

In Medium-Term Management Plan 2023, which started on April 1, 2021, we are working toward Vision2030 by advancing a sustainability strategy that combines business strategy with the achievement of our materialities. We will strive to solve social issues through our businesses to contribute to the sustainability of both society and the Company.

### Basic policy

There has been a growing call for companies to tackle social issues through their business activities. Within this environment, the NH Foods Group is pursuing sustainability by implementing a variety of ESG (Environmental, Social, Governance) initiatives. We also recognize that we are expected to play a role in achieving the UN's Sustainable Development Goals (SDGs), so we are advancing activities aimed at solving issues related to each of these goals.

In April 2021, we formulated Vision2030 (→p.5), which outlines our ideals for 2030, as well as the NH Foods Group's five materialities

(→p.22) which are initiatives that need to be engaged as a priority in order to realize our vision. We will implement our business strategy and materialities in a way that also advances our sustainability strategy so that we can contribute to solving social issues through our businesses.

The Group's activities to date have been carried out in accordance with our corporate philosophy of creating a culture that marks an epoch and contributes to society under the basic theme of *Joy of Eating*. Going forward, we will continue to create a variety of eating occasions and contribute to the formation of a sustainable society.

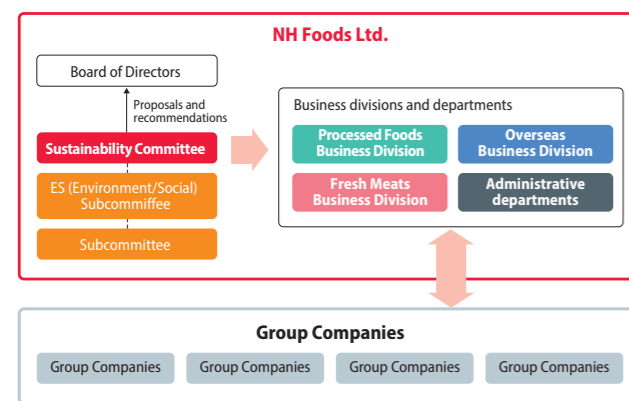
### Sustainability promotion framework

The NH Foods Group has established a Sustainability Committee (until April 2020 called the CSR Promotion Committee) with the President of NH Foods Ltd. serving as chair. In principle, the committee meets at least once every quarter in order to hear the opinions of external experts and outside directors who have expertise in ESG matters and to carry out activities such as formulating sustainability policies and strategies, and checking the progress being made by each Group company. The details of these discussions are reported to the Board of Directors, which makes decisions if necessary. Matters discussed in FY2020 included medium- to long-term environmental targets, materialities, human rights policy, and the Task Force on Climate-related Financial Disclosures.

The ES (Environment/Social) Subcommittee operates under the committee and comprises the director in charge of sustainability and the heads of major departments and divisions. It has been tasked with formulating specific strategies that correspond to discussions by the committee and developing measures to be carried out by business divisions. In FY2020, activities included screening potential social issues during the process of defining materialities and considering measures and targets for these issues.

The Subcommittee considers specific details and carries out promotional activities related to important CSR procurement themes.

#### Sustainability promotion framework



#### Promotion system

Organization entity	Role	Organization	Frequency
Sustainability Committee	Develop the Group's sustainability policy and determine strategy	<ul style="list-style-type: none"> <li>Director</li> <li>Outside Director</li> <li>General Manager of Business Division</li> <li>Audit &amp; Supervisory Board Member* / Outside experts</li> </ul>	4 times / year
ES (Environment / Social) Subcommittee	Formulate specific strategies that correspond to discussions by the committee and develop measures to be carried out by business divisions	<ul style="list-style-type: none"> <li>Director in charge of sustainability</li> <li>Head of departments and sections</li> </ul>	4 times / year
Subcommittee • CSR Procurement Taskforce	Consider specific details and carry out promotional activities related to important CSR procurement themes	<ul style="list-style-type: none"> <li>Procurement personnel</li> </ul>	4 times / year

\* Audit & Supervisory Board Member (Outside) Tokushi Yamasaki

### Stakeholder engagement

The NH Foods Group carries out business activities with the support of a wide range of stakeholders, including customers, local residents, business partners, shareholders, investors, and our employees.

We work to meet the expectations and maintain the trust of these stakeholders by fulfilling our social responsibilities and duties with self-awareness and pride.

#### Communicating with our key stakeholders

Stakeholder	Objective	Channels and opportunities
Consumers	We believe it is our responsibility to provide our customers with high quality offerings for safety, reliability, satisfaction, and happiness. We also aim to achieve customer satisfaction through a cycle of customer-oriented communication that comprises "listening," "knowing," and "using."	Customer Support Desks / Consumer Delegate Committee / customer surveys (quantitative and qualitative) / social media / plant tours / various events and seminars
Business partners	Our procurement activities are rooted in our CSR procurement policy. We intend to establish relationships of trust with our business partners and work with them to realize co-existence and mutual prosperity.	Daily business activities / Self-Assessment Questionnaires (SAQ)
Governments	We intend to comply with the laws and regulations of each of the countries and regions we operate in, actively exchange information with governments, and develop our business. If we realize that accidents have occurred, or if we think there is a risk that accidents might occur, we will report this to the relevant authorities and work hard to investigate to identify the causes.	Participation in various committees hosted by governments and industry groups / catering to laws and regulations / dialogue with government officials
Shareholders and other investors	In order to establish relationships of trust with our shareholders and other investors, we place great importance on communication and try to ensure that we incorporate the opinions and requests we receive into our corporate activities.	Shareholders' meeting / Analyst Meeting for Business Results / dialogue with institutional investors / dialogue with individual investors / IR information / release of various reports
The global environment	Our goal is to protect the life-giving natural environment and to fully enable the bounty of nature to flourish. To this end, we intend to promote corporate activities that are in harmony with the environment, based on the NH Foods Group Environmental Policies.	Promotion of environmental management / environmental conservation activities / environmental impact reduction activities / visualization of environmental impact
Employees	We aim to establish a place where employees can feel truly happy and fulfilled. In addition, we are engaged in activities that seek to develop employee awareness and skills, realize a healthy work-life balance, promote diversity, and maintain healthy minds and bodies.	Human resources development / company newsletters and Intranet / NH Foods Group consultation desks / employee engagement surveys / dialogue between labor and management
Local communities	As both a member of local communities and a good corporate citizen, the NH Foods Group aims to actively engage in communication that contributes to sustainable regional development. We also intend to consider both what we can do and what is expected of us, and exist in harmony with local communities.	Participation in and donations to community events / participation in local volunteer activities / factory tours / nature conservation activities / food education activities / sports classes
Societies worldwide	We seek to accurately understand international rules, as well as the laws, histories, cultures, and customs of the various countries and regions we operate in, and we intend to work hard to comply with and respect them.	Participation in international and industry organizations

#### Holding exchanges of opinions with animal welfare experts

In recent years, concern regarding the welfare of livestock animals has been growing so we decided to hold exchanges of opinions with animal welfare experts.

On both February 14, 2020, and January 15, 2021, we were able to meet with Chihiro Okada, the director of the Animal Rights Center Japan (NPO). Ms. Okada shared her thoughts on animal welfare and the activities carried out by the organization and we explained some of the initiatives carried out by the Group, leading to a discussion on ways to care for and processing livestock.

#### Main initiatives and organizations of which the Group is a member

- TCFD** (Task Force on Climate-related Financial Disclosures)  
A task force established by the Financial Stability Board which aims to encourage companies to disclose financial information related to climate change.
- RSPO** (Roundtable on Sustainable Palm Oil)  
An international non-profit organization which has built and operates a certification system that has become the standard for sustainable palm oil, and which encourages the production and distribution of such oil.
- ASSC** (The Global Alliance for Sustainable Supply Chain)  
An NGO that is promoting the creation of sustainable supply chains in Japan through international cooperation.
- CGF** (The Consumer Goods Forum)  
An international industry association for major manufacturers of foods and consumer goods and major retailers. As of July 2021, it has around 400 member companies from over 100 countries.

## Contributing to a sustainable environment

### Medium- to long-term targets for 2030

We have been setting environmental targets in our three-year medium-term management plans with the aim of reducing the environmental impact of business activities. This year, when we formulated Vision 2030 and our five materialities (key issues), we focused on formulating them with a medium- to long-term perspective which included setting new medium- to long-term targets to be achieved by 2030. One of the five materialities is “contributing to a sustainable environment.” Based on this, we have made addressing climate change, resource saving and recycling, and tackling the biodiversity issue into priority issues and have set targets for each one.

We are working to reduce CO<sub>2</sub> emissions by switching to fuels that produce relatively low CO<sub>2</sub> emissions at our plants, such as natural gas, and by promoting the use of renewable energy (such as solar power and boilers that use animal and plant-derived oil as fuel) at our plants.

We are reducing the amount of discharge we produce by advancing

initiatives that target sources of waste in each process, from production and manufacturing through to logistics and marketing, and we are working to increase the proportion of plastic waste that is recycled.

We are reducing water consumption by decreasing the amount of water used in manufacturing processes through methods such as reviewing washing methods, and we are also considering measures such as reusing water.

We are also working to tackle the biodiversity issue by promoting sustainable resource procurement in order to conserve biodiversity. We have switched to RSPO certified products for palm oil, and we are working to expand the number of certified seafood products we handle.

Additionally, the targets we have set for reducing CO<sub>2</sub> emissions, reducing waste discharge, raising waste recycling rates, and reducing water consumption are for Japan only. For overseas business locations, we will gather further data for each location and consider how to respond.

