

NH Foods Group Integrated Report 2021



Unleash new potentials for protein
NH Foods Group Vision 2030

NH Foods Group
Integrated Report 2021



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

Editorial policy

Integrated Report 2021 was published with the aim of informing shareholders, investors, and other stakeholders about the annual results of the NH Foods Group, as well as the Group’s value creation potential, and the new challenges that we have taken up for the future. We hope that stakeholders will use this report to expand their understanding as the basis for a further deepening of dialogue. When compiling this report, we referred to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

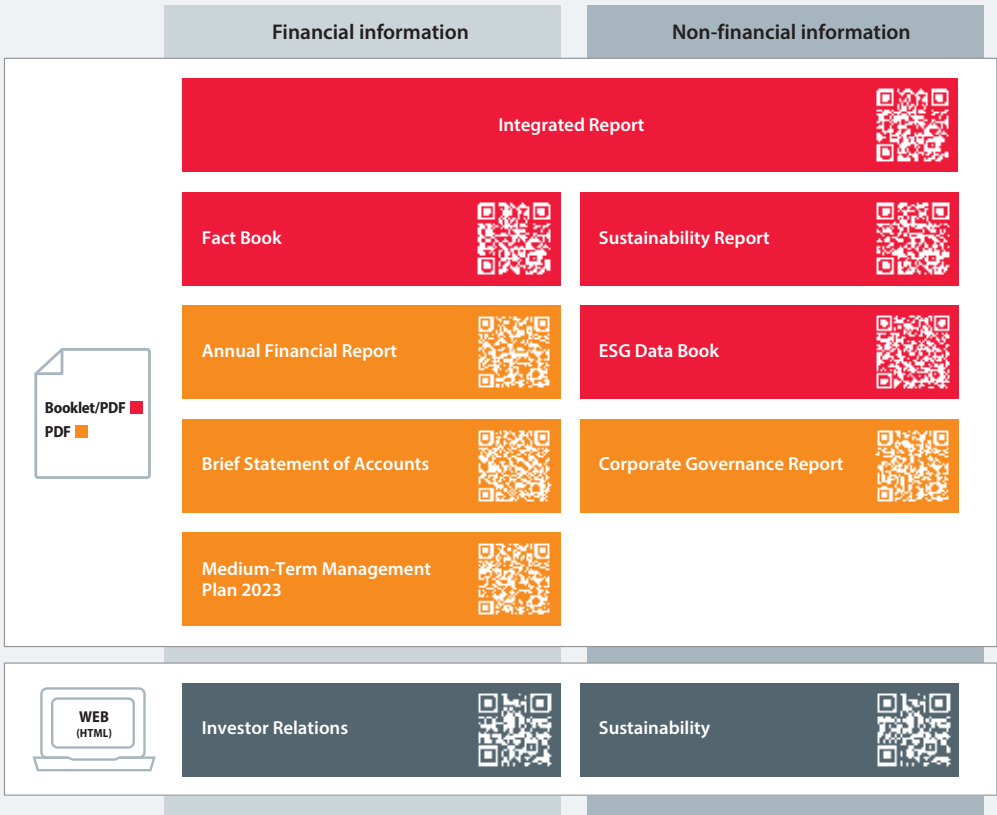
Coverage

NH Foods Ltd. and its 80 consolidated subsidiaries in Japan and overseas
(as of March 31, 2021).

Period covered

April 1, 2020-March 31, 2021
Some of the information contained in this report refers to times before or after this period

Information Disclosure Structure and the Positioning of the Integrated Report



Notes concerning accounting standards

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

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

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.

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Providing the greatest *Joy of Eating* in the world

The NH Foods Group defines the *Joy of Eating* as the pleasures of good eating, and the joy of good health.

From our beginnings as a manufacturer of ham and sausages, we have expanded into a wide spectrum of food-related business areas.

Food is essential to life. That is why we have dedicated ourselves to bringing the *Joy of Eating* to people everywhere.

Corporate Philosophies

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

Management Principles

1. Act with noble ideals and the determination to achieve them.
2. Learn from others, teach others, and be willing to be taught by others.
3. Create the times by meeting the needs of the times.
4. Expand relationships through quality and service, and take responsibility for all people with whom we have relationships.
5. Strive to be a highly functional organization.



Our aspiration—to be a source of happiness in people's lives

Pleasures of good eating

Joy of Eating

Joys of health

1 Our value creation story

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Corporate data

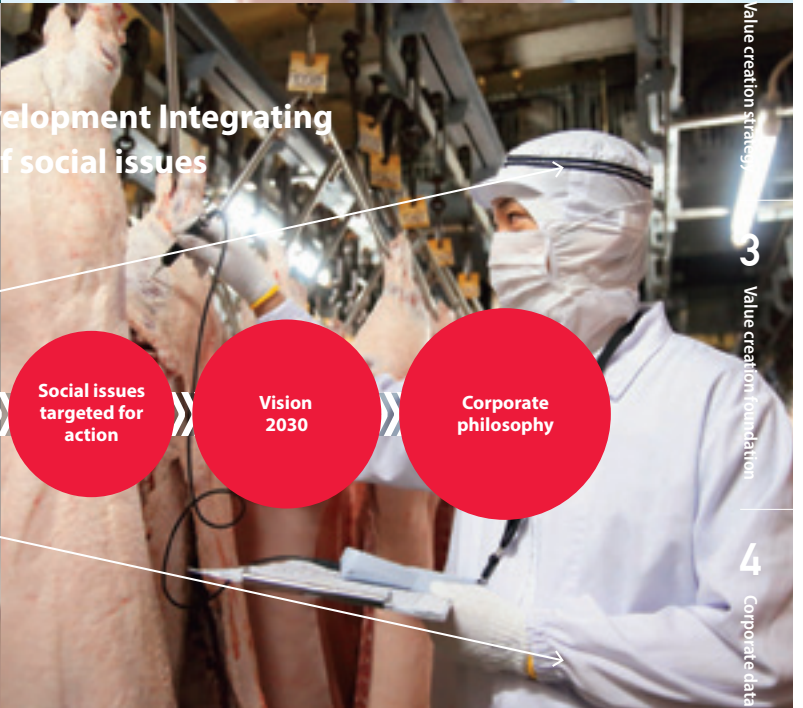
NH Foods Group Vision 2030

Unleash new potentials for protein

NH Foods Group will unleash new ideas beyond existing domains to expand new potentials for protein as the power of life. We will endeavor to create diverse dietary lifestyles so people can experience the *Joy of Eating* more freely, while ensuring a stable supply of food with respect to the environment and society.

Throughout its history, the NH Foods Group has given form to the *Joy of Eating* by responding to people's food needs, while also addressing social issues.

As Japan's biggest supplier of protein, the NH Foods Group recognizes the risk of supply problems in the future. We have already started to take up the new challenges of ensuring reliable supplies of protein, while considering the needs of the environment and society, and adapting to the diversification of lifestyles and food needs.



1 Our value creation story

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Value creation strategy

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Value creation foundation

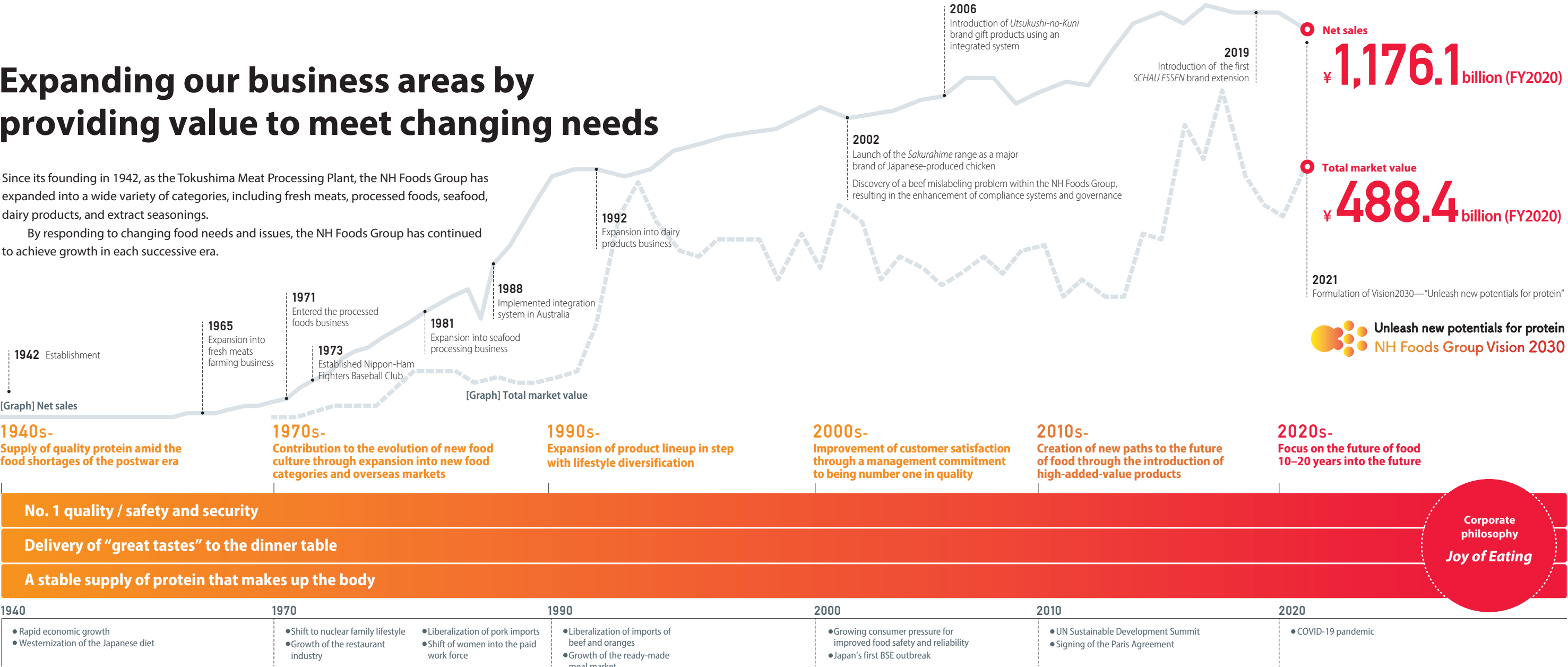
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Corporate data

Expanding our business areas by providing value to meet changing needs

Since its founding in 1942, as the Tokushima Meat Processing Plant, the NH Foods Group has expanded into a wide variety of categories, including fresh meats, processed foods, seafood, dairy products, and extract seasonings.

By responding to changing food needs and issues, the NH Foods Group has continued to achieve growth in each successive era.



Innovative products and services

1965 **Fresh Meats**

Entry into the farming business, full-scale launch of the fresh meats business

Our vertical integration system is the key to the NH Foods Group's ability to supply safe, high-quality meats reliably. The farming business, which we launched in 1965, forms the upstream part of this system. We continued to expand the scale of this business until the 1990s, and today our chicken production company Nippon White Farm and our pork producer Interfarm both boast the highest production volumes in Japan.

1977 **Overseas**

Start of overseas business expansion

In 1977, we commenced our overseas business expansion with the acquisition of the North American company Day-Lee Meats, Inc*. This company now plays an important role that encompasses local sales of processed meats, procurement of fresh meat for export to Japan, and exports to third countries. In 1987, we expanded into processing plant operation under a strategy that anticipated the liberalization of beef imports, and in 1988, we acquired Whyalla Feedlot in Australia, paving the way for the creation of an integration system for beef.

* Now Day-Lee Foods, Inc.

1985 **Processed Foods**

Launch of *SCHAU ESSEN* coarse-ground pork wieners for authentic sausage aficionados

Schau Essen of pork wieners was developed in response to demand from consumers seeking authentic gourmet sausages. Using a German manufacturing method, we made the sausages by filling sheep casings with coarse-ground pork, which at the time was new to most Japanese consumers, and then smoking them. This totally new product became a major hit thanks to its unique crisp texture and soon claimed the biggest share of the market as a flagship brand for NH Foods Ltd.

1997 **Processed Foods**

Launch of the *Apilight* range of allergen-free products

In 1996 we began to research food allergies, and in 1997 we launched the *Apilight* range of allergen-free products. The creation of these products was inspired by comments received by our consumer support desk from people pleading with us to develop foods that could be given safely to children with food allergies. While expanding the product range, we have also developed test kits and continued to provide information.

2002 **Fresh Meats**

Launch of the *Sakurahime* Japanese chicken brand, expansion of brand meats business

With its translucent pink color, *Sakurahime* chicken contains over three times more vitamin E* and has a much fainter odor than standard chicken. Developed in 2002 under our vertical integration system, it has become a flagship brand for the NH Foods Group. We have continued to introduce our own meat brands, including *Mugikomachi* domestic pork.

* Based on a comparison with the 2015 value in the Standard Tables of Food Composition in Japan

2020 **Processed Foods**

Responding to expanding demand for meat substitutes

Demand for meat substitutes is expanding for a variety of reasons, including concerns about food shortages, environmental awareness, and health consciousness. In 2020, the NH Foods Group launched a number of plant-based products under the *NatuMeat* brand. Made from soybeans and konjak instead of meat, the range includes sausages, ham, and hamburgers. We are also engaged in research and development in preparation of the future introduction of cultured meats.

Overview

Processed Foods Business Division

The Processed Foods Business Division develops, manufactures, and sells ham, sausages, processed foods, dairy products, seafood, and extract seasonings. It uses its advanced product development capabilities to contribute to the enjoyment of food in many areas through the development of long-selling products that have achieved top market shares, including *Schau Essen*, *Ishigama Kobo*, and *Vanilla Yogurt*.

