication/>  
(Japanese only)



## Supporting Mental and Physical Well-Being through Food and Sports

When NH Foods' founder established the Nippon-Ham Fighters Baseball Club, which was the predecessor to the Hokkaido Nippon-Ham Fighters, he pledged to “contribute to society through food and sports.” The Group carries on the spirit of our founder, and is committed to delivering “the pleasures of good eating” and “the joys of health” by continuously supporting mental and physical well-being through food and sports.

### Participation in running professional sports team

As a grand partner of the Hokkaido Nippon-Ham Fighters professional baseball team, a top partner of the Cerezo Osaka J.League soccer team, and an official partner of The Liverpool Football Club, a professional soccer team in England's Premier League, NH Foods

strives to popularize sports culture, promote public sports, and contribute to regional society, while delivering excitement and dreams by showcasing the all-out efforts of the players.

### Creating sporting opportunities

The Hokkaido Nippon-Ham Fighters aims to use its resources and know-how not only in the sporting sphere, but also in areas such as lifestyles and the local environment through committed involvement in activities to support the education of future generations and the creation of a healthy society. Cerezo Osaka works to promote sports by providing to those in the local community in and around Osaka with opportunities and locations for participation in a wide variety of public sports, centered on soccer.

Aside from professional sports teams, the Company acts as a special sponsor to provide opportunities to enjoy sports at the UNICEF Cup Marathon held in Hyogo Prefecture (the Nishinomiya Half Marathon, Kobe Valentine Love Run, and Ashiya Sakura Fun Run). It also assists local people in energizing their events, such as by providing food stalls.

The Nipponham Flag Rubber Baseball Tournament for Kanto Area Students has been held since 1999 for elementary school students in the 5th grade and lower. The finals tournament sees the eight teams that have won through preliminaries featuring around 6,000 teams from

eight prefectures in the Kanto region play at the Fighters Kamagaya Stadium. This is a valuable opportunity for children to play on the same field on which professional ballplayers train every day. The Company also creates a host of other opportunities to interact with sports, such as the Kansai Youth Soccer Tournament and giving in-class lessons on foods and sports at elementary schools in various regions.

The 20th edition of the Nipponham Flag Rubber Baseball Tournament for Kanto Area Students



In-class lessons on food and sports

### Nutritional support for athletes

The Group actively undertakes sports nutritional support to sustain and nurture professional athletes. The knowledge gained from providing nutritional support to athletes is conveyed to the general public through research reports, food education courses and other social

contribution activities, classes and lectures, publication of printed materials, and other means. This information is used for meal preparation when engaging in sports, maintaining good health, and in career development.

### Construction of the Hokkaido Ballpark

The new stadium of the Hokkaido Nippon-Ham Fighters, “Hokkaido Ballpark (provisional name),” is scheduled to open in March 2023, in Kitahiroshima, Hokkaido (Kitahiroshima Sports Park). The ballpark aims to increase synergy by fusing food with sports, and letting visitors watch games and enjoy dining at the ballpark. We will also support the healthy minds and bodies of Hokkaido residents, city residents, and baseball fans through the development of the local area centered on the ballpark, where visitors can enjoy food, shopping, and entertainment. In addition to proposing a new style of watching sports and contributing to the vitalization of the local economy, the ballpark will serve as a health promotion center for the elderly, and fulfill the role of a comfortable evacuation space in the event of a disaster.