### Medium- to long-term environmental targets (to fiscal 2030)

Priority issue	Target	Scope
Responding to climate change	Reduce fossil fuel-derived CO <sub>2</sub> emissions <b>by more than 46%</b> compared to FY2013 levels (FY2013: 550,518 t-CO <sub>2</sub> → <b>FY2030: 297,279 t-CO<sub>2</sub></b> )	All business sites in Japan
	Strive to create innovative technologies by advancing and supporting research and development aimed at reducing livestock-derived greenhouse gas emissions	
Saving and recycling resources	Reduce waste discharge per production unit <b>by 5%</b> compared to FY2019 levels (FY2019: 134.6 kg/t → <b>FY2030: 127.9 kg/t</b> )	All processing and production sites in Japan (55 sites)
	Increase the waste recycling rate <b>to more than 92%</b> (FY2019 rate: 84.1%)	All business sites in Japan
	Reduce water consumption <b>by 5%</b> compared to FY2019 levels (FY2019: 15.2 m <sup>3</sup> /t → <b>FY2030: 14.4 m<sup>3</sup>/t</b> )	All processing and production sites in Japan (55 sites)
Addressing biodiversity	Action on water risk	Identify which of our business sites in both Japan and overseas are in regions with high levels of water risk, take action to lower this risk in accordance with the situation in each region, and use water resources in a sustainable manner
	Expanding the handling of certified goods	Realize sustainable resource procurement by handling certified products <ul style="list-style-type: none"> <li>● Ensure that <b>100% of palm oil used is RSPO certified</b> (including book &amp; claim)</li> <li>● Increase the number of seafood products that are certified (MSC/ASC)</li> </ul>

### Responding to climate change risk

At the 21st United Nations Climate Change Conference (COP 21) in 2015, the Paris Agreement was adopted, which included setting a target to keep the increase in global average temperature to below 2°C above pre-industrial levels, and limiting it to 1.5°C if possible. The NH Foods Group recognizes that climate change is a pressing issue and we are working to reduce our greenhouse gas emissions.

In 2018, we joined the Japan Climate Initiative\*1 and in June 2020, we endorsed the proposal presented by the Task Force on Climate-related Financial Disclosures\*2 (TCFD) and became a member of TCFD Consortium\*3. In fiscal 2021, we established the TCFD Committee and we are evaluating the risks and opportunities accompanying climate change. Following this, we will formulate potential scenarios to conduct scenario-based analysis.

This analysis will be the basis for incorporating measures for reducing CO<sub>2</sub> emissions derived from fossil fuels, such as the use of renewable energy, into our business plans. We will also carry out comprehensive information disclosure.

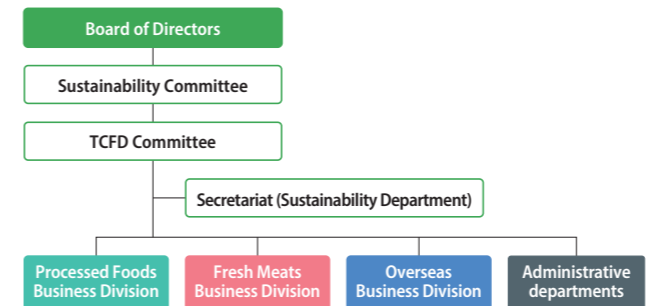


\*1 Japan Climate Initiative: A network that aims to strengthen the distribution and exchange of information among companies, local governments, NGOs, and others in Japan in order to achieve a low-carbon society. CDP Worldwide-Japan, WWF Japan, and the Renewable Energy Institute serve as the secretariat.

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

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

### TCFD Committee implementation framework



### Reducing greenhouse gas emissions from livestock

In Japan, we are working with universities to advance joint research on the intestinal flora of pigs and its relationship to greenhouse gas emissions.

### Procuring sustainable palm oil

We think it is important to procure raw materials in a sustainable manner that takes into account both the environment and society. Therefore, we aim to procure sustainable palm oil for 100% of the palm oil used in our business by fiscal 2030.

To achieve this, we joined the Roundtable on Sustainable Palm Oil (RSPO)\*4 in August 2020 and in fiscal 2020 we purchased six tons of RSPO-certified palm oil under the book & claim system.

\*4 An international non-profit organization which has built and operates a certification system that has become the standard for sustainable palm oil, and which encourages the production and distribution of such oil.

### Procuring sustainable marine resources

Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) certification are certifications awarded to farmed marine products that are produced in a sustainable manner which takes into account the environment, ecosystems, and regional communities.

Our processed marine products business has obtained CoC (Chain of Custody: management of processing and logistics processes) certification for the distribution and processing of MSC and ASC-certified products and we will continue to expand the range of certified products we handle going forward.

## Stable procurement and supply of proteins

### Expanding our lineup of plant-derived protein products

As diets become more diverse, there is growing need for a wider selection of protein sources. Since March 2020, NH Foods Ltd. has been selling *NatuMeat*, which is made from plant-derived ingredients such as soybeans instead of meat. *NatuMeat* is manufactured using techniques that reduce the distinctive smell of soybeans and that deliver the texture and taste of real meat. In our *Soybean Meat* series, in March 2021, we added *Nuggets* and *Ham Katsu* to existing products such as *Ham-type*, *Sausage-type*, and *Salisbury Steak*. As a result, the lineup boasts eight products (as of April 2021).

In the future, we will continue to leverage the expertise we have cultivated in our meat processing business to pursue delicious plant-based meat products.

#### NatuMeat series



### Research and development of cultured meat

With meat consumption growing globally, we are working to fulfill our responsibility to provide animal protein into the future by developing technologies that use cultivated animal cells to manufacture food.

As part of this effort, since 2019 we have been advancing joint research related to cultured meat with IntegriCulture Inc., a startup company engaged in cell cultivation. In addition, the NH Foods Ltd. Research and Development Center is taking up technological issues including cultivation methods and cell quality to cultivate cells more efficiently.

### Animal welfare initiatives

Interfarm Co., Ltd., is working to reduce the stress of pigs being raised at its Oshamambe Chirai and Oshamambe Ayame Farms in Hokkaido by not putting them in stalls during pregnancy. Reducing the stress of mother pigs raises productivity by decreasing the probability of diseases, and the company plans to give all its new farms stall-free designs going forward.

The Nippon Food Packer Group, which engages in the processing of pigs and cows, is installing drinking water facilities in the pens where pigs are kept after being transported to its farms. In the three years ending fiscal 2023, it plans to install the facilities in all such pens.

Also, the Nippon White Farm Group, which rears and processes

chickens, has started giving chickens electric shocks to stun them before processing to reduce stress on the birds.

At overseas companies that are engaged in production, rearing, and processing businesses, each Group company is collaborating with suppliers to advance operations that take human rights, the environment, and animal welfare into consideration based on an animal welfare policy. For example, Whyalla Foods Pty. Ltd., a beef business in Australia, is attempting to practice low-stress rearing management at its feedlot through efforts such as installing sunshades to protect the cows from the sun and providing water and feed in a way that takes into account safety and sanitation.

We do not conduct animal testing for the purpose of verifying the health functions of food products that have been confirmed safe for humans except in cases where it is required by law or where the Group has a responsibility to demonstrate this safety to society. (This also applies to participation in joint research and industrial-governmental-academic collaborative projects and contributions to external research institutions.)

### Supplier engagement initiatives

We launched our CSR procurement initiative in fiscal 2018. As a first step, we visited suppliers in Japan directly to explain the Group's CSR Procurement Policy and Guidelines in order to gain their understanding and cooperation, and to share our future plans and direction.

We also had them fill out a self-assessment questionnaire covering topics such as human rights, labor, environment, and corruption prevention and asked that they share the results with the Group. In cases where it is recognized that a supplier's efforts in a certain area were insufficient, we are confirming the situation with said supplier and requesting that they make improvements.

#### Assessed suppliers

##### Ended of FY2019

- Raw materials suppliers in Japan corresponding to 80% of procurement costs

##### Ended of FY2020

- Packaging and secondary materials suppliers in Japan corresponding to 60% of procurement costs
- Raw materials, packaging, and secondary materials suppliers overseas corresponding to 60% of procurement costs

#### Main future initiatives

- Create a code of conduct for suppliers
- Expand scope of supplier assessments in Japan and overseas
- Regularly communicate with suppliers (dialogue, etc.)
- Build an internal structure for supporting and assisting suppliers making improvements

We will work to lower procurement-related risk and realize sustainable procurement primarily through the above initiatives.

Note: Engagement with each company in Australia is planned for the future.

### Initiatives in Japan (results and targets)

	Scope	Companies informed of policy	Proportion of procurement costs
FY2018	Tier 1 raw materials suppliers	36	59.2%
FY2019	Tier 1 raw materials suppliers	71	81.5%
FY2020	Tier 1 packaging and secondary materials suppliers	22	60.2%
FY2021	Tier 1 packaging and secondary materials suppliers	33	80.5%

### Respect for human rights

Based on the belief that our employees are our "precious assets" of NH Foods Group, we see our employees as "human resources" and are well aware that respecting fundamental human rights is one of our main social responsibilities.

In order to reiterate the Group's approach and responsibilities concerning respect for human rights to society and to meet the expectations of society, in December 2012, we formulated the NH Foods

Group Human Rights Policy which is based on the Guiding Principles on Business and Human Rights decided by the United Nations Human Rights Council.

We implement Group-wide initiatives in accordance with this Human Rights Policy with the aim of remaining a Group that is widely trusted within society.

In order to raise awareness, we carry out in-house human rights awareness activities that are mainly led by NH Foods Ltd.'s Human Resources Department in cooperation with the Compliance and Sustainability Departments, and the Audit and Compliance Departments also conduct interviews concerning human rights issues when visiting business sites. Furthermore, in fiscal 2021, we appointed a director responsible for human rights who has been coordinating with relevant departments to build a structure for practicing human rights due diligence.