Products handled No.1 Products with No. 1 market share Note: SCI Data

Fresh Meats Business Division

The Fresh Meats Business Division has built an integration system covering all stages from the production of pork and chicken through to sales, together with fresh meat procurement networks and food company sales networks in Japan and overseas. We currently handle approximately one-fifth of all meat sold in Japan in volume terms.

Brands handled

Domestic fresh meat brands

Imported fresh meat brands

Overseas Business Division

The Overseas Business Division uses know-how developed in Japan to develop business activities in Asia, Europe, the Americas, and Australia. In addition to exports to Japan, local sales, and sales to third countries, we also offer a wide variety of products and services to match local dietary culture in various countries and regions.

Overseas bases / Brands handled

Financial and non-financial highlights (FY2020)

Financial highlights

Net sales

¥1,176.1 billion

Business profit

¥52.4 billion

Profit attributable to owners of the parent

¥32.6 billion

Business profit ratio

4.5 %

ROE

7.8 %

DOE

2.3 %

ROIC

5.9 %

Capital expenditures

¥82.9 billion

Depreciation and amortization

¥33.9 billion

Non-financial highlights

Group employees

29,390

Japan

22,615

Overseas

6,775

Number of global offices

569

Japan

482

Overseas

87

Number of quality assurance managers

1,144

Japan

874

Overseas

270

Consumer monitoring system (consumer delegate committee)

Total meetings held

630

Total consumer delegate committee members

2,030

Number of sites having received external and objective certification for safety

155

Rate of progress on CSR procurement Japan

80 %^{*1}

^{*1} Amount base

Ratio of female employees in supervisory and leadership positions

6.5 %

Environment data (FY2021)^{*2}

CO₂ emissions

494.3 (thousand t-CO₂)

Water consumption

14,820 (thousand m³)

Waste volume

402.5 (thousand t)

^{*2} Coverage of the business sites of NH Foods Group in Japan. CO₂ emissions calculated by using factors in "Act on Promotion of Global Warming Countermeasures" in Japan about each year. Water consumption includes some estimated values from production departments.

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3 Value creation foundation
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Yoshihide Hata
President and
Representative Director

The Beginning

The NH Foods Group made a new beginning in 2021 toward realizing sustainability for society and the Group.

The NH Foods Group has grown as a corporate entity and expanded its business domain into new fields and has grown as a corporate entity by providing value that meets changing consumer preferences and fulfilling its corporate mission to provide *Joy of Eating*.

In the Group's rapidly changing business environment, we have announced our Vision2030 corporate ideal of "Unleash new potentials for protein" as a milestone toward fulfilling our corporate philosophy. Toward realizing the vision, we have also identified Five Materialities that will be part of the Medium-Term Management Plans 2023 and 2026.



Unleash new potentials for protein
NH Foods Group Vision 2030

How was the Vision2030 "Unleash new potentials for protein" decided upon and what is its objective?

Our objective as the largest supplier of protein in Japan is to ensure a stable supply and a variety of food choices for protein.

The growing global population is expected to increase demand for protein by roughly 2.4% annually over the next 25 years. The production of grain for livestock feed, which is a major source of protein in human diets, is projected to increase at an annual rate between 0.9-1.5%, indicating that protein supply will not be able to keep up with demand. At the same time, the livestock industry must also address greenhouse gas emissions from livestock, which means that the sustainability of the livestock farming is directly connected to the stability of protein supply.

The NH Foods Group supplies protein through products ranging from ham, sausages, and fresh meats to processed foods, seafoods, and dairy products. Protein is a nutrient that is essential for life. The corporate mission of *Joy of Eating* expresses the *pleasures of deliciousness* and *joys of health* that food provides, and I believe it is a source of happiness in people's lives. We estimate that the NH Foods Group supplies an average of about 6% of the total protein, including 11% of the animal protein, as well as 24% of the meat consumed by the Japanese population.

As the largest supplier of protein in Japan, the Group wants to

continue fulfilling our mission and use free thinking to go beyond conventional boundaries and expand the possibilities of proteins.

The Group took a step in that direction in March 2020 when it released the *NatuMeat* Soy Meat Series to meet growing consumer demand in recent years for plant-based "alternative meat" sources of protein. We are also looking to continue providing a variety of product choices for protein intake. For people with food allergies, we will continue expanding our menu of non-allergenic product offerings that we introduced in 1996. We will also add to our lineup of foods designed for people with reduced chewing ability to further expand the experience of the *Joy of Eating*.

When we were creating the vision, management spent an extensive amount of time discussing all aspects. I even sent out my own questionnaire to employees to learn their thoughts. Their responses conveyed their commitment to the NH Foods Group's purpose in society and their pride in the Company. Our Vision2030 of "Unleash new potentials for protein" represents the shared objective of all of us in the NH Foods Group.

Please comment on the business performance in fiscal 2020 and the Medium-Term Management Plan 2020.

We executed our strategies and achieved our targets for business profit margin, ROE, and ROIC following our theme of “Building systems that pave the way to the future.”



In fiscal 2020, ended March 2021, which included the impact of the COVID-19 pandemic, consolidated net sales declined 4.4% year on year to ¥1,176,101 million, business profit rose 19.8% to ¥52,426 million, profit before tax increased 80.8% to ¥48,874 million, and profit attributable to owners of the parent increased 69.8% to ¥32,616 million.

The Processed Foods Business recorded a decline in sales of commercial products, but posted higher profits on strong sales of consumer products, including its mainstay *SCHAU ESSEN* brand products. The Fresh Meats Business posted sluggish sales of imported fresh meats, but higher sales of domestically produced chicken and pork, measures to maintain supply volumes, and improved productivity generated profit growth for the year. The Overseas Business recorded sluggish sales in the Asia/Europe and Australia operations, but firm sales in the Americas operations with sales volume growth for both pork exports and processed foods.

We completed the Medium-Term Management Plan 2020 on a high note in fiscal 2020 in numerical terms. After falling short of the financial targets in the plan’s first two years, we gained momentum and achieved our targets for business profit ratio, ROE, and ROIC in the plan’s final year.

We steadily advanced the management strategies and measures

of the Medium-Term Management Plan 2020, which focused on the theme of “Building systems that pave the way to the future.” I was particularly pleased with the progress we made with our specific objective of strengthening profitability by improving the efficiency of existing businesses. The Processed Foods Business achieved its three-year cumulative target for business profit of ¥33.5 billion and the Fresh Meats Business raised its single-year business profit back above ¥40.0 billion. The Overseas Business also showed improved performances for the processed foods businesses in Australia and the Americas (see page 26 for details). We also launched R&D of cultured meat to ensure we continue to fulfill our responsibility to supply animal protein in the future.

One major accomplishment during the year was the Research & Development Center obtaining a patent for the results of its joint research with universities and medical research institutes. The research successfully extracted imidazole dipeptide from chicken tissue and verified that the substance helps maintain and improve memory in the elderly. In the year 2025, it is estimated that one in five people over the age of 65 will have dementia. We plan to develop and introduce functional foods containing imidazole dipeptide to help improve memory in middle-aged and elderly people.

Our pursuit of sustainability included declaring our endorsement in June 2020 of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and becoming a member of the TCFD Consortium. We also joined the Roundtable on Sustainable Palm Oil (RSPO).

At the same time, we recognized that the Group needs to step up its ESG sustainability initiatives which have been too slow to respond to the external environment, so we are once again prioritizing ESG as a point of materiality in the current fiscal year. In accordance with the Vision2030, the new materialities connect addressing social issues to the growth and development of the Group’s business. (See table below)

Five Materialities

Stable procurement and supply of proteins

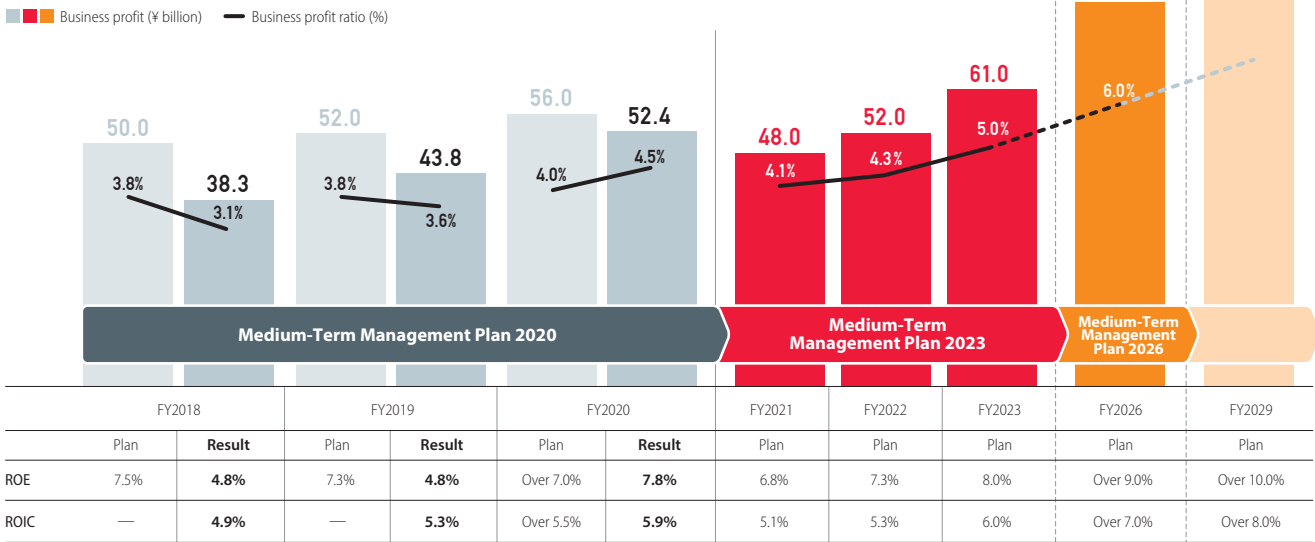
Food diversity and health

Contributing to a sustainable environment

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

Employee development and respect for diversity

Medium-Term Management Plan results and future targets



What are the main points of the new Medium-Term Management Plans for 2023 and 2026

We are integrating business strategy and materiality to solve social issues and maximize corporate value.

The Medium-Term Management Plans for 2023 and 2026 will deliver the Group to our Vision2030. The primary objective of the plans is to maximize our corporate value by integrating our business strategies and materiality, solving social issues, and advancing the Group’s growth and development.

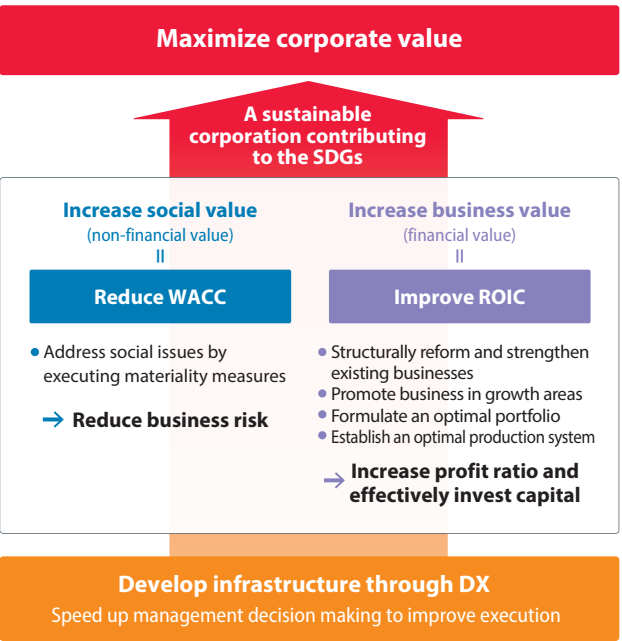
We continue to see ample room for growth in Japan, but additional growth will require reforming and strengthening our existing businesses and increasing our presence overseas and in new markets. I plan to maximize our strengths in these areas.

We will shift to a sustainable business model that will decrease risk and increase opportunity while also enabling us to address issues ranging from climate change to labor shortages. We intend to work diligently to produce results during the six years of the medium-term management plans. During the first three years, we will be laying the foundation for ramping up to the nextstage in the second three years.

The financial targets for Medium-Term Management Plan 2023, which concludes with fiscal 2023 ending in March 2024, are for net sales of ¥1,220 billion and business profit of ¥61 billion with a business profit ratio of 5.0%, ROE of 8.0%, and ROIC of 6.0%. The targets for Medium-Term Management Plan 2026, which concludes with fiscal 2026 ending in March 2027, are for net sales of ¥1,320 billion and business profit of ¥79 billion with a

business profit ratio of 6.0%, ROE above 9.0%, and ROIC above 7.0%. In fiscal 2029, we aim to have raised ROIC above 8.0% and ROE above 10.0%.

Measures to maximize corporate value



What are the management objectives and strategies of Medium-Term Management Plan 2023?
Under Medium-Term Management Plan 2023, we will establish an optimal portfolio while continuing our business growth and development.

The management objectives in the Medium-Term Management Plan 2023 are to execute three business strategies and one functional strategy. In addition to the plan's strategies, management will also be implementing various cross-departmental promotion strategies to maximize group strength.

Under the plan's strategy to "shift to a profitable and sustainable business model," the Processed Foods Business will strengthen its current business areas and expand into new fields while also improving the productivity of its manufacturing plants. Additionally, the Fresh Meats Business will fortify its procurement and sales capabilities to elevate its profit base. We will also implement Company-wide initiatives to raise ROIC by increasing the sales turnover rate in relation to invested capital, which will enable us to construct the optimal production structure and business portfolio for growth and development. Each business will use ROIC trees and management based on KPI to ensure the measures are effective.