## Maintaining Workplaces that Motivate Employees

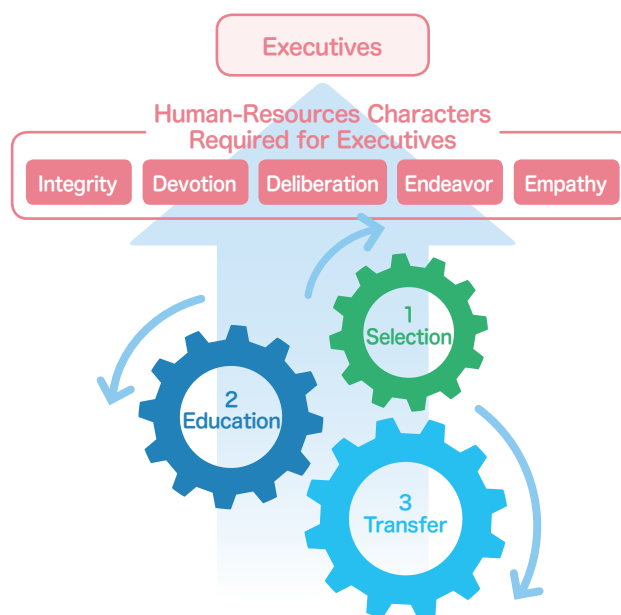
The Group aims to be a place where employees can feel truly happy and fulfilled through such initiatives as promoting human-resource management and work-style reform.

### Promoting human-resource management

#### Developing the Next-Generation Executives

The “NH Foods Group Fundamental Policy on Corporate Governance” specifies the Company’s Plan for the Development of the Next-Generation Executives, with the aim of continuously enhancing our corporate value. In this development plan, we define five requirements of the “Human-Resources Characters Required for Executives” (Integrity, Devotion, Deliberation, Endeavor, and Empathy) as well as making it clear the index for the assessment and development. We also assist in self-understanding and growth by providing executive officers with a program for analyzing behavioral characteristics of management.

#### STRATEGICALLY DEVELOPING THE NEXT-GENERATION EXECUTIVES THROUGH A CYCLE OF SELECTION, EDUCATION, AND TRANSFER



#### Ideal Human Resources Sought by NH Foods Group

The Group defines the requirements of “ideal human resources sought by the NH Foods Group,” symbolized by the phrases “Absolute Reliability,” “Novel Creativity,” and “Endless Challenges” as the ideal forms for employees. Placing the “ideal human resources sought by the NH Foods Group” at the root of

its human-resource management (hiring, education and development, evaluation and treatment, and transfer and assignment), the Group promotes strategic development and utilization of human resources.

#### Human Resource Development and Training System

The Group’s training system can be divided roughly into four categories: promotion program, rank-based training, screening-type training, and career development training. Many of these, such as rank-based training and part of the promotion program, are conducted jointly by the Group. In particular, the goal of screening-type training is to develop the next generation

executives, and as such, we hold it annually for candidates selected by each Group company.

Career development training is conducted jointly by the Group regarding the career path upon reaching the employees’ 30th and 40th birthdays. We will provide a vibrant workplace for our employees by enhancing initiatives that support their career autonomy.

## Promoting workstyle reform

### Establishing Comprehensive Working Conditions in All Group Companies

The Group identifies improvement of comprehensive working conditions and creation of an employee-friendly workplace as key issues common to all Group companies. By advancing the establishment of our human-resource treatment programs, we aim to be a corporate group selected by society as a whole. We are revising our wage structure to establish competitive levels based on the industrial fields, locations, and sizes of

each Group company, aimed at securing employees and employee retention.

We are also advancing initiatives to reduce working hours both in terms of prescribed working hours and overtime. Additionally, we are working to reduce total working hours and improve productivity by streamlining operations and encouraging employees to take annual paid vacation.

### Diversity

In fiscal 2019, the Group officially introduced telework and flex-time for childcare and nursing care needs, aimed at promoting flexible work styles, including enabling employees to balance work with childcare and nursing care.

We promote the active participation of women, and aim to have women hold 12% of leadership positions by fiscal 2020. We also have initiatives to get men involved in housework and

childcare, including guidebooks for dads and their bosses, and awareness-raising posters. NH Foods and eight other Group companies have received the *Kurumin*\* certification, and one company has received *Platinum Kurumin* certification.

\* A program by the Japanese Ministry of Health, Labour and Welfare that certifies companies that support child raising. To be certified, the results of the company's action plan, based on the Act on Advancement of Measures to Support Raising Next-Generation Children, must meet specified requirements.