Also, the ES (Environment/Social) Section Meeting, which comprises the heads of business divisions, the Human Resources Department, and the Sustainability Department, addresses matters such as monitoring risk and considering response measures.

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

### Contributing to communities through the Hokkaido Project

The NH Foods Group has many business locations in Hokkaido Prefecture and in April 2021, it launched the Hokkaido Project to promote community engagement activities under the Hokkaido Nippon-Ham Fighters brand.

### Aiming for urban development that contributes to the SDGs

Fighters Sports & Entertainment Co., Ltd. (FSE) is aiming to realize urban development that contributes to the achievement of the SDGs through efforts centered on ES CON FIELD HOKKAIDO, which will be the home ground of the Hokkaido Nippon-Ham Fighters baseball team from March 2023, and its surrounding area, including the Hokkaido Ballpark F Village. The company's direction for this project focuses on three aspects-children, community, and collaboration with partners.

As a company based in Hokkaido Prefecture, FSE aims to contribute to regional development and co-exist alongside local communities through sports and entertainment.

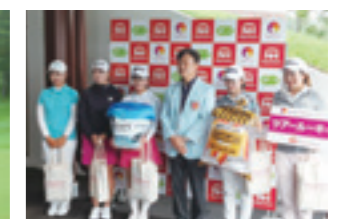
### Contributing to communities and fostering future generations through a women's pro golf tournament

In July each year we hold the Nippon Ham Ladies Classic women's professional golf tournament. The 2021 tournament was the fifth such tournament and a portion of proceeds from entry fees and goods sales were donated to Hokkaido Prefecture, where the tournament was held and which helped stage the tournament, and local governments (Tomakomai, Chitose, and Kitahiroshima).

The tournament also focuses on fostering future generations of golfers through initiatives that give local and young golfers a chance to participate in a tournament, including allowing tour rookies who have just passed the pro test to enter and inviting local amateurs to take part.



Presenting the donations at the tournament's award ceremony



Commending tour rookies who took part in the tournament having just passed the pro test

## Food diversity and health

### Providing products and information connected to health

In recent years, consumers have become increasingly interested in health and we think that responding to their health-conscious needs is an important duty of a foods manufacturing company.

We have made “food diversity and health issues” into one of our five materialities (key issues) and going forward we will continue to focus on developing health-conscious items and disseminating information that helps extend healthy lives.

#### Number of health-conscious items (as of September 2021)

**19** sugar-free and reduced salt products

Roast Chicken for Salad – Plain  
Healthy Kitchen Zero Roast Ham  
Healthy Kitchen Green Label Reduced  
Salt Roast Ham, etc.



**13** lactic acid probiotic and dietary fiber-rich products

Bifidobacterial Yogurt  
Chicken Dango Containing LAC-Shield™  
Yam Mozuku and Kagome Kombu Soup, etc.



**8** calcium-rich products

Skinless Winny, ROLF® Baby Cheese  
(With Added Calcium and Iron), etc.



**4** high-protein non-fat products

Isey SKYR



### Advancing research and development

Under Medium-Term Management Plan 2023, the Research and Development Center is working with business divisions to advance

#### Four themes

##### Initiatives to create new business from a technological starting point

Initiatives such as the establishment of the business scheme of the health food and materials business, including imidazole dipeptide

##### Realization of research outcomes to solve social issues

Initiatives such as the development of new test kits, compliance with international standardization, and the development of food allergy prevention foods

##### Address social issues by solving the Group's issues

Initiatives such as ensuring the Group's food safety and extending shelf lives

##### Promotion of innovative long term vision themes

Initiatives such as research and development of new protein resources and exploration in the pharmaceutical and medical fields

research and development on four themes in order to respond to the diversification of diets and accelerate the creation of health value.

### Food allergy initiatives

We use milk constituents and egg whites as binding agents in processed foods such as ham and sausages. Therefore, we advanced research and development into products that do not use these allergens and we have been selling allergen-free food products since 1997. We have expanded the lineup of these products from ham and sausages to include foods like hamburgers and rice flour bread and as of April 2021, we offer 29 different items.

We are also participating in Project A, a collaborative project among five food manufacturers\* which involves promoting allergy-friendly products, jointly developing recipes, sharing food allergy information, and raising awareness concerning food allergies. In May 2021, we began distributing supplementary readers on food allergies to elementary schools. Furthermore, through the Nipponham Foundation for the Future of Food, we grant around ¥60 million a year to researchers who are focusing on food allergies and have advanced initiatives that increase understanding about food allergies in society, such as publishing booklets and holding seminars and cooking contests.

\* Otafuku Sauce Co., Ltd., Kenmin Foods Co., Ltd., Nagatanien Co., Ltd., House Foods Corp. and NH Foods Ltd.

### The Minna-no-Shokutaku series of allergen-free products



### Extending healthy lives

As we enter an era of 100-year lifespans, finding ways to make the duration of peoples' lives in which they are healthy longer has become a social issue. We have been conducting joint testing with the Kansai Medical University's School of Sanitation and Public Health in the area of preventing frailty\* by “promoting health through food and exercise,” with the aim of extending people's healthy lives. On our website, we have created a page dedicated to extending healthy lives through foods and sports which provides information on eating habits and moderate exercise that can help prevent frailty.

\* In this context, “frailty” refers to a physical condition in which physical and cognitive functions are diminished, but not to the point of requiring nursing care.

## Employee development and respect for diversity

Employee development and respect for diversity is one of the NH Foods Group's five materialities.

We aim to create workplaces where employees can feel truly happy and fulfilled and where each individual is respected, can demonstrate their full capabilities, and grow.

### Reforming human resources systems to encourage growth

As the business environment around the Group continues to change on a daily basis, we need to innovate our corporate culture to facilitate continuous growth and development. Therefore, we are reforming human resources systems based on the three key phrases of “pursuing challenges and a sense of growth,” “balanced abilities and duties,” and “self-directed careers.”

For “pursuing challenges and a sense of growth,” we are working to create environments that encourage all employees to take on new challenges and enable them to acquire expertise and to really feel how much they are growing. For “balanced abilities and duties,” we have abandoned the approach that puts too much value on age and years of experience and shifted to a system where the treatment of employees depends on how much ability they demonstrate and whether they are fulfilling the roles expected of them. This enables talented personnel to advance more quickly. In regard to “self-directed careers,” we are supporting employees to take control of their own growth by shifting the way they think about their careers from seeing them as something provided by a company into seeing them as something that an individual and a company build together by adjusting to each other's needs.

### Respecting diversity

We are working to build environments where all employees can participate fully, including people with limitations, based on the three key phrases “promote the active participation of a diverse range of human resources,” “promote workstyle reform,” and “promote health and safety management.”

To “promote the active participation of a diverse range of human resources,” we are taking various measures, including encouraging the active participation by women, supporting employees to balance child and nursing care with work, and recruiting people with disabilities. To “promote workstyle reform,” we are working to reduce total working hours and to encourage employees to take annual paid leave, as well as raising labor productivity by being more flexible about things like where employees do their work and working hours.

To “promote health and safety management,” we are strengthening structures for managing both physical and mental health, as well as further embedding and expanding health and safety management systems with the aim of eliminating workplace accidents.

### Human resources systems overview (NH Foods Ltd.)

Environmental change	Issues
<b>Changes in the social environment</b> <ul style="list-style-type: none"> <li>● Low birthrates and ageing population</li> <li>● Changes to the distribution environment</li> <li>● Slowdown of economic growth</li> <li>● Technological progress</li> </ul>	<b>Solving issues related to current human resources systems</b> <p>Development of next generation executives, expertise, understanding, engagement, motivation, willingness to take on challenges, initiatives for each age range</p>
<b>Changes in the labor environment</b> <ul style="list-style-type: none"> <li>● Decline in the working age population</li> <li>● Diversification of employment patterns</li> <li>● End of promotion by seniority and lifetime employment</li> </ul>	<b>Responding to the diversification of work values</b> <p>Working regions, work-life balance, welfare and benefits programs, business diversification, posting employees away from home, self-directed careers, external transfers, secondary and side jobs</p>
<b>Changes in individuals</b> <ul style="list-style-type: none"> <li>● Diversification of work values</li> <li>● Diversification of life values</li> <li>● Era of 100-year lifespans</li> <li>● Diversification of life events</li> </ul>	<b>Realizing equal and fair treatment for everyone</b> <p>Legal compliance, compartmentalized employment, basic compensation, welfare and benefits programs, being a company that is chosen by people</p>

#### Materiality: Employee development and respect for diversity

##### Job satisfaction for employees

- We are creating a corporate culture and frameworks that encourage employees to take on challenges and actively engage in activities.
- We are creating frameworks for developing the abilities of employees.

##### Respect for diversity

- We are creating frameworks that respect diversity and enable employees to demonstrate their capabilities.
- We are creating workplaces where employees can maintain a healthy work-life balance.
- We are creating workplaces where employees can work with peace of mind and take care of their mental and physical health.
- We are creating frameworks for respecting the human rights of employees.

#### Main changes

- In our target management system, we have added “taking on challenges or organizational reform” as a target for management personnel and “improve work processes or transform self” as a target for regular employees.
- We are shrinking time periods until pay rises through regular revisions to salary ranking systems.
- We have changed systems to further raise the speed at which exceptional individuals can gain promotion.
- We are expanding career options, expanding life plan seminars, recruiting internally, implementing a career challenge support system, allowing a choice of retirement age, and providing support for re-employment.