By maximizing cash flow, raising our social value by acting on our materialities, and lowering business risk to minimize WACC, we aim to widen the ROIC spread and thereby raise our corporate value.

The plan's strategy to construct a growth model for Overseas Business consists of stabilizing the profits of existing businesses to fortify the business base, expanding the Processed Foods

Business in the United States and ASEAN, and applying growth strategies focused on areas with business potential.

The third strategy to offer new value through new products and services will seek to reach new customer bases by creating new entertainment, ethical, and wellness businesses and developing direct-to-consumer (D2C) operations. The baseball operation, which has been operated primarily as a promotional activity, will be formed into the Baseball Club Business, which will be operated as a profit-generating operation.

The plan's functional strategy is to strengthen our corporate functions to enable us to realize the Vision2030. We will fortify our R&D and human resource management by integrating DX to improve the efficiency of existing operations, raise productivity, and build a new business model.

Digitalization will enhance the efficiency and productivity of existing operations, which will reduce operating costs and enhance our data-based decision-making.

The new business model we are formulating will use our digital technologies to provide services for customers and business partners. The new model will also facilitate R&D leading to new businesses, such as research into alternative proteins and the commercialization of smart pig farming. We are budgeting ¥15.7

billion for DX investment over the next three years. While this is an upfront investment, we expect the ¥7 billion investment in fiscal 2026 to generate a return of ¥8 billion. In Medium-Term Management Plan 2023, we have set a total capital investment budget of ¥248 billion, which will primarily be used to fortify our business foundation and for the shift to a sustainable business model. Medium-Term Management Plan 2026 has a capital investment budget of ¥148 billion, which we project will be accompanied by a substantial increase in free cash flow from ¥25 billion in the first year to ¥161 billion in fiscal 2026.

The cross-departmental promotion strategies include a cross-business strategy related to the management policies of shifting to a sustainable business model and growing overseas business that will make maximum use of each business division's

management assets to fortify the Group's comprehensive strength. The Hokkaido Project is a development project designed to increase corporate value centered on the Hokkaido Nippon-Ham Fighters baseball team and Hokkaido Ballpark F Village. The corporate communication strategy aims to improve our relations with investors, shareholders, the public, and employees, and is part of the management strategy to strengthen corporate functions.

These strategies will require a rock-solid management base, which we will provide by maintaining our "quality-first management." Key to this is continuing to receive the objective and specialized opinions of our outside directors based on their various backgrounds. Our efforts in this area are leading to more open exchange of opinions and viewpoints, which are enabling much more meaningful discussions.

What is your perspective on the harsh criticism of the livestock industry?
I take the criticism very seriously and am seeking to establish sustainable livestock farming methods.

We are very conscious of the environmental issues and animal welfare issues associated with the livestock industry, and I take them very seriously.

The NH Foods Group's main businesses are raising and processing pigs and chicken in Japan and cattle in Australia.

The livestock industry has been estimated to be responsible for 14.5% of greenhouse gas emissions (GHG), with cattle accounting for most of the emissions. We are accordingly implementing measures to reduce emissions from our cattle livestock. We are also taking steps to reduce water consumption in Australia, which has higher water risk than Japan. In addition, we are seeking to reduce the environmental impact of livestock operations by enhancing livestock productivity, particularly by improving the feed conversion ratio, or

the efficiency which livestock convert animal feed into growth.

These are critical environmental issues for the Group. To reduce the associated risks, we have set new, stricter medium- and long-term environmental targets in areas including reduction of GHG emissions and assessment and response to water risk.

In addition to environmental issues, the smart pig farming we are developing also addresses the social issues of the shortage of successors in the livestock industry and the transfer of technology.

Smart farming is already being tested at two pig farms Shiretoko and South Hokkaido, where the growth status of the pigs is monitored 24 hours a day, and AI image analysis is used to monitor health status and signs of estrus.

What message would you like to convey to stakeholders?
Steadily implementing our strategies will enable us to better fulfill our mission as a food company.

With Vision2030 and Medium-Term Management Plan 2023, the Group is embarking on a new start with fully integrated business and sustainability strategies that will lead to business growth and the solutions to social issues.

We will continue working to our strength of providing a stable supply of protein and safe and secure foods backed by our quality-first management so consumers can have abundant choices of flavorful foods to experience the *Joy of Eating*. I believe these efforts will make the NH Foods Group loved, respected, and preferred, which will lead to rising corporate value.

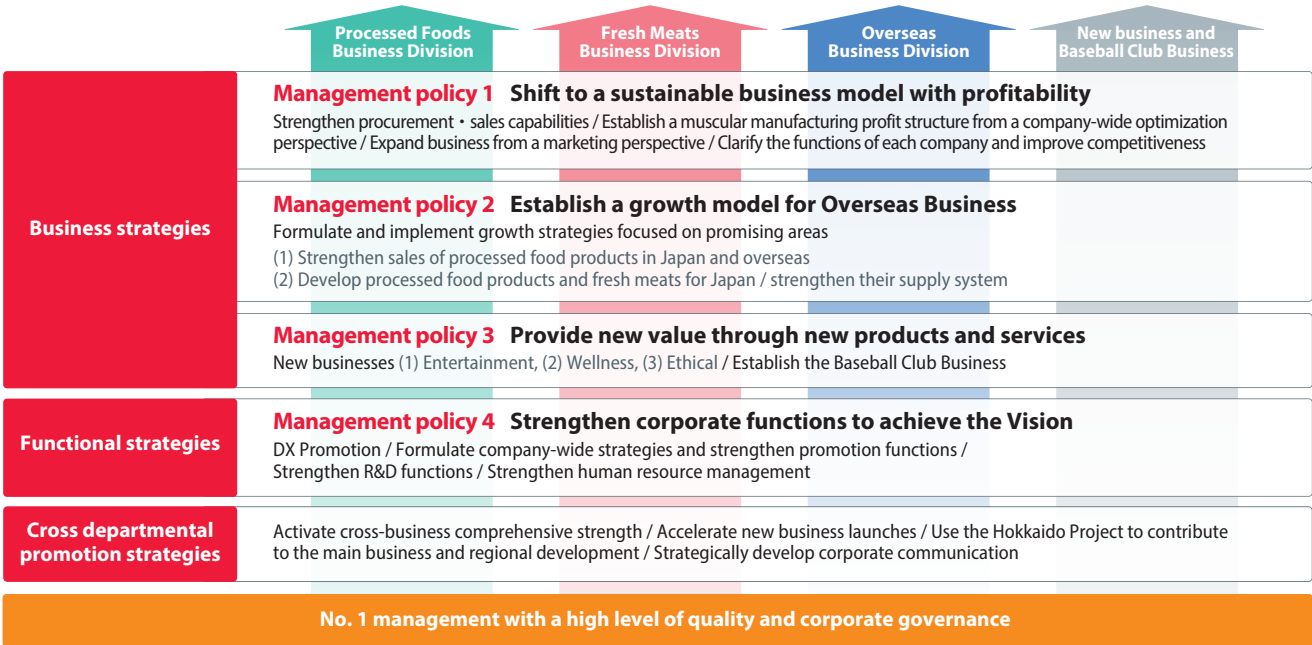
The COVID-19 pandemic caused dramatic changes in society in 2020.

As a food company, the Group has a social mission to provide a stable supply of safe and secure products and services, and we recognize that we have the ability to maintain an uninterrupted supply chain that allows us to fulfill our responsibility. We have still not reached the end of the pandemic, and we will continue to fulfill our responsibility to ensure the health and safety of Group employees.

I look forward to the unwavering support of our shareholders and investors as we forge the future of the NH Foods Group.

Yoshihide Hata
President and Representative Director

Medium-Term Management Plan 2023, Three Business Strategies and Four Management Policies



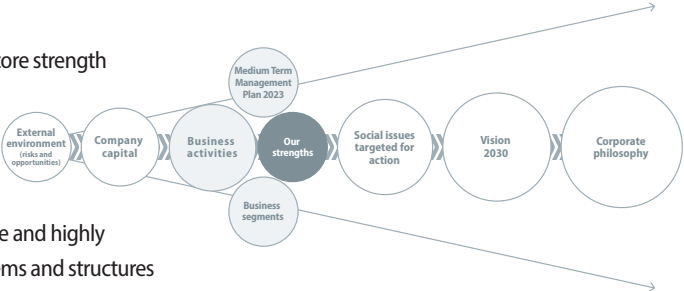
VALUE CREATION

Sharing the *Joy of Eating* through the pursuit of improvement in social value and business value



Creating our own supply chains to support value creation

Supply chains capable of reliably delivering protein, the driving force for life, are a core strength for the NH Foods Group and the source of our ability to create value. Our global procurement and production structures, our nationwide sales network, and our quality control systems ensure reliable supplies of safe, dependable products. Our product development and processing capabilities allow us to create delicious new processed foods, while in the fresh meat category we have build a dependable and highly efficient production structure based on our vertical integration system. These systems and structures enable the NH Food Group to supply products that precisely match market needs.



Strengths of Value Creation

Developing products from a customer perspective



1985 Wiener sausages start to become a familiar part of Japanese food culture.



1994 NH Foods Ltd. offers new cooking styles in response to changes in lifestyle culture.



1998 NH Foods Ltd. develops the chilled pizza market for lovers of authentic pizza.

Information obtained by listening to consumer input and monitoring dietary and lifestyle changes is used to develop and enhance processed and cooked products, such as ham and sausages, as well as dairy products and seafood. One of our priorities is the development of allergen-free products. We are also working to create products with user-friendly functional characteristics, such as convenience and easy storage.

The Consumer Delegate Committee System
We established this unique monitoring system in 1969 to obtain input from consumers. The Committee consists of women in their 20s or older with an interest in food. Selected from among applicants who respond to public advertisements, they provide input that is used to improve and develop products.

The NH Foods Group value chain



Strengths of Value Creation

Procurement and production networks that support safe, secure, and reliable supply

Through the 1970s, we progressively expanded into chicken and pig farming in Japan. We continued to expand these operations, and in the 1990s we strengthened our integration in Japan by absorbing processing companies. In 1988, we launched a cattle breeding business in Australia, and in April 2015, we began to develop chicken farming in Turkey. Our production and breeding operations in Japan and overseas enable us to maintain reliable supplies of meats. We operate 126 farms in Japan and 31 overseas.

We have further enhanced our ability to sell and supply fresh meats and processed foods reliably by establishing procurement channels outside of the group. As part of our efforts to reduce costs and develop original standard products, we are strengthening our strategic partnerships with overseas meat packers.



Strengths of Value Creation

Management commitment to leadership in quality backed by highly effective quality assurance structures

We ensure the safety of the products that we supply through safety assessments, quality audits, and safety inspections. Safety assessments begin before the product development stage with the assessment of raw materials. We also assess products for compliance with regulatory requirements relating to labeling and standards. Quality audits involve extensive checking of quality-related items at production sites, manufacturing plants, and sales offices in Japan and overseas to ensure that raw materials and products are produced in appropriate environments under effective quality assurance systems. Safety inspections involve the analysis of raw materials and products to detect chemical residues, microbes, and allergens. Human resource development is also vital to the effectiveness of our quality assurance structure. That is why we provide our employees with training and educational opportunities.

Number of quality assurance managers

Total **1,144** (As of March 31, 2021)



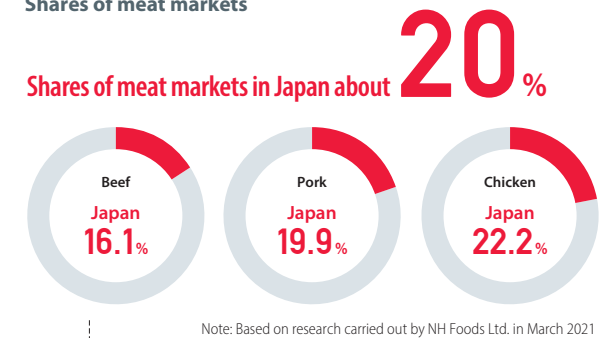
Strengths of Value Creation

Strong supply capacity and advanced processing technology reflected in high market share

The NH Foods Group manufactures ham, sausages, processed foods, processed seafood products, lactic acid probiotic beverages, dairy products, and other items at 94 production facilities in Japan and overseas. In the fresh meats category, our involvement in the breeding and production of pork and chicken in Japan enables us to supply high-quality branded meats and other products reliably, and we have built a market share of around 20%. Many of our processed foods are number one in their categories thanks to our nation-wide supply structures.

We maintain comprehensive quality management systems at our manufacturing facilities, including certification under external standards.