### USAGE OF CHILD AND NURSING CARE-RELATED SYSTEMS (NH FOODS LTD.)

Items	Details	FY2015	FY2016	FY2017	FY2018
Before and After Childbirth Leave (number of leave takers)	An employee giving birth can take the leave six weeks before giving birth (or 14 weeks for a multiple pregnancy) and eight weeks after giving birth	26	26	40	30
Spousal Childbirth Leave (number of leave takers)	For a period from one week before the expected delivery date of an employees' spouse and two weeks after giving birth, an employee may take three days of leave (paid leave)	41	28	52	27
Childcare Leave		52	63	76	70
Male	Until the child of an employee reaches the age of one year * This can be extended until the age of three if the child is unable to enter a nursery.	5	5	8	4
Female		47	58	68	66
Rate of Employees Returning to Work (%)	(Number of employees returning from childcare leave) / (Number of employees expected to return from childcare leave) x 100	95.5	91.3	97.0	97.1
Shortened Working Hours for Childcare (number of users)	Until an employee's child finishes the sixth year of elementary school, the employee's scheduled working hours in a day may be shorted by up to two hours	61	59	64	91
Nursing Leave (number of leave takers)	When the child of an employee up to the sixth year of elementary school requires nursing, up to 12 days of leave per year can be taken (paid leave)	39	58	59	118

### Health Management and Occupational Health and Safety

The Group positions employee health as an important foundation of management, and we strive to build our health management system and create a healthy workplace. We are working to build a health management system for the Group as a whole, including the assignment of industrial health staff, appointment of appropriate industrial physicians and commissioned doctors, and creation of health management offices at each Group company, as well as holding health and food education seminars and health exercise seminars and prohibiting smoking during prescribed working hours, aimed at promoting employee health.

At our manufacturing plants, we have also introduced an occupational health and safety management system, and taken measures through risk assessments of manufacturing machinery likely to cause serious accidents.

#### OHSAS 18001\* CERTIFICATION STATUS (as of April 1, 2019)



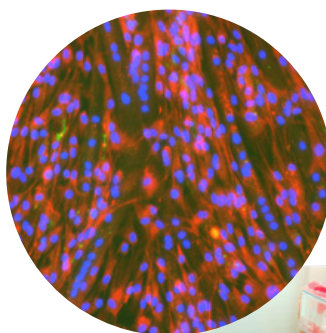
\* OHSAS 18001 are international standards for occupational health and safety management aimed at managing and improving the health and safety of employees.

## Sustainable Food Supply for the Next Generation

A global population increase and economic growth are expected to cause issues for a stable food supply. The Group is committed to researching new protein sources and supporting the development of the next generation of livestock farmers, in order to ensure a sustainable food supply for the next generation.

### Launching basic R&D into cultured meat

As part of its research into a sustainable food supply for the next generation, the Group has started basic R&D aimed at manufacturing food through large-scale cultivation of animal cells. Amid concerns over future food shortages and an impact on the global environment caused by global population growth, expectations are being placed on cultured meat as a new method for producing animal protein. We have been advancing research into collagen aimed at regenerative medicine for over 10 years, and are aiming to provide a sustainable source of protein by leveraging this knowledge, as well as open innovation through active collaboration with external organizations to establish new production technologies.



Beginning basic R&D to ensure sustainable food supply for the next generation

### Supporting the development for the next generation of livestock farmers

Ibaraki Prefectural Mito Agricultural High School raises one or two heads of *wagyu* cattle every year as part of its club activities. Until now, the *wagyu* cattle the school raised were just sold to Ibaraki Chuo Meat Center Co., Ltd., and the students never learned about the subsequent sales channels. With the aim of supporting the next generation of producers, the Mito Sales & Marketing Branch of Kanto Nippon Food, Inc. collaborated with an affiliate in buying the *wagyu* cattle they had raised in an auction, and provided samples and conducted sales at supermarkets with the students, offering them opportunities to interact with distributors and consumers.

In addition, the Mito Sales & Marketing Branch of Kanto Nippon Food, Inc. and Nipponham Marketing, Ltd. visited Mito Agricultural High School, and held a workshop for distribution and an in-class lesson on taste-testing beef. Students and teachers alike were impressed, saying that the cattle raised by the students tasted better than other brands, and the school expressed gratitude stating that this was an opportunity to deepen relations between the next generation of livestock farmers and the local community.