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

### Efforts to strengthen corporate governance

#### Achievements in the reinforcement of corporate governance

fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Medium-Term Management Plan	<b>New Medium-Term Management Plan Part 1</b> Restructuring of our corporate culture and promoting management reform		<b>New Medium-Term Management Plan Part 2</b> Corporate value improvement by continuous reform and challenge			<b>New Medium-Term Management Plan Part 3</b> Solidifying domestic operations and becoming a global enterprise			<b>New Medium-Term Management Plan Part 4</b> Improve the profitability of domestic operations and reinforce the foundation of overseas operations			<b>New Medium-Term Management Plan Part 5</b> Creating a stable business model through reform			<b>Medium-Term Management Plan 2020</b> Building systems that pave the way to the future			<b>Medium-Term Management Plan 2023 (first year)</b>			
Number of directors*1 (Outside directors)	11 (2)	10 (2)	11 (2)	10 (2)	10 (2)	10 (2)	10 (1)	12 (2)	12 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	10 (2)	9 (3)	8 (3)	8 (3)	—	—
Number of Audit & Supervisory Board members*1 (Outside Audit & Supervisory Board members)	5 (4)	5 (4)	5 (4)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	5 (3)	—	—
Main efforts to strengthen corporate governance	2003 • Established the Management Strategy Committee, Investment and Finance Committee, and Corporate Executive Committee • Established the Compliance Committee, Compensation System Committee (now Compensation Committee), and Crisis Management Committee (now Risk Management Committee) 2004 • Established the Corporate Governance Committee			2006 • Established the Corporate Value Evaluation Committee*2 2008 • Established the JSOX Committee (now Internal Control / JSOX Committee)			2011 • Established the Executive Appointments Committee			2016 • Established the Board of Independent Officers and Representative Directors, and Board of Independent Officers			2018 • Established the CSR Promotion Committee*2 2020 • Established the Sustainability Committee*2 • Introduced the Performance-Based Stock Compensation Plan			2021 • Established the Group Audit & Supervisory Board Members' Office • Revised the Fundamental Policy on Cross-Shareholdings					
NI (NH Foods Group Identity)	1986 • Established Corporate Philosophies, Management Principles, and Action Guidelines 2002 • Revised the NH Foods Group Code of Conduct 2005 • Established the Group Brand			2010 • Revised NH Foods Group Action Guidelines			2014 • Established the Group Audit & Supervisory Board Members' Office														

\*1 Number after the Ordinary General Meeting of Shareholders  
 \*2 The Corporate Value Evaluation Committee was renamed as the Corporate Value Enhancement Committee in 2015. In 2020, the Corporate Value Enhancement Committee and CSR Promotion Committee were merged to form the Sustainability Committee.

### Cross-shareholdings

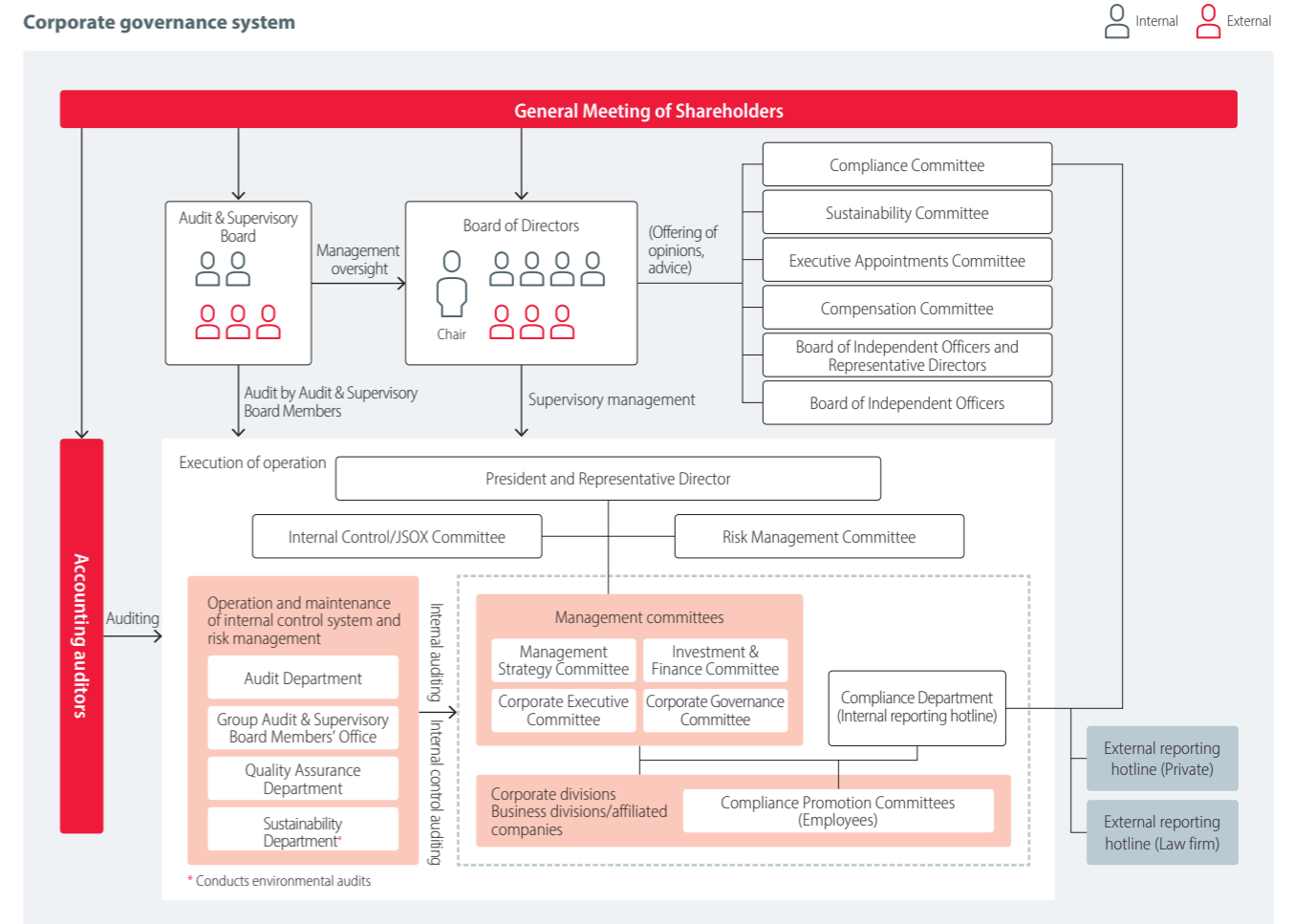
In principle, the Company does not hold shares in cross-shareholdings. However, we may hold shares in cross-shareholdings in cases where it is recognized that cross-shareholding is essential to the sustainable growth of the Group or to improving corporate value, such as for reinforcing alliances in order to maintain business transactions and expand our business, and for smooth fund raising.

Once a year, we review all cross-held shares and closely examine whether factors such as the benefit of holding these shares, the risk of stock price fluctuations, and the credit risk of the issuing company are worth the capital cost, and then comprehensively determine whether holding such shares is appropriate or not.

If we determine that holding certain shares has become less necessary, we will dispose of such shares in an appropriate manner, taking into consideration matters such as stock price and market trends. There are also cases where even though the holding of certain shares has been recognized as significant, they may be disposed of based upon an agreement with the issuing company.

When exercising the voting rights of cross-held shares, we deliberate on each proposal offered by the issuing company and respect such proposals as long as they do not disregard the interests of shareholders. However, if any incidents of misconduct (including misconduct by management members) or antisocial behavior occur at an issuing company, we will exercise our voting rights with the aim of improving said company's corporate governance.

### Corporate governance system



#### Directors and the Board of Directors

The Company clarifies that responsibility and authority regarding the management supervisory function lies with directors and responsibility and authority regarding the business execution function lies with executive officers.

We have set the number of directors to at least three but no more than 12 to ensure prompt and proper decision making and minimize the scope of liability of that body. We also appoint more than one outside director to ensure transparency. Currently, the Board comprises eight directors (seven men and one woman), which includes three outside directors. A director's term is one year for the purpose of facilitating annual accountability. The Board of Directors meets once a month with the president and representative director as chairperson, and makes decisions on the matters set forth in the laws, regulations, and the Articles of Incorporation, as well as other important matters. In FY2020, it discussed the new medium-term management plan and materialities.

#### Audit & Supervisory Board members and the Audit & Supervisory Board

The Audit & Supervisory Board carries out part of the supervisory function of the Company in cooperation with the Board of Directors. As an independent body entrusted by shareholders, it audits the execution of duties by directors. We have set the number of Audit & Supervisory Board members to at least three but no more than five to enable it to fully perform its supervisory function toward the Board of Directors. Also, in principle, over half of the members are outside Audit & Supervisory Board members. Currently, the Board comprises five members (all men), which includes three outside members.

The Audit & Supervisory Board should comprise individuals who have expertise in finance, accounting, and legal affairs, and there should be at least one member who has appropriate knowledge of finance and accounting in particular. The Audit & Supervisory Board meets once a month and discusses important matters concerning auditing.