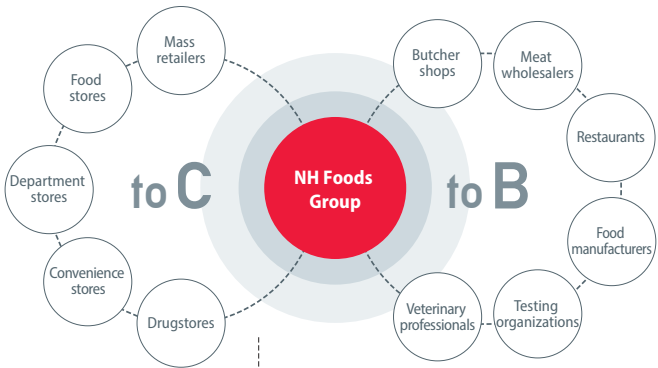
Shares of meat markets



Strengths of Value Creation

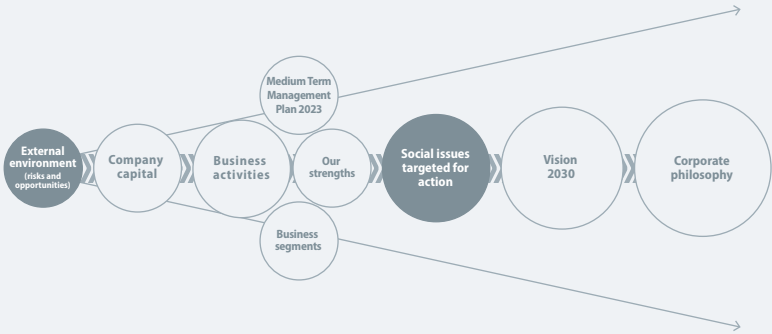
Nationwide sales and distribution network

We maintain highly responsive and flexible supply structures based on a nationwide network of sales offices with direct links to our manufacturing sites. The distribution business of the Fresh Meats Business Division is carried out by Nippon Logistics Center, Inc., which has some of Japan's largest refrigerated and frozen storage facilities in Kanto and Kansai regions, and Nippon Chilled Logistics, Inc., which delivers products to sales companies across Japan. For the Processed Foods Business Division's distribution business, Nippon Daily Net Co., Ltd. handles storage operations, while delivery operations are carried out by Nippon Route Service Co., Ltd. Our integrated strengths, including our logistics and sales networks, are helping to strengthen relationships with suppliers and enhance our market competitiveness.



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

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



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

Defining the materiality

Identifying the materiality

Risks and background factors

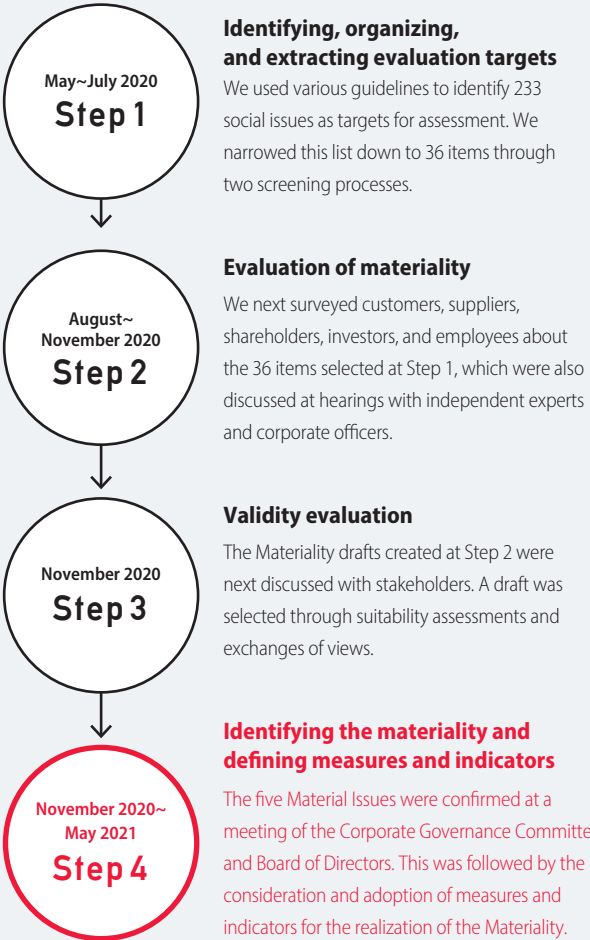
Consumer trends	Changes in food demand due to Japan's falling birthrate and demographic aging	By 2030 Japan's population will decline by 5.3% from the 2019 level to 119.12 million.*1
Price trends	Changes in the supply-demand balance for food driven by global population growth	By 2030, world population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

Opportunities and background factors

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

*1 National Institute of Population and Social Security Research, *Nihon no shorai suikei jinko shusseki chui* (Estimates of Japan's future population and average birthrate) (2017 estimates)
*2 United Nations "World Population Prospects 2019" *3 Planbureau voor de Leefomgeving (PBL), *The Protein Puzzle*
*4 Food and Agriculture Organization of the United Nations, *Tackling Climate Change Through Livestock* (2005 estimates)
*5 OECD statistics "OECD Environmental Outlook to 2050" *6 Ministry of agriculture, Forestry and Fisheries, *Chikusan tokei* (Livestock statistics as of February 1, 2021)

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



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

Stable procurement and supply of proteins

Food diversification and health

Contributing to a sustainable environment

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

Employee development and respect for diversity

Materiality (material issues)	Philosophy	Social issues	Main indicators and policies	SDG areas selected for contribution
	Global population growth, climate change, and other factors are expected to make it increasingly difficult to supply proteins. The NH Foods Group aims to ensure the stable procurement and supply of proteins. In addition to existing quality-related safety and reliability initiatives, we will advance efforts to supply diverse proteins through consideration for the environment and social aspects such as human rights and animal welfare in our supply chains.	<ul style="list-style-type: none">•Stable procurement and supply of proteins•Greater choice of protein•Food safety and reliability	<ul style="list-style-type: none">•Improving protein intake as a power of life (in Japan)•Control of livestock diseases•Promote CSR procurement (by FY2030, inform important primary suppliers of policies and have 100% SAQ^{*1} implementation, disseminate policies to important secondary suppliers and implement SAQ)•Due diligence on suppliers regarding human rights•Promote initiatives that take animal welfare into consideration•Develop and utilize new technologies such as smart livestock farming•Expand sales of plant-derived protein products (FY2030 shipment amount: 10 billion yen)•Develop alternative meat technologies•Promote acquisition of third-party certification (FSSC22000, SQF, BRC, JFS, etc.)•Human resource development through specialized technical certification and other training	
	Changes in lifestyle and other factors are leading to the need for diverse solutions in the area of food as well. The NH Foods Group will contribute to a happy and healthy life by developing products and providing services that meet diverse needs.	<ul style="list-style-type: none">•Food allergy support•Health promotion•Food diversification	<ul style="list-style-type: none">•Expansion of and enlightenment regarding food allergy-related products (FY2030 shipment amount: 4 billion yen)•Research and disseminate information on food allergies•Research and commercialization of new ingredients to improve cognitive function (supply equivalent of 3 million meals a year by FY2026)•Develop products that contribute to health•Disseminate information on extending healthy life expectancy•Develop and sell products that respond to a diverse range of cultures, religions, etc.	
	We face various environmental issues such as climate change, food loss, and marine plastic litter. The NH Foods Group's businesses involve bringing our customers the bounty of nature, and we are determined to help solve issues such as greenhouse gases, food loss, and plastics throughout the value chain.	<ul style="list-style-type: none">•Responding to climate change•Resource saving and recycling•Addressing biodiversity	<ul style="list-style-type: none">•Reduce CO₂ emissions from fossil fuels by at least 46% by FY2030 (compared to FY2013)^{*2}•Promote research and technological development to control and reduce greenhouse gases derived from livestock•Reduce water consumption by 5% by FY2030 (compared to FY2019: Basic unit per production quantity)^{*2}•Reduce waste emissions by 5% by FY2030 (compared to FY2019: Basic unit per production quantity)^{*2}•Achieve a waste recycling rate of at least 92% by FY2030^{*2}•Use environmentally-friendly materials (recycled materials, biomass materials, etc.) and reduce the amount of packaging materials used•Identify areas with high water risks, survey actual conditions in the area and respond to issues•Promote the reduction of food loss from manufacturing, sales, and distribution•100% use of RSPO-certified palm oil by FY2030 (including Books & Claims)•Increase in certified products for sustainable fishery resources (MSC/ASC)•Promote forest conservation activities	
	As a good corporate citizen, the NH Foods Group aims to be an enterprise loved and trusted by local communities and society as a whole, as we walk and grow together, deepening ties formed through food and sports.	<ul style="list-style-type: none">•Local community development	<ul style="list-style-type: none">•Promote activities for co-creation with local communities through sports (new HOKKAIDO BALLPARK, sports/food education classes, etc.)•Promote community contribution activities, including cultural activities (cooperation and clean-up activities for local events, etc.)•Promote social welfare activities through food (supplying food to food banks and "Kodomo Shokudo", etc.)•Support fostering the next generation through food and dietary education, etc. (in-class lessons, career development support, etc.)	
	The NH Foods Group aims to be a place where employees can feel truly happy and fulfilled. Based on a deep respect for individuals, we strive to create workplaces where employees can thrive and demonstrate their unique strengths.	<ul style="list-style-type: none">•Enhancing job satisfaction for employees•Respect for diversity	<ul style="list-style-type: none">•Support for job satisfaction•Foster a corporate culture that encourages employees to take on challenges•Improve expertise and management capabilities through education and training•Initiatives for fair evaluation and compensation•Promote the right person in the right place by transfer and assignment•Support for career autonomy•Promote active participation by women•Promote support initiatives for childcare, nursing care, persons with disabilities, etc.•Reduce total working hours•Promote a diverse range of working styles•Further strengthen the health management system•Further promote the eradication of labor accidents•Education regarding human rights policies and establishment of human rights due diligence system	

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

Realizing Vision 2030

Our Vision2030 corporate ideal of “Unleash new potentials for protein” aims to maximize corporate value by using our business activities to solve the social issue of protein availability. The Medium-Term Management Plans 2023 and 2026 frame our medium-to-long-term management strategies to realize our vision by leveraging the capital and strengths that are the sources of the Group’s value creation and combine our materialities and business strategies. The objectives of the plans are to contribute to realizing a sustainable society and advance the Group’s business growth and development.



Review of Medium-Term Management Plan 2020

Medium-Term Management Plan 2020 Achievements		
Increase existing businesses efficiency to boost profitability	Processed Foods Business Division	● Achieved the initial target for ¥33.5 billion in three-year total business profit with the prior unintegrated Processed Foods Business Division ● Expanded sales of highly profitable consumer products by expanding core brands
	Fresh Meats Business Division	● Expanded the production structure despite some impact on the chicken market after Medium-Term Management Plan 2020 ● Increased profitability by expanding sales of highly profitable meat brands ● Raised business profit back above ¥40.0 billion despite the coronavirus pandemic by responding to increased demand in high-volume retailer channels
	Company-wide	● Net sales and invested capital turnover fell short of plan
Expand overseas sales early	Overseas Business Division	● Realized positive effects from internal improvements in the Australia Business and Processed Foods Business in the Americas ● Growth in Processed Foods Business in the Americas
Create value through dialog with consumers		● Enhanced product development and sales promotion capabilities by using big data analysis to create the “future dining market forecast”
Enhance and develop technological capabilities for conceptualizing and realizing the future of food		● Conducted research to fulfill our responsibility to supply animal protein in future society • Started the smart pig farming project • Entered the domestic meatless (alternative meat) market • Started research and development of cultured meat • Patented imidazole dipeptide
Pursue sustainability		● Implemented initiatives to solve social issues through business activities • Endorsed the recommendations of TCFD • Joined RSPO • Engaged in CSR procurement

Execute strategies to establish a launching pad for the future Pursue the optimal portfolio to boost profitability and productivity

We steadily advanced the management strategies and policies in the Medium-Term Management Plan 2020, which were aimed at “Building systems that pave the way to the future.” These efforts made our business operations more profitable. At the same time, we recognized that we still need to be more responsive to the external environment and improve our execution abilities.

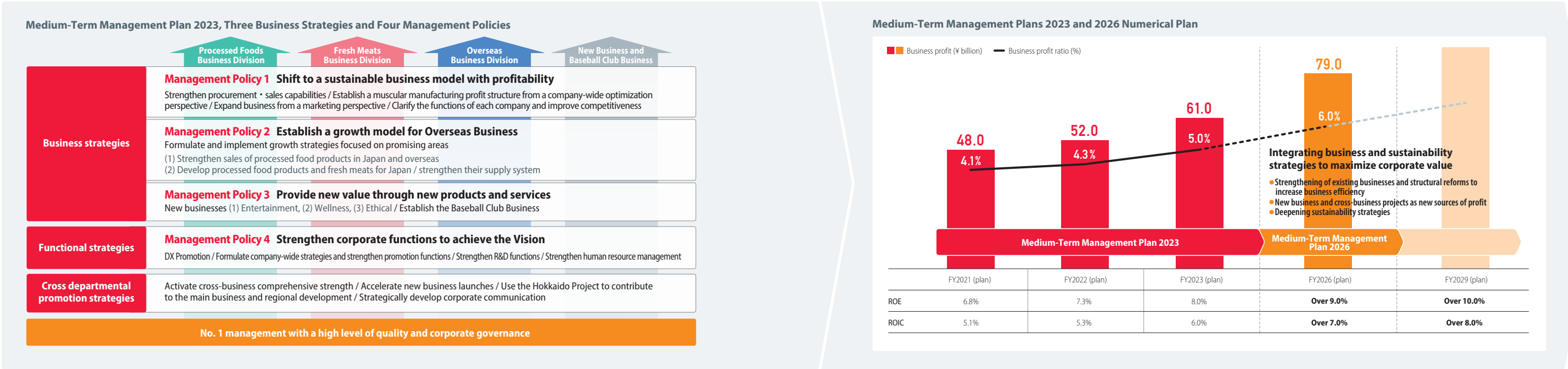
The Processed Foods Business Division’s strategies to “Strengthen profitability by improving the efficiency of existing businesses” increased profitability, primarily through expanded sales of its core brands, and generated synergy effects from integration with the Affiliated Business Division. Key themes from this point are to reap the effects of the six new integrated projects, revise the sales structure, and concentrate on its areas of strength. The Fresh Meats Business Division augmented and stabilized its logistics capabilities by expanding its production structure, which it achieved by revamping aging facilities in upstream operations and setting up distribution transfer bases. The division is now taking steps to minimize the impact from market fluctuations by seeking to expand sales of its high-margin fresh meat brands, advancing a multiple channel strategy so it can respond more quickly to changes in the external environment, and increasing the productivity of its manufacturing operations.