Leaflet used for a product launch

## Preserving the Environment

The Group raises life in nature, and delivers the blessings of life. In order to advance our businesses in harmony with nature, we work to reduce our environmental impact, recognizing climate change and water resources as major risks.

### Progress of environmental performance

In our Medium-Term Management Plan, the Group has set three-year targets for reducing environmental impact from its business activities. Under the Medium-Term Management Plan 2020, which began in April 2018, we formulated numerical targets for environmental performance relating to CO<sub>2</sub> emissions, energy efficiency, water consumption, waste, and amount of waste recycled. In 2018, the Group joined the Japan Climate Initiative, and, through its collaboration with external organizations like this one, the Company is advancing initiatives to reduce environmental impact in a manner that is consistent with societal mores.

#### MEDIUM-TERM MANAGEMENT PLAN 2020 TARGETS AND RESULTS FOR FISCAL YEAR ENDED MARCH 31, 2019

Initiatives		Reference value (Average between FY2012–FY2016)	Target value (Average between FY2018–FY2020)	Result FY2018
Mitigation of climate change	CO <sub>2</sub> emissions* <sup>1</sup>	701.1kg-CO <sub>2</sub> /t	8.0% reduction* <sup>4</sup> (645.1kg-CO <sub>2</sub> /t)	7.6% reduction (648.1kg-CO <sub>2</sub> /t)
Resource saving	Thermal energy* <sup>1</sup>	12.0GJ/t	8.0% reduction* <sup>4</sup> (11.0GJ/t)	3.3% reduction (11.6GJ/t)
	Water consumption* <sup>1+2</sup>	17.7m <sup>3</sup> /t	3.0% reduction* <sup>4</sup> (17.2m <sup>3</sup> /t)	5.1% increase (18.6m <sup>3</sup> /t)
	Discharged waste* <sup>1+3</sup>	207.5kg/t	6.0% reduction* <sup>4</sup> (195.1kg/t)	9.0% increase (226.2kg/t)
Promotion of recycling	Waste recycling rate	90.8%	94.0% or higher	88.5%

\*1 Primary unit per unit of product.

\*2 Water consumption includes some estimated values from production departments.

\*3 Excluding farm excreta.

\*4 Reduction rate from reference value.

\*5 Excluding the waste from Typhoon No. 21 and the Hokkaido Eastern Iburi earthquake in FY2018.

### Responding to climate change risk

The 21st United Nations Climate Change Conference (COP 21) adopted the Paris Agreement, and set the goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels. In response to the urgent issue of climate change, the Group is advancing initiatives to reduce CO<sub>2</sub> emissions and use energy efficiently, including switching to LED lighting and hybrid vehicles at all business sites in Japan.

The Group has built a system for establishing important policies, the development of measures, and initiatives related to climate change. The matters debated by the CSR Promotion Committee and discussed by the Management Committee are taken up for discussion by the Board of Directors.

#### Switching to LED Lighting

We have set the target of phasing out fluorescent lights and replacing them with LED lighting at all business sites in Japan (Company properties) by March 31, 2021. This will contribute to the reduction of CO<sub>2</sub> emissions throughout the domestic Group.

#### Switching to Hybrid Vehicles

We have set the target of phasing out gasoline-powered company vehicles (with some exceptions such as trucks and light cars) and replacing them with hybrid vehicles at all domestic business sites by March 31, 2021. Switching roughly 800 gasoline-powered vehicles subject to the target to hybrid vehicles will contribute to the reduction of CO<sub>2</sub> emissions throughout the domestic Group.



### Responding to water risks

Water is a key resource for the business operations of the Group, and deteriorating access to water is a concerning risk in a growing number of regions worldwide. The Group endeavors

to make effective use of water resources, and is surveying, evaluating, and studying countermeasures for water risks at each business site.