**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.

	Objective and details	Meetings in FY2020
Compliance Committee	To ensure thorough compliance and raise society's trust in the Group by comprehensively confirming and reviewing Groupwide compliance and making proposals to the Board of Directors and management committees.	4 (100% attendance)
Sustainability Committee	To comprehensively review the sustainability initiatives of the Group, and report and make proposals to the Board of Directors.	3 (100% attendance)
Executive Appointments Committee	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions on the selection of candidates for the positions of representative director, director, and Audit & Supervisory Board member, as well as discussions regarding the dismissal and/or removal of the President and Representative Director and other management members (executive directors and executive officers).	5 (100% attendance)
Compensation Committee	To strengthen the supervisory function of the Board of Directors by enhancing the transparency and objectivity of decisions regarding compensation for corporate officers (including executive officers).	3 (92.3% attendance)
Board of Independent Officers and Representative Directors	To facilitate exchanges of opinion among independent officers and representative directors as a forum for making proposals regarding improvements to the Group's corporate value and reforms to corporate culture.	2 (100% attendance)
Board of Independent Outside Officers	To facilitate discussions between independent directors and Audit & Supervisory Board members as a forum for exchanging information and sharing understandings from an independent and objective perspective.	2 (100% attendance)

**Composition of optional committee (as of April 1, 2021)**

◎ Chairperson ○ Committee member \* Independent officer

Position	Name	Compliance Committee	Sustainability Committee	Executive Appointments Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Outside Officers
President and Representative Director	Yoshihide Hata	◎	◎		○	○	
Representative Director	Tetsuhiro Kito	○	○			○	
Representative Director	Nobuhisa Ikawa	○	○			○	
Director	Fumio Maeda	○	○				
Director (outside)	Yasuko Kono*	○	○	◎	○	○	◎
Director (outside)	Atsushi Iwasaki*		○	○	◎	○	○
Director (outside)	Hideo Arase*		○	○	○	○	○
Director (outside)	Akihiko Shiba*			○		○	○
Director (outside)	Masayuki Kitaguchi*	Observer				○	○
Director (outside)	Tokushi Yamasaki*		Observer			○	○

Notes: 1. In addition to the above, the Compliance Committee also includes the Corporate officer in charge of the Compliance and Audit Departments, corporate officer in charge of the Human Resources and General Affairs Departments, general manager of the Compliance Department, labor union representatives, and external experts.  
 2. In addition to the above, the Sustainability Committee also includes the General manager of the Overseas Business Division, corporate officer in charge of the Human Resources and General Affairs Departments, and external experts.

**Auditing system**

**Internal audits and audits by Audit & Supervisory Board members**

The implementation of internal audits has been assigned to 19 employees of the Audit Department and is carried out in coordination with Audit & Supervisory Board members and accounting auditors. These audits include site visits to plants, business offices, and other facilities, as well as at both domestic and overseas subsidiaries, to evaluate their accounting and business operations. The results of internal audits are reported to the Board of Directors.

Accounting auditors evaluate the effectiveness of internal controls by holding discussions with the Audit Department to gauge the status of internal audits. They also exchange information concerning audit results.

With regard to audits by Audit & Supervisory Board members, members attend meetings of the Board of Directors, Management Strategy Committee, and other boards and committees in order to confirm business execution by directors. Each quarter, Audit & Supervisory Board members also exchange opinions and proposals with the President and Representative Director, and exchange opinions with outside directors.

Also, in order to monitor the status of business execution, at least one full-time Audit & Supervisory Board member and one outside Audit & Supervisory Board member participate in interviews with directors twice per year, and executive officers and the heads of major departments and divisions once per year, in order to confirm the situation regarding matters such as business execution, governance and compliance initiatives, workstyle reform,

and human resources development.

Audits of domestic and overseas Group companies are conducted annually at key business sites mainly selected based on an audit plan formulated at the beginning of each fiscal year, and biannually at other sites. During these audits, interviews are held regarding matters such as the progress of business execution, response to material risks, compliance initiatives, progress on workstyle reform, and requests for the Group.

Audit & Supervisory Board members exchange information once per month with the accounting auditor and the internal audit departments, and observe audits by the internal audit departments and audits by the accounting auditor (including the year-end inventory audit).

**Establishment of the Group Audit & Supervisory Board Members' Office**

In April 2021, we established the Group Audit & Supervisory Board Members' Office to strengthen the Group's auditing and internal control functions and to establish an audit structure that also oversees affiliated companies. The office will coordinate with the Audit Department and Audit & Supervisory Board members to conduct preparatory training for newly appointed Audit & Supervisory Board members at Group companies and support the development of new auditing tools, as well as facilitate information sharing aimed at improving the quality and effectiveness of 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
Koichi Sekiguchi	Deloitte Touche Tohmatsu LLC
Shunsuke Matsumoto	Deloitte Touche Tohmatsu LLC

Notes: Assistants who helped with accounting audits included 17 CPAs, 11 CPA-certified individuals, and 33 other individuals.

Outside directors' messages



**Yasuko Kono**  
Outside Director

**I would like to see investment and human resources utilized with a "let's find a way to do it" mindset.**

Vision2030, which was released in March 2021, contains the phrase "Unleash new potentials for protein." These words encapsulate both the respect for the foods business that the NH Foods Group has built up and a desire to stay ahead of the times. Also, the achievement of this vision is deeply connected to the realization of the materialities.

In order to ensure that out of the many companies engaged in manufacturing food products in Japan and overseas, people continue to love and choose the NH Foods Group, we must not lose sight of what is important for the world today and remain sensitive to even the smallest changes.

In recent years, there has been a growing emphasis on sustainability in regard to the environment and social issues, and society's expectations of companies have become more diverse. For example, diversity management is one way to build a strategy

that meets the expectations of society. This requires the utilization of human resources with a variety of different backgrounds and values, including people of differing gender, nationality, age, and level disability, in order to generate innovation. Therefore, rather than finding reasons for not being able to do something, I think we should take an approach in which we utilize investment and human resources with a "let's find a way to do it" mindset.

The core element of our 2023 and 2026 medium-term management plans is to combine robust business management and the achievement of materialities from an ESG perspective in a way that develops both while drawing out synergistic effects. KPI have been set for each materiality, so we know what needs to be done at each of our workplaces to contribute to the achievement of the materialities. I think that if both management and employees can work together to carry out their own duties while regularly following up on each other, it will be rewarding for the entire Group.



**Hideo Arase**  
Outside Director

**I was impressed at how the management team deepened their understanding by increasing the number of opportunities to discuss the overseas business.**

As I mentioned in last year's report, the overseas business will continue to become increasingly important. Therefore, I was impressed at how the management team has increased the number of opportunities to discuss overseas matters at Medium-Term Management Plan formulation meetings and meetings of the Board of Directors, thereby deepening their understanding of these matters. Currently, the main focus is on following up on past matters, but we will see new initiatives linked to business development in the future and it is recognized that the overseas business will play a large part in achieving Medium-Term Management Plan 2023.

We are facing the challenges of an information disparity between Japan and overseas, insufficient capabilities to build a competitive edge overseas, and a lack of human resources. When implementing

Medium-Term Management Plan 2023, I think that employee enthusiasm and hospitality will be important. We can draw out the enthusiasm of each employee by utilizing their strengths and ideas. In regard to raising hospitality, it will be important to foster a collaborative spirit within the Group in a way that makes employees feel happy and valued. I would like leaders to recognize what their team members have achieved and to provide feedback on areas where there is still work to be done. This leads to sound growth, which will be fundamental to achieving the plan.

Additionally, I think Vision2030 is a succinct representation of how the NH Foods Group can leverage its strengths to meet customer needs. I see the key phrases as being "free-thinking," "the possibilities of protein," "contribution to the environment and society," and "creating diverse dietary lifestyles that can be enjoyed freely." Let's work to make Medium-Term Management Plan 2023 a reality.



**Atsushi Iwasaki**  
Outside Director

**Instead of pinning hope and fears on changes in ROIC, we need strategy based on sophisticated analysis.**

At the start of the newest medium-term management plan, the Group also formulated Vision2030 - "Unleash new potentials for protein." The vision was created through many discussions carried out over a long period and I think this was an excellent process. Promotional activities will be crucial to achieving the vision and I think the following two points provide important guidance.

The first point is to strive to relate activities to existing concepts, such as the Corporate Philosophies Action Guidelines, and to communicate them as simply as possible. The second is to ensure that there are employees who are passionate about achieving the vision in each workplace. I plan to monitor future promotional activities based on these two points.

I think that the process for creating the 2023 and 2026 medium-term management plans enabled the visualization of shareholder capital costs and incorporated it into strategy. However, one issue will be raising awareness among employees. We need to find a

way to add an investment efficiency perspective to thought processes that emphasize profitability. While this can also be achieved through measures such as personnel assessments and training systems, I think the most fundamental way is to repeatedly communicate the Group's reason for being and the direction in which we should be moving.

Therefore, our role and responsibility as outside directors is to use our knowledge to provide advice on management direction and improvement with the aim of realizing sustainable growth for the Group and raising corporate value in the medium- to long-term. While the basis for achieving this is speaking at Board of Directors meetings, I have found that we can see the essence of a problem by actively obtaining information concerning the process of how it arrived on the agenda at a Board meeting.

I would like to see management that instead of pinning its hope and fears on changes in ROIC, develops new strategy through sophisticated analysis. I recognize that my role as an outside director is to provide advice that helps to realize this.