The Overseas Business Division’s measures to “Expand overseas sales early” included internal improvements in the processed foods business in the Australia and Americas operations that produced tangible results, including increased processed food sales in the Americas. The division is now focusing on reexamining its regions for potential growth, improving fresh meats business earnings in Uruguay, and boosting sales in its local and third-country markets to increase overall sales.

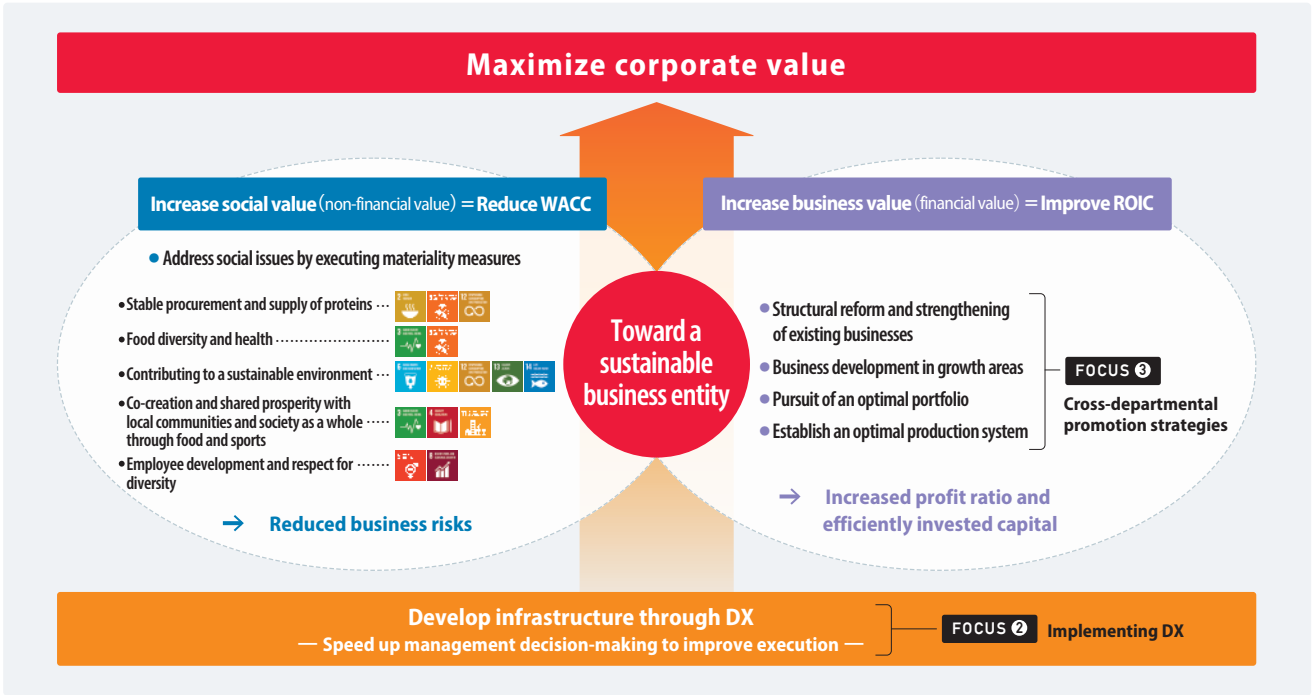
During the year, we launched R&D activities for cultured alternative protein products as part of the strategy to “Enhance and develop technological capabilities for conceptualizing and realizing the future of food.” We also advanced smart pig farming using AI camera analysis to the point that it is very close to not requiring human assistance, bringing it very close to practical application, which will increase productivity in the domestic livestock industry. In addition, we obtained a patent for imidazole dipeptide, which is primarily derived from chicken breast tissue and is currently used as a supplement for fatigue recovery. The substance also shows promise for improving memory, and we are aiming to quickly develop related products.

Under the plan’s strategy to “Pursue sustainability,” we endorsed and joined several international initiatives, including the Task Force on Climate-related Financial Disclosures. We also took steps to strengthen our business foundation that included setting new human resource evaluation and training indicators and fortifying corporate governance.

Overview of Medium-Term Management Plans 2023 and 2026



FOCUS 1 Shifting to sustainable business model



Maximize corporate value by solving social issues and promoting group growth and development

In Medium-Term Management Plan 2023, we plan to raise ROIC through “Structural reform and strengthening of existing businesses,” “Business development in growth areas,” and “Pursuit of an optimal portfolio,” and “Establishment of an optimal production system.” At the same time, we will address social issues by executing materiality measures to reduce business risks and minimize WACC.

Structural reform and strengthening of existing businesses in the Processed Foods Business Division began in April 2020 with its organizational restructuring to maximize synergies. The Fresh Meats Business Division will externalize its domestic beef assets, and the Overseas Business Division will implement measures to reduce overall earnings volatility.

Business development in growth areas will be achieved by growing the Overseas Business Division and expanding into new regions. The division will also create new revenue sources by focusing on specific growth fields and regions and adding processed products to its sales lines. We are also leveraging the strengths of our existing businesses to create new value for ventures into new business domains.

These strategies will be cross-departmental and will seek to make maximum use of each division’s management capital from an all-company perspective and for overall optimization with the aim of

creating an optimal business portfolio and optimal production system.

We will also take steps to minimize WACC. We believe that reducing business risks is essential, and revising our corporate materialities in April 2021 was a critical first step.

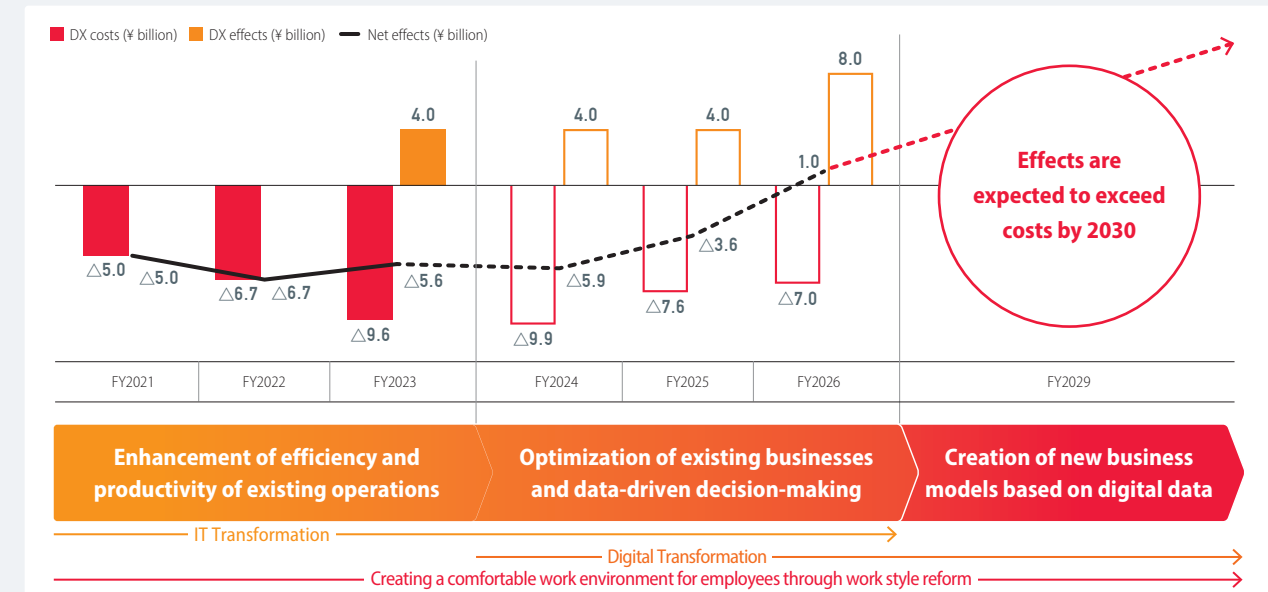
The NH Foods Group’s operating environment is undergoing substantial change, with fluctuating raw material procurement costs due to climate change and trade restrictions, diversifying food needs, and labor shortages among a host of challenges. Addressing these social issues will reduce our business risks. One step the NH Foods Group has taken is expressing support for the United Nations Food Systems Summit.* In addition, our CSR procurement measures include responding to issues of materiality, including climate change and increasing food diversity, such as by creating foods in consideration of food allergies.

We aim to widen the WACC-ROIC spread and maximize cash flow and corporate value by addressing social issues by executing material measures to address social issues and to grow and develop the Group.

* Please see the Ministry of Agriculture, Forestry and Fisheries website for information about the United Nations Food Systems Summit. (Japanese language only)
https://www.maff.go.jp/j/kokusai/kokusei/kanren_sesaku/FAO/fss.html

FOCUS 2 Implementing DX

DX costs and effects in the shift to a new business model



DX for a new business model and creating business and social value

We have four objectives for the DX of the NH Foods Group. Digital technology will be used to: 1) radically increase the efficiency and productivity of existing operations, 2) standardize and optimize business processes, and accelerate management decision-making, 3) create a business model to provide new value related to food, and 4) create a comfortable employee work environment through workstyle reform.

At present, each business division and company has their own system optimized to their own operations. Not only are the systems becoming outdated, but they are increasingly unable to effectively respond to changes both inside and outside the company. We believe the circumstances make it necessary to invest resources for DX.

The first step will be to lay the foundation for migrating from individual systems to a shared Group system. To prepare this foundation, we are advancing an initiative for the “Connect Project” (company-wide core system reform project) for infrastructure development, preparing the infrastructure for a smart work platform, and developing DX human resources.

Digitalization will improve the efficiency and productivity of existing operations, which will lower operation costs and enable data-based decision-making.

The next step will be to apply digitalization to optimize our business operations. By optimizing our internal processes and accelerating the

launches of new services with digital technology, in 10 years we aim to provide our customers and business partners with digitally enhanced services including smart pig and chicken farming, digital marketing, and AI examination processes.

The Smart Pig Farming Project aims to address the problems of aging and retiring producers and environmental impact by using digital technology to create highly productive, low-impact farm management operations that can be carried out with fewer people. We are targeting Medium-Term Management Plan 2023 for achieving practical application of the system and are ultimately aiming to productize our smart pig farming expertise.

Core strategies of Medium-Term Management Plan 2023

Lay the foundation for the new business model	Initiatives to create business opportunity <ul style="list-style-type: none">• D2C• Smart pig and chicken farming• Digital marketing• AI for inspection process
Increase business process efficiency and productivity	Cost reduction and data-based decision making <ul style="list-style-type: none">• Introduce RPA, AI, OCR• Upgrade supply and demand adjustment capability• Increase centralized purchasing• Introduce AI shipment management• Strengthen data analysis• Improve CCC visualization
Fortify the DX foundation	Migrating from individual systems to a shared Group system <ul style="list-style-type: none">• Advance the Connect Project• Create a smart work platform• Cultivate DX human resources

FOCUS 3 Cross-departmental promotion strategies

Cross-departmental promotion strategy objectives and content			
Four cross-cutting strategies	Objectives and content		Expected effects
Cross business strategies	Plan and implement a company-wide common strategy to demonstrate the integrated strength of the NH Foods Group as a whole, beyond the business divisions, toward the enduring development of the Group	<ul style="list-style-type: none">● Cross-divisional Free Trade Agreement Countermeasure Project● Mutual cooperation in sales and logistics● Optimization of production bases	Cost reduction Sales expansion Reduction of environmental impact
New business	Accelerate efforts in new growth areas in anticipation of future changes in the environment, aiming for concrete commercialization and fostering a culture of challenge	D2C challenge by the New Business Development Department	Single year profitability in FY2024 Sales of ¥10.0 billion in FY2029
The Hokkaido Project	In Hokkaido, where many of the Group's sites are located, create synergies with its core business in preparation for the opening of the new baseball stadium in 2023, and contribute to the development of the region	Promotion of 11 measures related to sports business synergies	Opening of Hokkaido Ballpark F Village in 2023 Operating profit of ¥2.6 billion
Corporate communications	Strengthen corporate communications functions to enhance the reputation by developing strategic communications with stakeholders	Delivering a consistent message through Vision2030	Brand value enhancement

Cross-business strategies

Leverage the Group's comprehensive power by integrating and leveraging the strengths of all business divisions

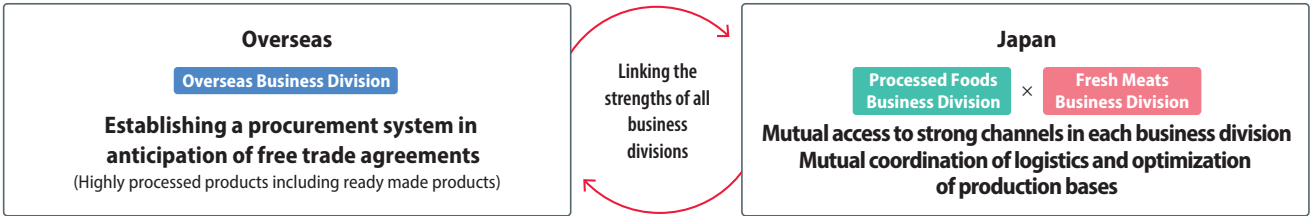
We have launched two projects, the Cross-divisional Free Trade Agreement Countermeasure Project and the Shared Assets Project, to organize concerted Group-wide efforts to make the most efficient use of the management capital of all of our business headquarters, which will be essential to respond to the changes in the business environment under new free trade agreements.