# Main Companies of the Group

(As of June 30, 2019)

## Production and Breeding

- Nippon White Farm Co., Ltd. (Japan)
- Interfarm Co., Ltd. (Japan)
- Niiburo, Co., Ltd. (Japan)
- Whyalla Beef Pty. Ltd. (Australia)

## Processing and Packing of Fresh Meats

- Nippon Food Packer, Inc. (Japan)
- Nippon Food Packer Kagoshima, Inc. (Japan)
- Nippon Food Packer Shikoku, Inc. (Japan)
- Nippon Food Packer Tsugaru Co., Ltd. (Japan)
- Usune Co., Ltd. (Japan)
- Miyazaki Beef Center Co., Ltd. (Japan)
- Nippon Pure Food, Inc. (Japan)
- Oakey Beef Exports Pty. Ltd. (Australia)
- Wingham Beef Exports Pty. Ltd. (Australia)
- Thomas Borthwick & Sons (Australia) Pty. Ltd. (Australia)
- Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi (Turkey)
- Breeders & Packers Uruguay S.A. (Uruguay)

## Sales of Fresh Meats

- Higashi Nippon Food, Inc. (Japan)
- Kanto Nippon Food, Inc. (Japan)
- Naka Nippon Food, Inc. (Japan)
- Nishi Nippon Food, Inc. (Japan)
- NHJF Corporation (Japan)
- Minami Nippon Fresh Food, Ltd. (Japan)
- 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 Hams and Sausages

- Nipponham Factory Ltd. (Japan)
- Nipponham Hokkaido Factory Ltd. (Japan)
- Nipponham Northeast Ltd. (Japan)
- Kyodo Foods Co., Ltd. (Japan)
- Japan Assorted Business Services Co., Ltd. (Japan)
- Nipponham Southwest Ltd. (Japan)
- Hakodate Carl Raymon Co., Ltd. (Japan)
- Kamakura Ham Tomioka Co., Ltd. (Japan)
- NH Foods Vietnam Joint Stock Company (Vietnam)
- Redondo's, LLC (USA)

## Production of Processed Foods

- Nipponham Processed Foods Ltd. (Japan)
- Nipponham Delicatessen Ltd. (Japan)
- Premium Kitchen Co., Ltd. (Japan)
- NH Foods Mexicana S.A. DE C.V. (Mexico)
- Shandong Rilong Foodstuffs Co., Ltd. (China)
- Thai Nippon Foods Co., Ltd. (Thailand)
- Thai Nippon Vegetable Co., Ltd. (Thailand)
- NHF Manufacturing (Malaysia) Sdn. Bhd. (Malaysia)
- NH Foods Diamond Indonesia, Ltd. (Indonesia)

## Sales of Hams and Sausages, and Processed Foods

- Nipponham Marketing, Ltd. (Japan)
- Nipponham Customer Communications Ltd. (Japan)

## Production and Sales of Processed Marine Products

- Marine Foods Corporation (Japan)
- Hoko Co., Ltd. (Japan)
- Uwakai Marinefarm Co., Ltd. (Japan)
- Kushiro Marusui Co., Ltd. (Japan)

## Production of Probiotic Beverages and Sales of Dairy Products and Lactic Acid Probiotic Beverages

- Nippon Luna, Inc. (Japan)
- Hoko Co., Ltd. (ROLF Division) (Japan)

## Production and Sales of Extract Seasonings

- Nippon Pure Food, Inc. (Japan)
- Pure Food Asia, Inc. (Taiwan)

## Production and Sales of Freeze-Dried and Frozen Foods

- Nipponham Frozen Foods Ltd. (Japan)
- Hoko Co., Ltd. (Japan)

## Professional Sports

- Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. (Japan)
- Cerezo Osaka Co., Ltd. (associated company) (Japan)

## IT, Services, and Other Businesses

- Nipponham System Solutions Ltd. (Japan)
- Nipponham Business Associe Ltd. (Japan)
- Nipponham Career Consulting Ltd. (Japan)
- Nipponham Designing Ltd. (Japan)

## Logistics and Trading

- Nippon Logistics Group, Inc. (Japan)
- Nippon Chilled Logistics, Inc. (Japan)
- Nippon Logistics Center, Inc. (Japan)
- Nippon Daily Net Co., Ltd. (Japan)
- Nippon Route Service Co., Ltd. (Japan)
- Japan Food Corporation (Japan)
- NH Foods Chile Y Compania Limitada (Chile)
- 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)
- NH Foods Ltd. (Japan)