Reasons for election and attendance of outside directors and Audit & Supervisory Board members

Name	Reason for election	Attendance
<b>Yasuko Kono</b> Outside Director	Yasuko Kono is expected to utilize her abundant experience and knowledge concerning consumer affairs to aid the general management of the Group and to provide valuable advice regarding the promotion and implementation of the Group's five materialities, which are social issues that should be addressed in order to realize the Group's Vision2030. She has already provided valuable and timely advice regarding "create value through dialog with consumers" and "pursue sustainability," which were management policies in Medium-Term Management Plan 2020.	Board of Directors meetings: 100% (18/18)
<b>Atsushi Iwasaki</b> Outside Director	Atsushi Iwasaki is expected to utilize his expert knowledge and abundant experience as a certified public accountant to aid the general management of the Group and to provide valuable advice regarding "shift to a sustainable business model with profitability," a management policy in Medium-term Management Plan 2023 that was formulated by backcasting from the achievement of Vision2030. He has already provided valuable and timely advice regarding "strengthen profitability by improving the efficiency of existing businesses," which was a management policy in Medium-Term Management Plan 2020.	Board of Directors meetings: 100% (18/18)
<b>Hideo Arase</b> Outside Director	Hideo Arase has served as a director in charge of overseas business at a major manufacturer of medical equipment and possesses abundant experience of and deep insight into global corporate management that can adapt to change. He is therefore expected to aid the general management of the Group and to provide valuable advice regarding "establish a growth model for overseas business," a management policy in Medium-term Management Plan 2023 that was formulated by backcasting from the achievement of Vision2030. He has already provided valuable and timely advice regarding "change gears in overseas market deployment," which was a management policy in Medium-Term Management Plan 2020.	Board of Directors meetings: 100% (18/18)
<b>Akihiko Shiba</b> Outside Audit & Supervisory Board member	Akihiko Shiba provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as an attorney-at-law. He has also served as a member of the Executive Appointments Committee.	Board of Directors meetings: 100% (18/18) Audit & Supervisory Board meetings: 100% (18/18)
<b>Masayuki Kitaguchi</b> Outside Audit & Supervisory Board member	Masayuki Kitaguchi provides advice in a timely manner to ensure the legality and appropriateness of Group management from an objective and fair perspective based on his expert standpoint and abundant experience as an attorney-at-law and certified public accountant. He has also served as an observer at meetings of the Compliance Committee.	Board of Directors meetings: 100% (18/18) Audit & Supervisory Board meetings: 100% (18/18)
<b>Tokushi Yamasaki</b> Outside Audit & Supervisory Board member	Tokushi Yamasaki provides advice in a timely manner to ensure the legality and appropriateness of Group management based on his expert standpoint and abundant experience as a former food sector securities analyst. He has also served as an observer at meetings of the Sustainability Committee.	Board of Directors meetings: 100% (18/18) Audit & Supervisory Board meetings: 100% (18/18)

## Evaluation of effectiveness of the Board of Directors

The Company has conducted analysis and evaluations of the effectiveness of the Board of Directors in accordance with the NH Foods Group Fundamental Policy on Corporate Governance since FY2015 with the aim of improving the effectiveness of the Board by identifying issues concerning its structure and operation.

### Evaluation process

Each year, we carry out a questionnaire survey of all directors and Audit & Supervisory Board members. Also, in order to ensure that officers can be honest with their opinions and to realize objective analysis, responses are delivered directly to a third-party evaluation organization without passing through an internal secretariat. We also conduct interviews with a number of directors.

At a meeting of the Board of Directors on April 26, 2021, there was an exchange of opinions based on a report containing the objective analysis and assessment of the third-party evaluation organization. Analysis and assessment of the Board of Directors was

conducted at the Board meetings held on May 1, June 11, and June 24 using the results of the exchange of opinions as a reference.

#### Response to issues identified in the previous fiscal year

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

The results of analysis by the Board of Directors confirmed that the Board of Directors comprises members with a variety of knowledge and experience, that there is appropriate discussion of management strategy that sufficiently takes into account the Company's situation and the external environment, and that there is appropriate oversight and monitoring of the establishment and operation of internal controls systems and initiatives for compliance with corporate ethics.

However, issues that are important for further increasing effectiveness were raised, including establishing risk assessment processes, practicing sustainable management, cultivating potential management successors, verifying whether cross-shareholdings are appropriate, and enhancing discussions on the appropriate allocation of digital business resources.

#### Response to FY2019 issues

##### (1) Promoting business execution under ROIC index management and reporting the results to the Board of Directors with the aim of realizing management with an awareness of ROE improvement and capital costs

We are promoting business execution under ROIC index management and progress is confirmed and shared through quarterly business execution reports.

##### (2) Sharing an ESG perspective and the social agenda called for by the SDGs, and formulating medium-to long-term strategies that connect to the Group's five CSR material issues

We share an ESG perspective and the social agenda called for by the SDGs and the medium-term management plan was formulated with connections to the five materialities.

In order to further increase the effectiveness of the Board of Directors, we will strengthen initiatives under the following three themes.

- Continuously strengthen discussion of risks that the Board should be aware of based on Group-wide identification and organization of risk.
- Share social issues that need to be solved to achieve the SDGs and issues that should be addressed from a sustainability perspective to formulate and execute medium- to long-term strategies connected to the five materialities.
- Have the Executive Appointments Committee reassess and revise measures related to the Plan for the Development of Next-Generation Executives, such as the selection, training, and transfer program, and then report to the Board of Directors.

In addition to the three themes above, we will also work to enhance discussions regarding the appropriate allocation of digital business resources and verifying whether cross-shareholdings are appropriate.

## Officers compensation

### Basic policy

The purpose of the officers compensation system at the Company is to selectively train and promote excellent human resources as executives, to further clarify the linkage between officers, compensation and Company's business performance/shareholder value and to provide an incentive for enhancing corporate value over the medium-to long-term with the aim of realizing the corporate philosophy for each executive director and executive officer.

System development, compensation levels, system operation, etc., are to be deliberated by the Compensation Committee, with an independent outside director acting as chairperson, and with the final decision to be made by the Board of Directors. Regarding compensation levels for each individual officer, the reasonableness of these levels is verified every year with reference to the investigation results, etc., of third-party organizations.

### Summary of director compensation

The Company revised its officer compensation system in FY2020, and introduced the Performance-Based Stock Compensation Plan in order to provide an incentive to encourage the enhancement of corporate value over the medium- to long-term.

When introducing the plan, we adopted a board benefit trust system for officers in which a set amount of shares in the Company are acquired by a trust using monetary contributions from the Company, and these shares are delivered to recipients, such as directors who are in office during the eligibility period, through the trust.

	Fixed Compensation 60%		Performance-Linked Compensation 40%	
	Basic Compensation	Performance-Based Compensation	Performance-Based Compensation	Performance-Based Stock Compensation
Positioning	Fixed compensation	Short-term incentive compensation	Long-term incentive compensation	
Recipients	<ul style="list-style-type: none"> <li>Directors</li> <li>Executive officers</li> <li>Audit &amp; supervisory board members</li> </ul>	<ul style="list-style-type: none"> <li>Directors (excluding outside directors)</li> <li>Executive officers</li> </ul>	<ul style="list-style-type: none"> <li>Directors (excluding outside directors)</li> <li>Executive officers</li> </ul>	
Delivery form	Money	Money	Stock (BIP Trust)	
Evaluation indicators	-	<ul style="list-style-type: none"> <li>Consolidated net sales</li> <li>Consolidated business income</li> <li>ROE</li> <li>ROIC</li> <li>Individually established management issues</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated net sales</li> <li>Consolidated business income</li> <li>ROE</li> </ul>	
Delivery method	Payment of standard amounts established by position	If the standard performance achievement level is 100%, the payment will vary within the range from 0 to 200%, according to the level of achievement.	Points will be granted according to the level of achievement of the target values of the performance indicators set in the Medium-Term Management Plan. If the standard performance achievement level is 100%, the payment will vary within the range from 0 to 130%.	

Category	Number	Aggregate amount of compensation, etc. (millions of yen)	Amount of compensation, etc., by type (millions of yen)			
			Basic compensation	Appraisal compensation	Stock acquisition-based compensation	Performance-based stock compensation
Directors (Outside Directors)	10(3)	297(38)	202(38)	56(-)	10(-)	28(-)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	5(3)	88(38)	88(38)	- (-)	- (-)	- (-)
Total (Outside Officers)	15(6)	385(77)	290(77)	56(-)	10(-)	28(-)

### Point calculation formula

$$\text{Number of points granted}^*1 = (\text{Base amount of stock-based compensation by position}^*2 / \text{Share price for point calculation}^*3) \times \text{Performance-linked coefficient}^*4$$

\*1 Rounded down to the nearest whole number.

\*2 The base amount of stock-based compensation by position is the amount of compensation set by the Company in advance as the base amount of stock-based compensation for each position.

\*3 The share price for point calculation is the average acquisition unit price (rounded off to the nearest whole number) of the shares of the Company acquired by the BIP Trust established under the Plan. If the trust period of the Trust is extended in order to continue the Plan, the price will be the average acquisition unit price (rounded off to the nearest whole number) of the shares of the Company that are newly acquired by the Trust after the extension.

\*4 The target values of each indicator used to measure the degree of achievement of the performance goal will be the quantitative target values for each business year that were announced at the time the Medium-Term Management Plan of the Company was formulated.

### Target values for the current Medium-Term Management Plan

Target Value	FY2021
Consolidated net sales	¥1,180.0 billion
Consolidated business income	¥48.0 billion
ROE	6.8%



## Plan for the Development of Next-Generation Executives (selection, training, and transfer)

### Human-Resources characters required for executives

The Group is working to continuously enhance corporate value by establishing the Plan for the Development of the Next-Generation Executives and defining five “Human Resources Characteristic Required for Executives” (integrity, devotion, deliberation, endeavor, and empathy). The assessment of corporate officers involves executive officers creating a commitment sheet that incorporates these five requirements, followed by an interview with the President during which the setting and achievement of targets is confirmed. NH Foods Ltd. is also working to cultivate the next-generation of human resources who possess the five requirements by introducing programs such as a selection, training, and transfer program and an executive behavioral characteristic analysis program on a company-wide basis. First, we will enhance the pool of potential executives by revising human resources systems, to create more opportunities for potential next-generation leaders. We will then develop training for each level of the workforce based on this.

### Developing next-generation executives

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

As part of our newly established training programs for each employee level, we plan to hold talks on the latest trends in corporate governance at meetings of the Board of Directors and talks by managers at meetings of the Corporate Executive Committee. We are also introducing a voluntary

program for managers run by an external educational institution so that officers can continue to improve their abilities after being appointed and can maintain and further develop the five requirements of our managers.