Cross-divisional Free Trade Agreement Countermeasure Project is tasked with identifying opportunities and threats and proposing Group-wide countermeasures to free trade agreements such as the Trans-Pacific Partnership, Japan-EU Economic Partnership Agreement, and the Japan-US Trade Agreement. We will seek both to develop specific measures to counter the impact of reduced tariffs on processed pork products and to promote

marketing of ready-made processed products overseas with the aim of creating new markets.

The Shared Assets Project will seek to integrate the Group's sales and logistics operations and optimize the use of our production bases to generate positive short-term effects. The project will also examine potential medium- and long-term issues. Integrating the sales and logistics operations is one way to combat the rising logistics costs that all of our companies are facing. The project will seek to improve resource efficiency through the Group by promoting inter-company cooperation, and by preparing a plan for accommodating future changes in the environment for logistics, storage, and sales functions. Optimizing the use of our production bases will seek to fully enhance the operation of our production bases from a Group perspective. This will be achieved by strengthening the interconnections of regional production and manufacturing sites that are in close proximity to each other, and by generating cumulative effects from improving our cost structure, reducing our environmental footprint, and lowering the burden on laborers.

The cross-divisional strategy concept



New businesses

New value for new customers through new products and services

The Group's drive to establish new businesses has two primary objectives: to accelerate advances and commercialization in new growth business domains in anticipation of future changes in the business environment, and to foster a Group culture of pursuing challenges.

The Entertainment Business, Wellness Business, and Ethical Business are intended to reach new customers, expand our business, strengthen our market develop, and create new brands and new value.

In the Entertainment Business, we will offer services with new food experiences centered on our leading asset of "meat" and develop products, such as sets of meat and cooking utensils, with entertainment elements.

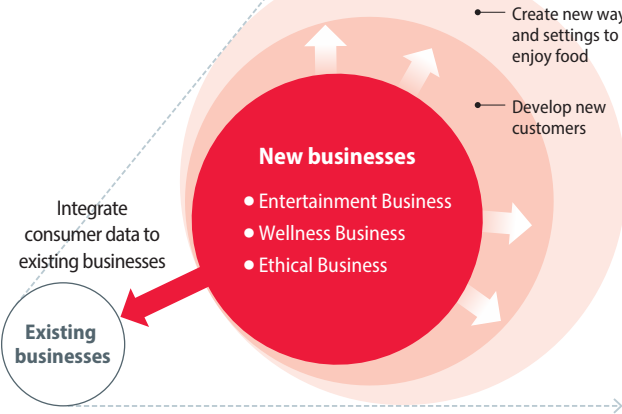
The Wellness Business will offer relaxing experiences for the mind and body. We will especially focus on developing products and services designed to support the health of working women and children with food allergies.

The Ethical Business will advance development of alternative proteins, including rebranding of the *NatuMeat* alternative protein products.

The Processed Foods Business Division and Fresh Meats Business Division will work with the Central Research Institute to explore new materials, apply food tech, and conduct digitalized empathy marketing.

The New Business Development Department created in April 2021 is preparing each of the businesses with plans to officially launch D2C services in fiscal 2022 and further expand and integrate the businesses in fiscal 2023.

Development plan for the new businesses



The Hokkaido Project

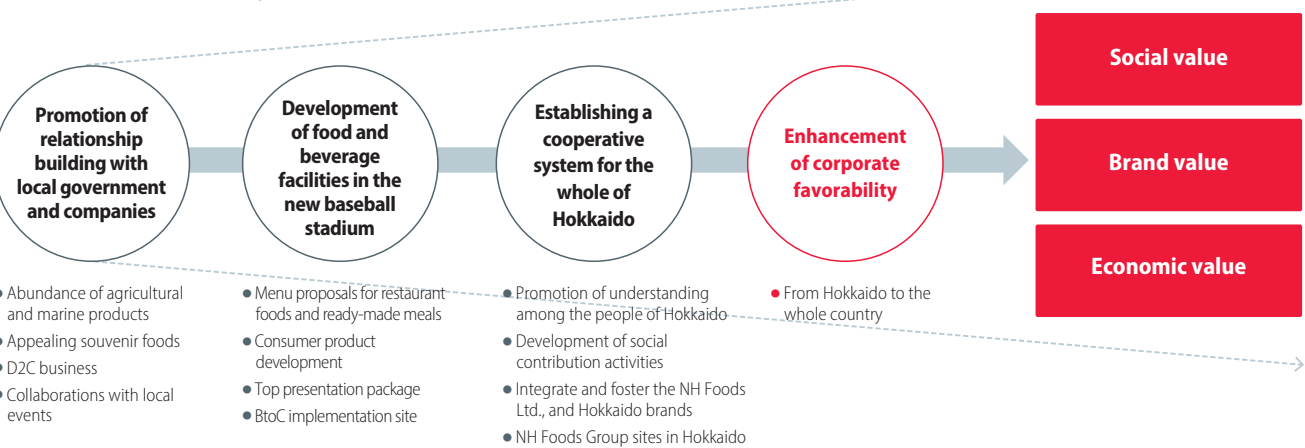
Contribute to the local community and society through sports to maximize synergies and raise corporate value

The Hokkaido Project is a strategy to raise the social value, brand value, and economic value of the region and the Company in Hokkaido, where the NH Foods Group owns the Hokkaido Nippon-Ham Fighters and many farms, manufacturing and production processing sites, and distribution bases.

The new stadium and Hokkaido Ballpark F Village, which are scheduled to open in 2023 is an energy- and resource-efficient facility with a minimized environmental footprint, and is additionally designed to serve as an evacuation site in case of an emergency. The village will have restaurants and host collaborative events that will generate synergies with the Group's existing businesses and raise our corporate value by contributing to regional development.

(For details, please see Baseball Club Business on page 51)

Outline of the Hokkaido Project





Masahito Kataoka
Director and Executive Officer

Improving profitability
and raising corporate value with
an optimal capital structure,
structural reform,
and sustainability strategies

Financial overview of the Medium-Term
Management Plan 2020

The Group uses debt-to-equity ratio as a primary financial indicator, and has determined that a ratio at the 0.4 to 0.5 level provides the optimal capital structure for minimizing WACC. The financial strategy in the Medium-Term Management Plan 2020 was formulated so as to maintain the optimal capital structure even if the full budget was used for capital investment. The capital investment executed during the year was ultimately less than planned as management reexamined and revised the plan to flexibly respond to the free cash flow situation which changed due to initially unforeseen circumstances that included fluctuations in our performance (affecting operating cash flow) and the decision to construct a new Ball park. The Company also acquired treasury stock during the year with the aim of enhancing shareholder returns. The resultant debt-to-equity ratio was 0.45 as of the end of March 2021, which we believe indicates a satisfactory balance of debt and capital.

Profit performance for the year included improvements in both operating income and business profit; however, the issue of profit stability persisted due to the occurrence of non-operating expenses including impairment loss on goodwill. Management views the results as representing a steady improvement in the ability to generate operating cash flow during the three years of the Medium-Term Management Plan 2020.

Fixed assets have increased substantially during the past three years as the investment increase for the Ball park and the adoption of a new lease accounting policy (IFRS16) have increased the amount of invested capital by 20% and lowered the investment turnover ratio. Although the severe environment for commercial product sales during the COVID-19 pandemic was a significant factor, the Group needs to improve the efficiency of invested capital. Even with the lower investment turnover rate, the improved profitability in fiscal 2020 raised ROIC to 5.9% while the substantial increase in profit put ROE at 7.8%, enabling the Group to meet its Medium-Term Management Plan 2020 targets for both indicators in the fiscal year ended March 2021.

Financial strategies in the Medium-Term
Management Plans for 2023 and 2026

The Medium-Term Management Plan 2023 will continue the diligent balance sheet management with the fundamental imperative of maintaining the optimal capital structure.

Under this plan, investment will first focus on strengthening our business foundation and shifting to a sustainable business model. The plan allocates a total of ¥248.0 billion of investment over the three years, including ¥78.1 billion in the Fresh Meats Business Division's upstream operations, ¥41.0 billion for the new Ball park, and ¥15.7 billion for digital transformation (DX). The Investment & Finance Committee will scrutinize capital investment over a certain amount and carry out follow-up

monitoring. Management expects profits to decline early in the plan due to the upfront spending for DX, but ultimately expects strong growth in business profit and profit from the fortified revenue bases of the business segments and, in the plan's final year, from the boosts from the DX and new Ball park business. Although invested capital turnover will decline, we will offset it by improving profitability and seek to achieve ROIC of 6.0% and ROE of 8.0%. We also plan to increase total operating cash flow for the plan's three years by approximately 27% compared to the previous three-year plan of the Medium-Term Management Plan 2020. DX will also improve the cash conversion cycle, which will provide an additional boost to cash flow creation while also improving capital investment efficiency.

During the period covered by the Medium-Term Management Plan 2026, we expect capital investment to peak while profits grow in each of the business segments and the earlier investments begin to contribute to earnings. In the plan's final year, we will seek to achieve a business profit ratio of 6.0%. With the investment capital turnover rate at a low point, we plan to raise ROIC to 7.0% or higher and ROE to 9.0% or higher. We plan to raise free cash flow for the three-year period to ¥161.0 billion, supported by increased operating cash flow and the reduced capital investment.

Funds needed for ordinary investments will be acquired either from our own resources or through interest-bearing liabilities, and we do not currently anticipate a significant increase in procurement costs. Fund procurement will be a healthy balance of direct and indirect methods and with due consideration to the timing of the repayment and redemption periods.

As part of its effort to diversify its methods of fund procurement, in February 2021, the Company conducted its first issuance of sustainability bonds, from which the proceeds will be used for the construction of the new Ball park. The bonds were positively received in the markets, as the Ball park has been lauded for its environmental and social features. We expect corporate bonds and loans related to the environment and society to become increasingly common, and we will consider such bonds as an additional method of procuring funds.

The Medium-Term Management Plan 2023 initiatives to use DX for structural reform, shift to a sustainable business model, and optimize our business portfolio are designed to put the Group on a firm path for improving profitability and efficiency and lay the groundwork for a strong leap forward under the Medium-Term Management Plan 2026.

Cash flow plan during the Medium-Term Management Plans

	Medium-Term Management Plan 2020	Medium-Term Management Plan 2023	Medium-Term Management Plan 2026
Operating cash flow	¥178.8 billion	¥227.0 billion	¥266.0 billion
Investing cash flow	¥(139.6) billion	¥(202.0) billion	¥(105.0) billion
Free cash flow	¥39.2 billion	¥25.0 billion	¥161.0 billion

Advancing a sustainability strategy
for reducing WACC

Management monitors the weighted average cost of capital (WACC), which was approximately 4% as of the end of March 2021. The debt-to-equity ratio is currently close to the optimum value, and we consider it to be at a level that minimizes WACC. As such, we believe that further lowering WACC will require reducing the cost of shareholders' equity.

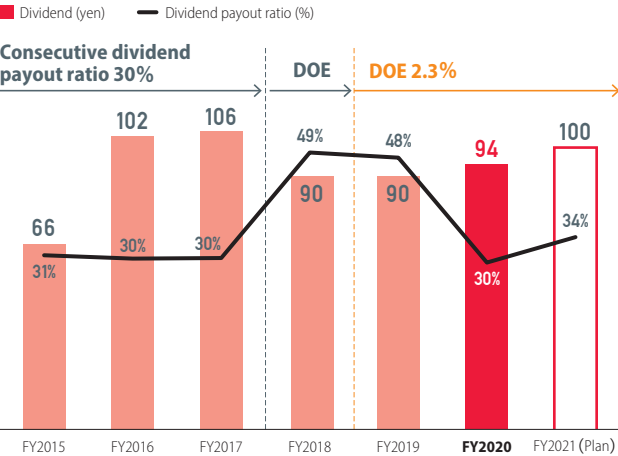
Although the effects will take time to fully materialize, we believe it is important to review our business portfolio to lower business risk, engage in dialogue with all investors to narrow the recognition gap, and continue advancing our sustainability strategy. We also understand the particular importance to the Group of taking steps to mitigate climate change.

Policies on shareholder return and
cross shareholdings

The NH Foods Group's fundamental dividend policy is to seek to maintain stable and continuous dividend growth with a dividend-on-equity ratio (ratio of dividends to shareholders' equity) of 2.3%. With interest-bearing debt starting to decrease, we believe that a shareholder return policy that includes repurchasing company shares will enable us to adequately control shareholders' equity within a debt-to-equity ratio range of 0.4 to 0.5.

In June 2021, the Company announced a policy of, in principle, not possessing cross- shareholdings for strategic purposes. We intend to discuss and coordinate with the relevant parties plans to systematically reduce the number of strategic shareholdings during the six years of the Medium-Term Management Plans for 2023 and 2026.

Changes in dividends and payout ratio



Note: Dividend amounts through the fiscal year ended March 31, 2018 have been retroactively adjusted to reflect the absorption-type stock split.

MESSAGE



Fumio Maeda

Director and Managing Executive Officer
General Manager of Corporate Planning Division

We want to be successful in the new era of the “new normal” by advancing dynamic strategies incorporating sustainability

Pursuing a “all-company perspective” and “overall optimization”

The Corporate Planning Division established in April 2020 is assigned with forming Group strategies. The division creates the medium-term management plans and other Group management strategies, prepares and executes strategies to optimize the business portfolio, and advances IT and technology strategies.

Doing this requires visualizing Group issues from an “all-company perspective” and forming strategies and initiatives designed for “overall optimization.”