# Corporate Data, Stock Information

(As of April 1, 2019)

## CORPORATE DATA

Corporate name	NH Foods Ltd.
Established	May 30, 1949
Capital	¥36,294 million
President	Yoshihide Hata
Employees (As of March 31, 2019)	30,840 (consolidated) 2,403 (non-consolidated) (including the average number of temporary employees)
Main businesses	<ul style="list-style-type: none"> <li>• Manufacture and sale of processed meats (hams and sausages, etc.) and cooked foods (retort-packed food, pre-prepared foods, etc.)</li> <li>• Breeding of livestock, and processing and sale of fresh meats</li> <li>• Production and sale of marine and dairy products</li> </ul>
Head office	BREEZE TOWER, 4-9, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan
Telephone	+81-6-7525-3026

## SHARE DATA (As of March 31, 2019)

Authorized shares	285,000,000
Issued and outstanding	102,958,904
Shareholders	26,181

### ● Major Shareholders (Leading 10 by Shareholding)

Name of Shareholders	Thousands of Shares
The Master Trust Bank of Japan, Ltd. (Trust account)	14,469
Japan Trustee Services Bank, Ltd. (Trust account)	6,242
The Hyakujushi Bank, Ltd.	3,768
Meiji Yasuda Life Insurance Company	3,677
The Norinchukin Bank	2,963
Nippon Life Insurance Company	2,785
MUFG Bank, Ltd.	2,747
Sumitomo Mitsui Banking Corporation	2,325
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1,908
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,702

Note: In addition to the list above, NH Foods Ltd. holds 46 thousand shares of common stock.

### ● Shareholders by Category

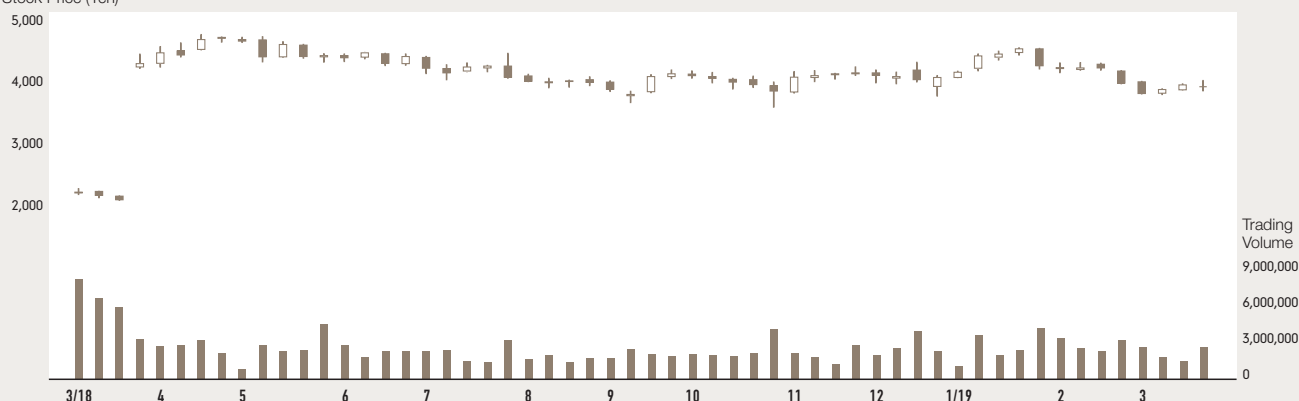
	Thousands of Shares	Shareholders
Financial institutions	58,193	(90)
Foreign investors	21,253	(507)
Individual/Other	14,846	(25,147)
Treasury stock	46	(1)
Other companies	3,819	(397)
Securities firms	4,800	(39)

### ● Shareholders by Holding

	Thousands of Shares	Shareholders
Less than 100	43	(1,362)
100 – Less than 1,000	7,442	(21,000)
1,000 – Less than 10,000	6,298	(3,478)
10,000 – Less than 100,000	7,461	(248)
100,000 – Less than 500,000	11,519	(55)
500,000 or more	70,192	(38)

## STOCK PRICE TREND

Stock Price (Yen)



\* 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.



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