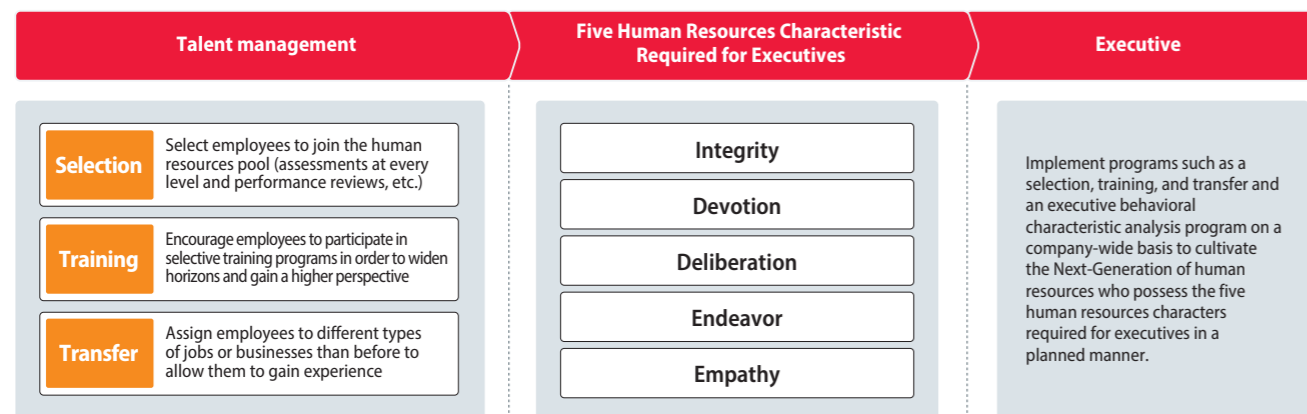
Additionally, we conduct 360-degree evaluation for employees who are the heads of major departments and divisions or above, which incorporates feedback from superiors, peers, and people working under them. These are useful for self-development.

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

### Guidelines for the strategic cultivation of management leaders who can raise corporate value

	Item
<b>Phase 1</b> Definition of the character of management leader human resources Formulation of a management leader human resources strategy	<ul style="list-style-type: none"> <li>Formulation of the five human resources characters required for executives</li> <li>Articulation of the Plan for the Development of the Next-Generation Executives in the NH Foods Group Fundamental Policy on Corporate Governance</li> <li>Addition of five requirements to the corporate officers' commitment sheet</li> </ul>
<b>Phase 2</b> Identification and evaluation of human resources, and selection and retention of candidates	<ul style="list-style-type: none"> <li>Formulation of a corporate officer candidate selection and deselection scheme</li> <li>Appointment of outside officers</li> </ul>
<b>Phase 3</b> Formulation and implementation of a human resources development plan, and conditioning and support for the development environment	<ul style="list-style-type: none"> <li>Conduct an executive behavioral characteristic analysis program for new executive officers</li> <li>Addition of employees who are subject to 360-degree evaluations (August 2021)</li> <li>Implementation of officer interviews by outside officers</li> </ul>
<b>Phase 4</b> Evaluation of the results of development, and reassessment and reevaluation of related measures	<ul style="list-style-type: none"> <li>Systemization of education and training programs for officers (from April 2021)</li> </ul>

### Overview of the program for cultivating Next-Generation executives



## Compliance

### Compliance promotion framework

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

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

In fiscal 2020, the Compliance Committee met four times and the Compliance Leader Conference met three times.

### Ensuring corruption prevention

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

### Revision of the NH Foods Group Harassment Prevention Handbook

We have established the NH Foods Group Global Action Standards as shared global standards and based on this, we formulated the NH Foods Group Action Standards (Japan version) for Japan. Additionally, in June 2020, we revised the NH Foods Group Harassment Prevention Handbook in accordance with revisions to harassment laws in Japan.

### Identifying potential risks through regular visits to business sites

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

### Employee awareness-raising activities

We work to entrench compliance awareness through the entire Group by leveraging various opportunities to carry out awareness-raising activities.

Compliance training is conducted for each level of employee and involves content such as learning about harassment issues and compliance violations and discussing case studies as a group.

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

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

### FY2020 Compliance Training (Group companies in Japan)



Note: Total number of participants in training programs for each employee level, such as new employee training, manager training, and Group president training. Manager training is attended by heads of departments and divisions.

### FY2020 Compliance Competition

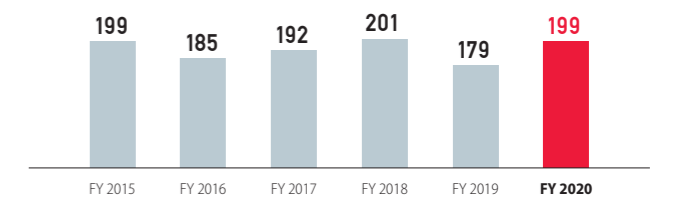


### Establishing consultation channels

We have established consultation channels which all Group employees can access freely in order to share opinions, whistle blow, or seek advice about workplace issues. This includes one in-house channel and two external channels. In 2018, we also established the Auditor Consultation Channel to facilitate the reporting of illegal and illicit activities by Group officers.

Additionally, the NH Foods Group Whistleblowing Rules clarify that the identity of whistleblowing individuals should be protected and that unfair treatment toward these individuals is strictly prohibited. All Group employees are made thoroughly aware of these regulations. Employees can also consult or make reports through these channels anonymously.

### Number of consultations received (including whistleblowing reports)



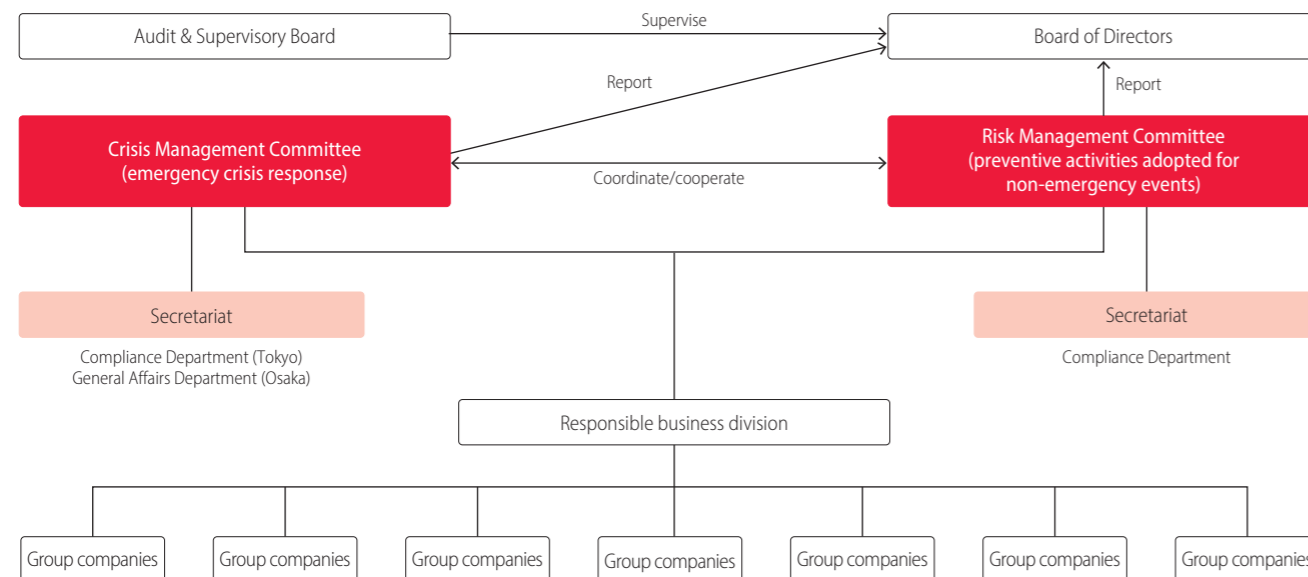
## Risk management

### Risk Management System

The risk management systems adopted by the Company are based on the "Risk Management Rules" outlining basic policies and management systems concerning risk management, with the President and Representative Director as the highest management executive. The "Risk Management Committee" established by the President and Representative Director works to identify and assess various risks, as well as specify priority risks, and consider countermeasures. Based on the policies of the Committee, individual business divisions and departments coordinate risks relating to their own particular business domains and functions. Results are reported to the Board of Directors through the Committee. When events occur that may have a significant impact on the Group's business activities, units for taking countermeasures tailored to the expected severity of the risks are organized, and prompt and appropriate action is undertaken.

Not all risks are managed under the above frameworks. Product market risks arising from daily business activities is handled by individual business divisions, and financial risks by the Accounting & Finance Department and related business divisions.

### Risk Management System



### 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.

However, because the current BCP primarily assumed the occurrence of large-scale natural disasters in the disaster prevention manual, it did not take into consideration the occurrence of a pandemic such as the COVID-19 outbreak that has spread on a large scale since the beginning of 2020. Going forward we will take pandemics into account as we build systems that ensure food supply chains can be maintained in times of crisis.