The Group’s businesses are divided into the three segments of fresh meats, processed foods, and overseas business. The businesses each have their own value chains and operations, so our efforts to optimize and expand each business have been tailored to each business individually. However, the business environment has changed significantly in the last few years with fluctuating raw material costs caused by climate change and trade restrictions, diversifying food preferences, and rapidly advancing IT technology. Business conditions are also evolving with the emergence of the “new normal” following the COVID-19 pandemic. We believe that an “all-company perspective” and “overall optimization” are more important than ever for responding to these conditions and generating sustainable growth.

Each business division has been taking steps to optimize their value chains linking the production, manufacturing, receiving, distribution, and sales processes. But we are now approaching the production and logistics bases under their jurisdiction as management resources for the Group as a whole, and are reexamining their functions and configurations from the perspective of overall optimization.

While optimizing our overall businesses system and operations, we are also focusing on bringing about digital transformation (DX) that will enable the creation of new business models structured on assets that will be sources of future profits.

We will also strengthen our KPI management with qualitative and quantitative monitoring and set return on invested capital (ROIC) target as a primary indicator for measuring the all-company optimization. In fiscal 2021, we will introduce ROIC to all relevant departments while also taking steps to ensure a full and correct awareness and understanding of ROIC as we introduce it to all departments. During the year, we will also set additional detailed KPIs.

The Medium-Term Management Plan 2023 launched in April 2021 will build our optimal portfolio of businesses by applying these initiatives along with dynamic cross-departmental and functional strategies to create corporate value and by maximizing the management capital in each business division.

Status of the Connect IT reform Project and DX

The Connect Project to restructure the Company’s core enterprise system was launched one year ago. The Connect Project will facilitate cooperation among the divisions by integrating the core systems that were independently created and used in each business division into a single shared business process and system infrastructure. Connect will optimize work processes, save labor, and speed up account settlements, and is a key element for a radical reform of our business structure. The Group considers digital technologies and systems as important business assets and intends to invest in digital technologies as necessary for medium- to long-term growth and to increase corporate value.

Management that fully considers sustainability

During the rapid social changes in recent years, environment, society, governance (ESG) initiatives have emerged as essential for companies seeking sustained growth. Climate change and other global-scale social issues are having a major impact even on the Group’s businesses. Co-creation and shared prosperity with local communities and society as a whole through food and sports is also a vital issue that is essential to business activities.

With this in mind, starting from April 2021, we have stepped up our ESG initiatives and moved the Sustainability Department under the

Corporate Planning Division to be closer to the center of management. We have also identified five social issues as new materialities that are important to address through our businesses as we seek to fulfill the Vision2030 set forth with the new medium-term management plan.

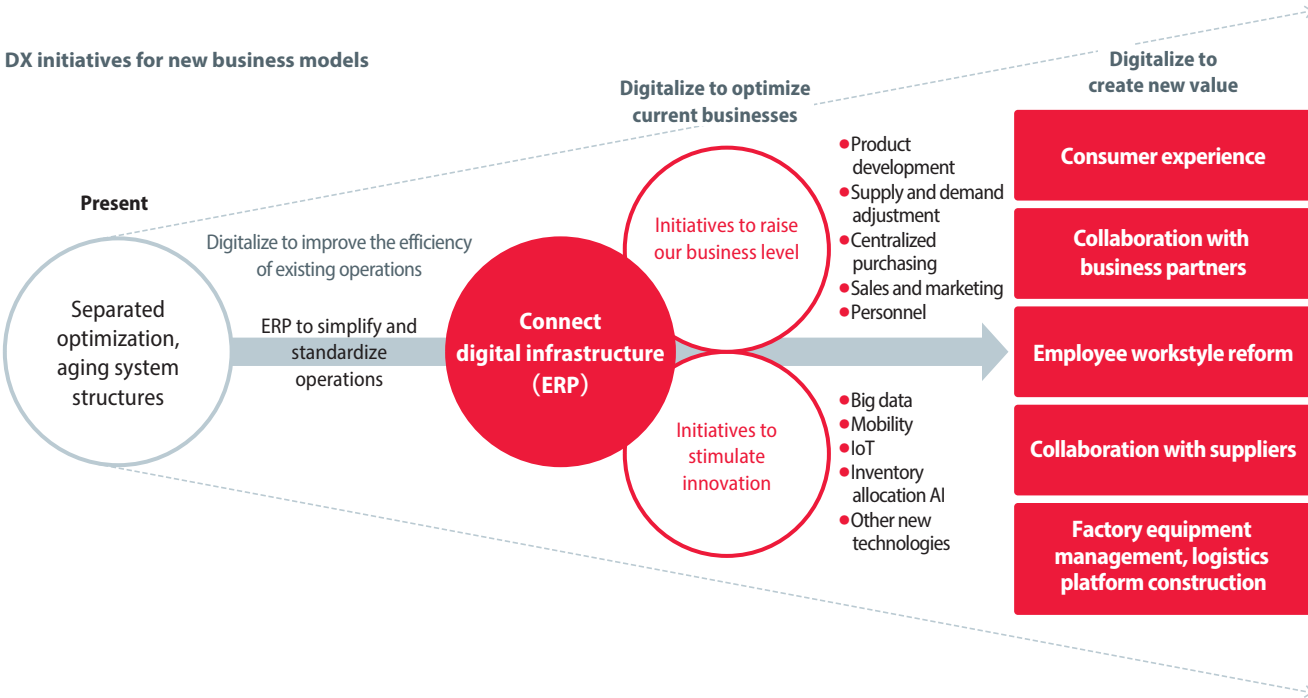
These materialities will be integrated into our business strategies. Two ESG themes deeply entwined with Vision2030 are the Stable procurement and supply of proteins and Addressing food diversity and health issues. For contributing to a sustainable global environment, we will take additional action to fulfill our responsibility to address climate change and other issues. For Cocreation and coprosperity with communities and society through food and sports, we will increase the Group’s unique local activities and our Hokkaido Project; and for Employee development and respect for diversity, we will continue implementing workstyle reform and other measures.

The Hokkaido Project

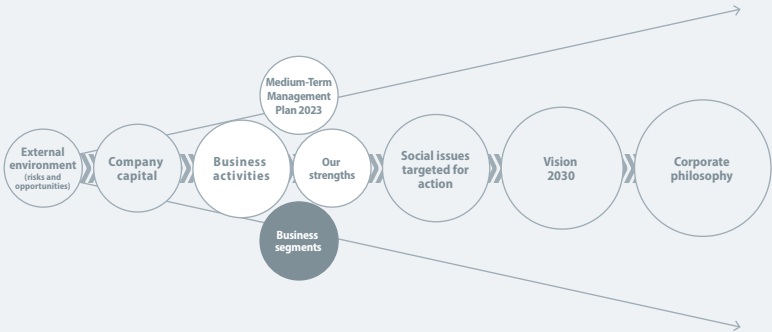
The Hokkaido Project is both a cross-departmental promotion strategy and a materiality initiative. The project seeks to contribute to the economic and regional development of Hokkaido and to raise the social, brand, and economic value of both the region and the Group.

The project will come into full swing with opening of the new Hokkaido Ballpark village scheduled for 2023, which will further enhance the synergies between our core business and sports. We plan to build the Hokkaido Project into both a contributor to the local region and a new revenue business for the Group.

DX initiatives for new business models



At a Glance



Processed Foods Business Division

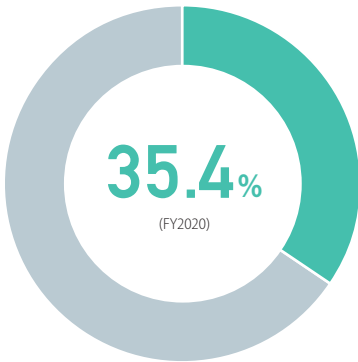
Review of the fiscal year ended March 31, 2021

The net sales of the Processed Foods Business Division in the fiscal year ended March 2021 were 1.9% lower year on year at ¥489.4 billion, but business profit increased by 34.5% to ¥18.0 billion.

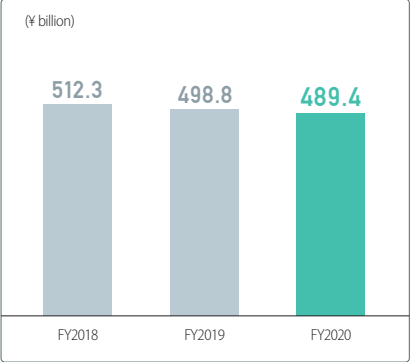
Sales of consumer products exceeded the previous year's level because of increased demand for home meals during the COVID-19 pandemic. However, stagnating demand for restaurant meals caused a downturn in sales of commercial products, resulting in a decline in the net sales of the Processed Foods Business Division. Despite slower sales of commercial products, strong sales of *Schau Essen* and other flagship brands lifted ham and sausage sales above the previous year's level. Similar market conditions caused declines in net sales in the Processed Foods, Dairy Products, and Marine Products segments.

Profit benefited from improvements in unit selling prices and gross profit margins due to increased sales of flagship brand products. Reductions in selling, general and administrative expenses and other cost items also contributed to profit growth.

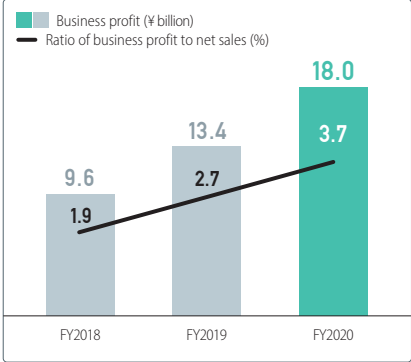
Breakdown of net sales



Net sales



Business profit, ratio of business profit to net sales



Fresh Meats Business Division

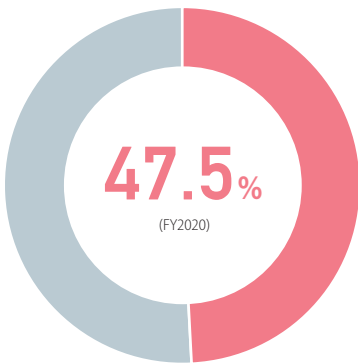
Review of the fiscal year ended March 31, 2021

The net sales of the Fresh Meats Business Division in the fiscal year ended March 2021 declined by 4.2% year on year to ¥656.7 billion, but business profit was 28.8% higher at ¥41.2 billion.

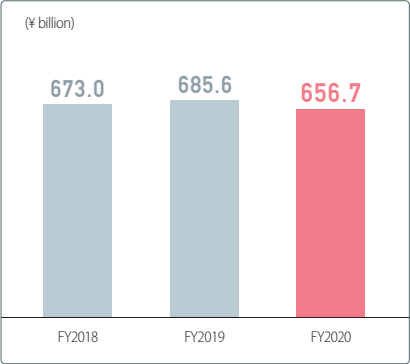
Increased demand for home meals drove higher sales of domestic chicken and pork, but demand from restaurants and wholesalers, especially in the imported meat category, failed to recover, resulting in lower sales.

Production-related factors that contributed to profits included productivity improvements, and an increase in the number of chickens shipped in Japan. Firm trends in the market prices of domestic chicken and pork also contributed. Sales operations were affected by increased purchasing in China and the temporary closure of overseas supply plants due to COVID-19. However, we were able to offset these factors and maintain procurement and sales operations thanks to our robust procurement network. Profit was further boosted by our proactive response to demand changes, including expanded marketing of branded fresh meat products and home-use grilled meat ingredients.

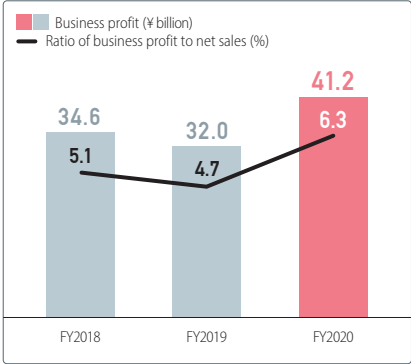
Breakdown of net sales



Net sales



Business profit, ratio of business profit to net sales



Overseas Business Division

Review of the fiscal year ended March 31, 2021

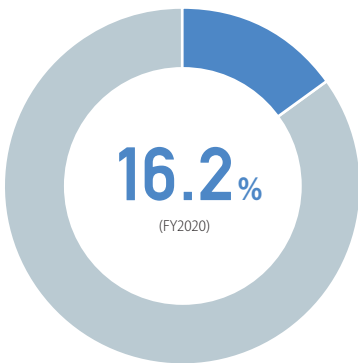
The net sales of the Overseas Business Division declined by 12.2% year on year to ¥223.6 billion, and there was a business loss of ¥0.1 billion, compared with a business profit of ¥1.9 billion in the previous fiscal year.

Revenues from our business operations in Europe and Asia declined due to a continuing downward trend in exports from Thailand to Japan due to the effects of the COVID-19 pandemic. Profit was lower, in part because of lower selling prices and soaring feed prices in Turkey.

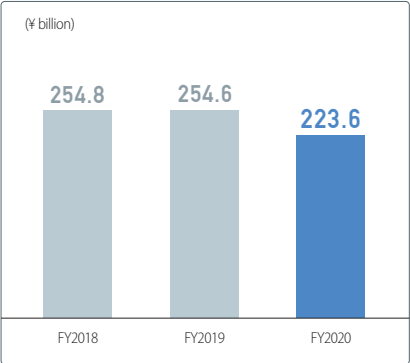
Both revenues and profits from our business in the Americas increased, thanks to firm trends in the volume of pork exported from the United States to Japan, and strong sales of processed foods in mass-sales outlets.