## Information Security Measures

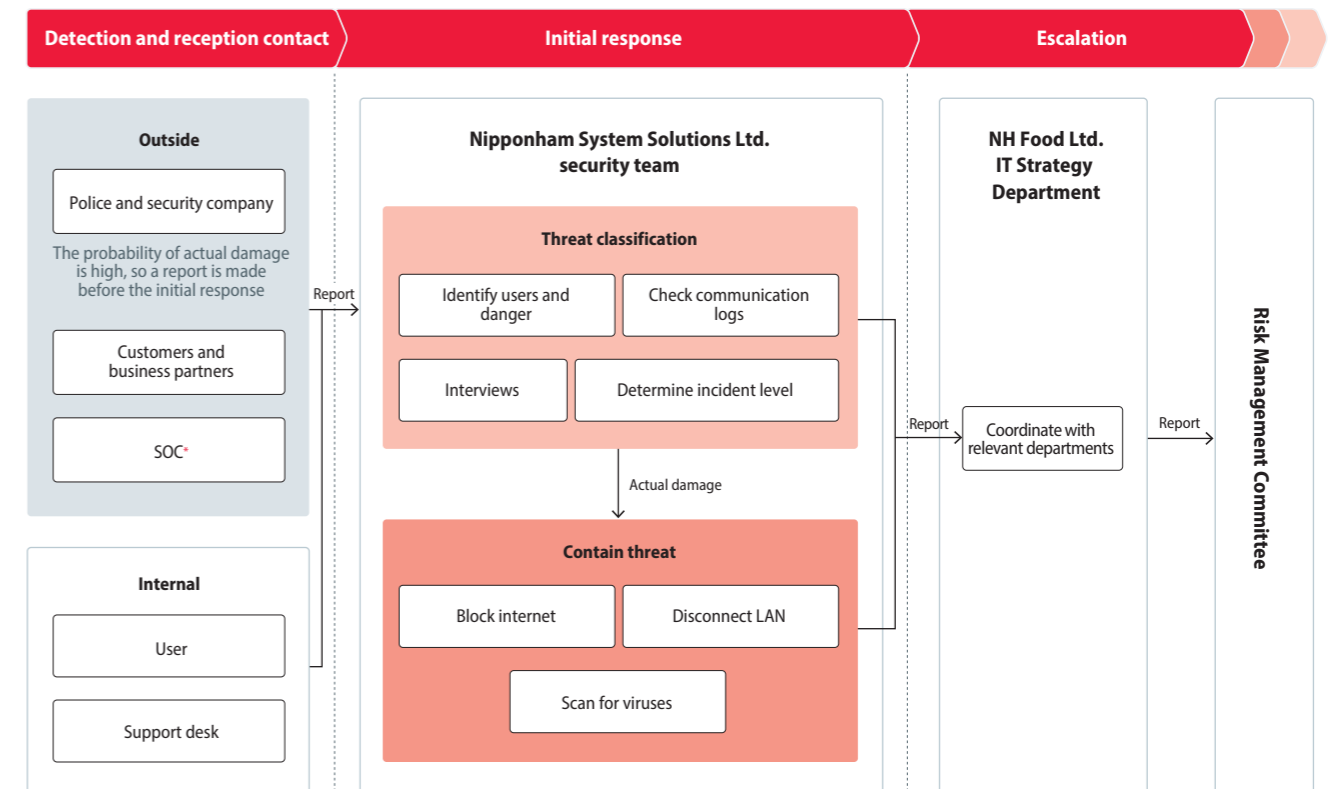
The Group recognizes that information security is a major issue affecting operations, conducts risk assessments for the Group as a whole, and implements appropriate information security measures in a deliberate manner.

As cyberattacks have become an unavoidable risk in recent years, we have taken technical security measures that anticipate external attacks, including security measures for networks and devices such as

PCs, and we are also working to reduce information security risks, including cyberattacks, by conducting information security education for Group employees on a regular basis.

Due to the impact of the spread of COVID-19, more people are working from home. In response to this changing environment, we will continue to strengthen our networks and implement measures aimed at minimizing damage should a cyberattack occur.

### Basic flow of response to information security incident



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

(As of June 25, 2021)



Directors	① <b>Yoshihide Hata</b>	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 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.
	② <b>Tetsuhiro Kito</b>	Representative Director and Executive Vice President General Manager of Fresh Meats Business Division and in charge of cross-business strategy	Mr. Tetsuhiro Kito joined the Company in 1982. He took office as Director and General Manager of the Sales & Marketing Division, Processed Foods Business Division in 2015. In 2019, he was appointed overseas business as General Manager of the Overseas Business Division. He took office as Representative Director and Senior Managing Executive Officer, and General Manager of the Fresh Meats Business Division, and officer in charge of cross-business strategy promotion in April 2020.
	③ <b>Nobuhisa Ikawa</b>	Representative Director and Executive Vice President General Manager of Processed Foods Business Division and in charge of new business development	Mr. Nobuhisa Ikawa joined the Company in 1985. He took office as Director and General Manager of the Processed Foods Business Division in 2018, and has led the processed foods business as a whole. He took office as Representative Director and Executive Vice President, and General Manager of the Processed Foods Business Division and officer in charge of new business promotion in April 2021.
	④ <b>Fumio Maeda</b>	Director and Managing Executive Officer General Manager of Corporate Planning Division; in charge of Research & Development Center and Hokkaido Project	Mr. Fumio Maeda joined the Company in 1988. He has primarily been engaged in the fresh meats and processed foods businesses. He took office as a Managing Executive Officer and General Manager of the Corporate Planning Division in April 2021, and Director and Managing Executive Officer in June same year. He is also in charge of the Research & Development Center and for advancing the Hokkaido Project.
	⑤ <b>Masahito Kataoka</b>	Director and Executive Officers in charge of Accounting & Finance Department, Quality Assurance Department, Customer Service Department and Lifestyle Research Office and General Manager of Tokyo Branch Office	Mr. Masahito Kataoka joined the Company in 1985. He has primarily been engaged operations in related to accounting and finance, as well as public and investor relations. Since April 2021, he has been leading business operations as Director in charge of the Accounting & Finance Department, Quality Assurance Department, Customer Service Department, and Lifestyle Research Office.
	⑥ <b>Yasuko Kono</b> <span style="background-color: #0056b3; color: white; padding: 2px;">Outside</span>	Director	Ms. Yasuko Kono took office as Outside Director in 2018. She has extensive knowledge and experience concerning consumer issues.
	⑦ <b>Atsushi Iwasaki</b> <span style="background-color: #0056b3; color: white; padding: 2px;">Outside</span>	Director	Mr. Atsushi Iwasaki took office as Outside Director in June 2019. He has a proven track record and experience as Outside Audit & Supervisory Board Member up to FY2018, and has professional knowledge as a certified public accountant.
	⑧ <b>Hideo Arase</b> <span style="background-color: #0056b3; color: white; padding: 2px;">Outside</span>	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 of and deep insight into global-scale corporate management.

Audit & Supervisory Board Members	⑨ <b>Nobuyuki Tazawa</b>	Audit & Supervisory Board Member (full-time)	Mr. Nobuyuki Tazawa joined the Company in 1984. From April 2017 to March 2019, he led business administration leveraging his rich work experience and knowledge as Executive Officer and General Manager of the Administrative Division, Processed Foods Business Division.			
	⑩ <b>Sadanori Miyagai</b>	Audit & Supervisory Board Member (full-time)	Mr. Sadanori Miyagai joined the Company in 1982. From June 2019 to March 2021, he served as Director and Managing Executive Officer in charge of the Quality Assurance Department and Sustainability Department, and he has extensive work experience and knowledge concerning quality and environmental auditing.			
	⑪ <b>Akihiko Shiba</b> <span style="background-color: #0056b3; color: white; padding: 2px;">Outside</span>	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.			
	⑫ <b>Masayuki Kitaguchi</b> <span style="background-color: #0056b3; color: white; padding: 2px;">Outside</span>	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.			
	⑬ <b>Tokushi Yamasaki</b> <span style="background-color: #0056b3; color: white; padding: 2px;">Outside</span>	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 for a major securities company, and possesses professional knowledge and abundant experience of food companies in general.			
Managing Executive Officers	<b>Keiji Maeda</b>	General Manager of Sales Management Division, Processed Foods Business Division	<b>Nobuo Oda</b>	General Manager of Overseas Business Division and Operation Management Division	<b>Hitoshi Yao</b>	In charge of Compliance Department and Audit Department and General Manager of Group Audit & Supervisory Board Members
Executive Officers	<b>Hideki Fujii</b>	In charge of Americas of Operations Management Division, Overseas Business Division President and Director of Day-Lee Foods, Inc.	<b>Shuichi Toda</b>	General Manager of Imported Fresh Meats Sales Division, Fresh Meats Business Division	<b>Hirohide Fujiwara</b>	General Manager of Corporate Planning Department and in charge of DX Promotion Department and IT Strategy Department, Corporate Planning Division
	<b>Tadaaki Ito</b>	General Manager of Administrative Division, Overseas Business Division	<b>Kohei Akiyama</b>	In charge of Human Resources Department, Legal Affairs Department, General Affairs Department, Public and Investor Relations Department, Secretarial Office and corporate communications	<b>Akio Wakita</b>	General Manager of Domestic Fresh Meats Production Division, Fresh Meats Business Division
	<b>Kuniharu Hirai</b>	General Manager of Administrative Division, Processed Foods Business Division	<b>Hideki Egi</b>	General Manager of Product Management Division, Processed Foods Business Division	<b>Yukihiro Matsumoto</b>	General Manager of Dairy and Marine Products Division, Processed Foods Business Division
	<b>Takao Seki</b>	General Manager of Sales & Logistics Operations Division, Fresh Meats Business Division	<b>Shuichi Narumi</b>	General Manager of Domestic Fresh Meats Sales Division, Fresh Meats Business Division	<b>Yoshitaka Hasegawa</b>	General Manager of Accounting & Finance Department
	<b>Hiroyuki Tsukuda</b>	General Manager of Administrative Division, Fresh Meats Business Division				

Note: See our website for bios, positions, responsibilities, and important concurrent positions in our Notice of the 76th Ordinary General Meeting of Shareholders

**WEB** NH Foods Notice of the 76th Ordinary General Meeting of Shareholders  
<https://www.nipponham.co.jp/eng/ir/events/generalmeeting/>