Profits from our business in Australia benefited from the stabilization of the cattle collection price in Uruguay in the second half of the fiscal year, as well as a recovery trend in the unit price for sales to China. However, total sales and profits were lower because of a decline in the number of cattle collected in Australia, and a global downturn in sales prices.

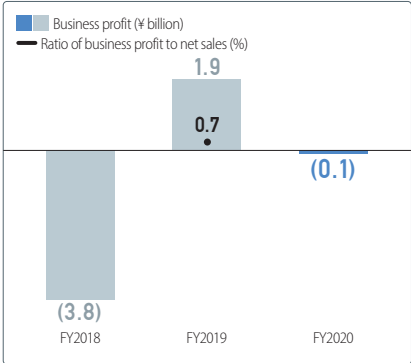
Breakdown of net sales



Net sales



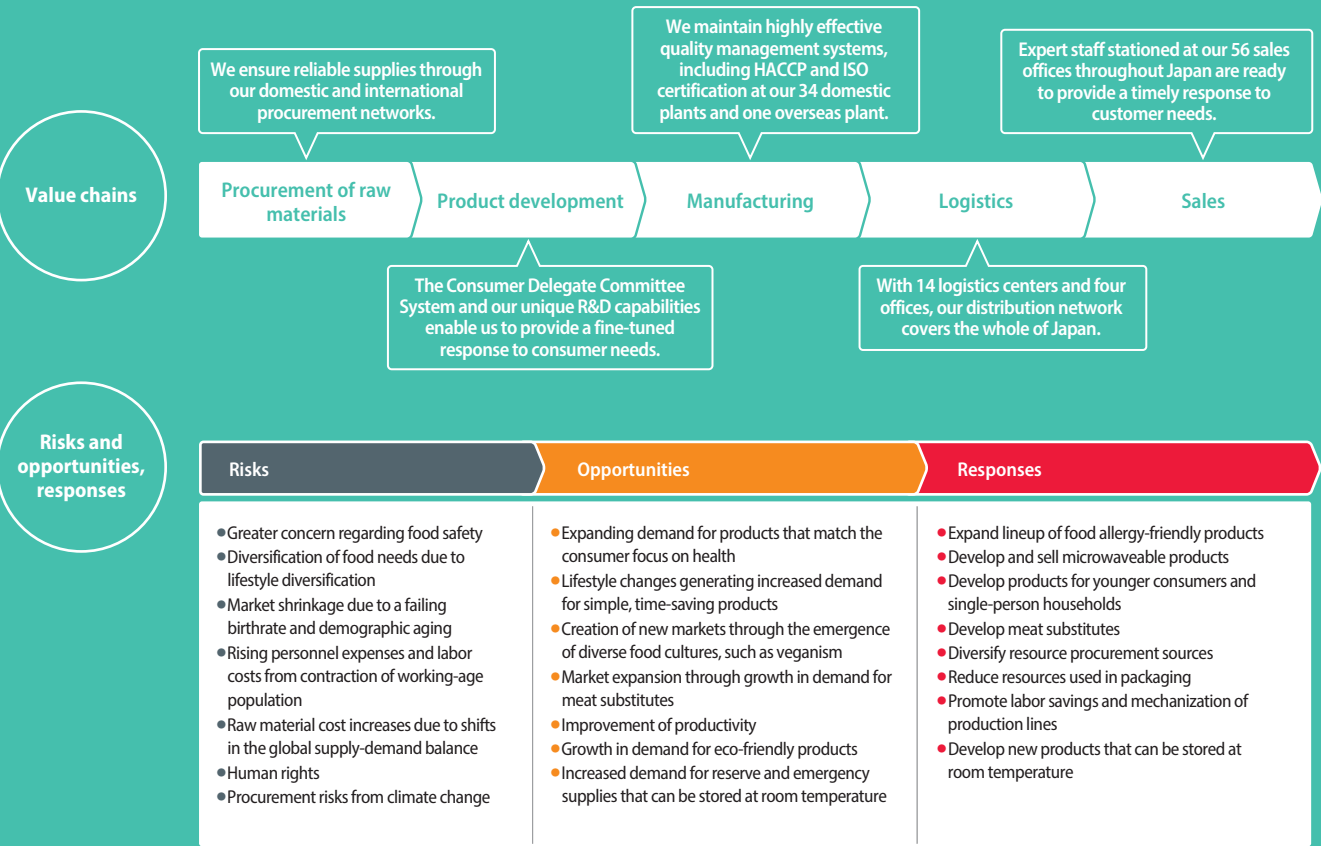
Business profit, ratio of business profit to net sales



Processed Foods Business Division

We will focus on productivity and profitability improvement, and the development of products to meet market needs.

Nobuhisa Ikawa
Representative Director,
Executive Vice president



Review of Medium-Term Management Plan 2020 and policies under Medium-Term Management Plan 2023

Policies under Medium-Term Management Plan 2020	Emergence from low-profit structure <ul style="list-style-type: none">• Strengthening product development capabilities through site-oriented marketing• Redefining the cost structure through a fundamental review of the existing framework• Persevering with a positive, challenge-embracing spirit and self-responsibility
Results and priorities under Medium-Term Management Plan 2020	Results <ul style="list-style-type: none">• Achievement of three-year cumulative profit target for the pre-merger Processed Food Business Division• Improvement of profitability through the expansion of flagship brands, leading to the improvement of the product mix Priorities <ul style="list-style-type: none">• Create hit products• Improve productivity and maximize synergies from an all-company optimization perspective• Balance business with social needs
Policies under Medium-Term Management Plan 2023	Work to increase corporate value by contributing to society through the creation and provision of new value <ul style="list-style-type: none">• Reorganize manufacturing structures from a company-wide perspective to build the infrastructure needed to create hit products and improve profitability• Increase corporate value through the development of our business activities, including the reduction of our environmental impact

Focus on profitability

Under Medium-Term Management Plan 2020, we worked to improve profitability by enhancing our product development capabilities and implementing cost structure reforms.

Initiatives to improve our product development capabilities resulted in the extension of our flagship *Schau Essen* brand. We were also able to build our customer base in younger generations by introducing microwavable products in response to strong consumer demand. The activities of the Processed Food Business Division have traditionally focused mainly on ham, sausages, and deli products. Since the previous fiscal year, however, we have also worked to increase added value and eliminate duplication by integrating the seafood, cheese, yogurt, extract, and primary processing businesses into the Processed Food Business Division in order to combine our advantages in both areas. Specifically, we have leveraged the strengths of our business divisions and companies, including their sales channels, marketing and development capabilities, and logistics systems, to market products under the Nippon Ham brand as a single business division.

Cost structure reforms resulted in the improvement of profitability and productivity through the introduction of automated machinery, changes to factory operations. We also implemented measures to reduce total costs at our main factories.

We are also developing product exports and imports in anticipation of moves toward free trade. For example, we export *Schau Essen* products to Singapore and import *Stock Pork*. From an environmental perspective, we worked to reduce the weight of product ingredients, and to develop and sell plant-based meat substitutes as a new source of proteins.

The financial results show that while overall net sales from our processed food operations tended to decline, operating profits followed a positive trend, with the result that the three-year cumulative total reached the initial target ¥33.5 billion.

Overview of Medium-Term Management Plan 2023

Summary of strategies

Increased focus on customer-centered product development, further improvement of profitability

1. Strengthen existing areas and take on challenges in new areas	<ul style="list-style-type: none">Expansion of existing brands and developing brandsInitiatives in new areas, such as extract flavorings and soy meatShift away from product-centered thinking	
2. Enhance productivity in manufacturing plants	<ul style="list-style-type: none">Reconstruction and standardization of manufacturing systemsRealization of synergistic effectsCountermeasures against rising raw material prices	<ul style="list-style-type: none">Improvement of productivity through centralized production of flagship brand productsProduction leveling through investment in labor-saving and rationalization measures
3. Solve social issues and improve profitability	<ul style="list-style-type: none">Environmental responsesCo-creation and shared prosperity with local communities and society as a whole through food and sports	<ul style="list-style-type: none">Addressing food diversity and health issuesReduction of food losses and plastic useFood education activities in local communitiesAddressing food allergies

Increased focus on customer-centered product development, further improvement of profitability

Under Medium-Term Management Plan 2023, we will pursue business strategies focused on three core goals—to strengthen existing areas and take on challenges in new areas, to enhance productivity in manufacturing plants, and to solve social issues and improve profitability.

Strengthen existing areas and take on challenges in new areas

Efforts to enhance existing business areas relating to consumer products will center on the expansion of sales of *Schau Essen*, *Ishigama Kobo*, *Chuka Meisai*, *Kiwami-yaki Hamburg*, *NatuMeat*, *Chuka no testujin Chen Kenichi*, *Vanilla Yogurt*, and *Sutamina-en*. We are also considering sales of *NatuMeat* in overseas markets in collaboration with the Overseas Business Division.

In the area of commercial products, we aim to achieve differentiation by leveraging the sales channels and raw materials developed by our businesses and companies engaged in the processed food business.

Our challenge in new business areas is the creation of major new income streams through three initiatives.

First, we aim to expand our range of products that can be stored at room temperature in order to reduce food losses. We will develop

new products that offer uniquely delicious flavors, while also prioritizing the creation of sales outlets.

Second, we will implement R&D projects focusing on plant-based proteins to provide new protein options.

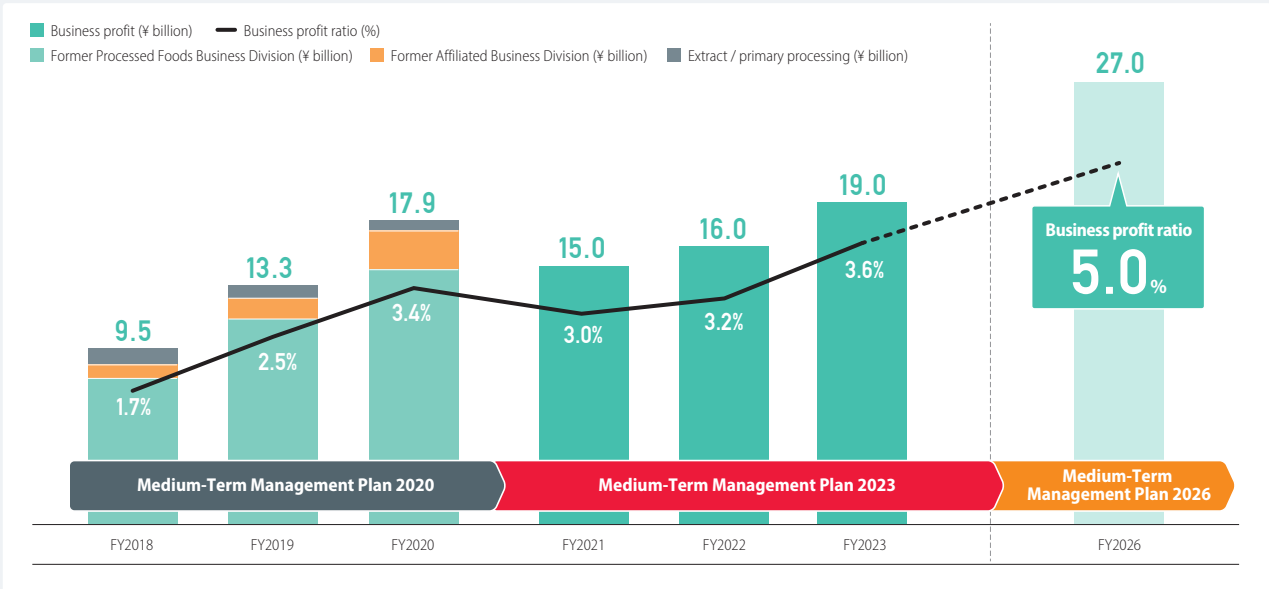
Third, we will expand our range of flavoring extracts, while also developing and expanding new sales channels.

All of these measures will depend on our marketing capabilities. We will shift away from our traditional product-centered thinking toward a market-focused approach. We also use digital technology to obtain and analyze consumer input so that we can work toward our goal of developing and expanding NH-style marketing processes based on consumer perspectives, leading to the creation of hit products.

To move forward with these reforms, the Processed Food Business Division must maintain its spirit of challenge and to avoid satisfaction with the status quo. An initiative that symbolizes our readiness to challenge preconceived notions was the Young Employees' New Product Proposal Forum in July 2021, at which 25 young development workers from our factories presented their own original product ideas.

We will continue this initiative, which we see as a way of strengthening motivation toward product development, while also creating future hit brands and new categories, by marketing the best proposals as new products.

Management targets



Enhance productivity in manufacturing plants

We will continue our efforts to restructure and standardize our manufacturing systems. We will work toward these goals through the optimization of our production structures, including mechanization, the centralization of production sites for flagship products. Other priorities include the realization of returns on our investment in production lines, and the use of digital technology to improve productivity.

Solve social issues and improve profitability

We will pursue initiatives to realize our materiality through business activities.

We will respond to dietary diversification and health needs by helping people to cope with allergies and avoid frailty as they grow older.

We will contribute to global environmental sustainability by continuing our efforts to reduce packaging use, CO₂ emissions, and food waste. Specifically, we will eliminate plastic containers and trays as soon as possible by improving packaging, and changing “best before” date labels. We will reduce food losses through the expansion of our range of foods that can be stored at room temperature.

Another priority is the reliable procurement and supply of protein, which we will achieve by strengthening existing business areas and taking up challenges in new areas. We also aim to achieve cocreation and coprosperity with communities and society through

food and sport by making contributions in such areas as food education activities, the donation of products and ingredients to food banks, and participation in community events.

Respond to the changing needs of society by creating new food culture and taking up the challenge of providing new value through protein.

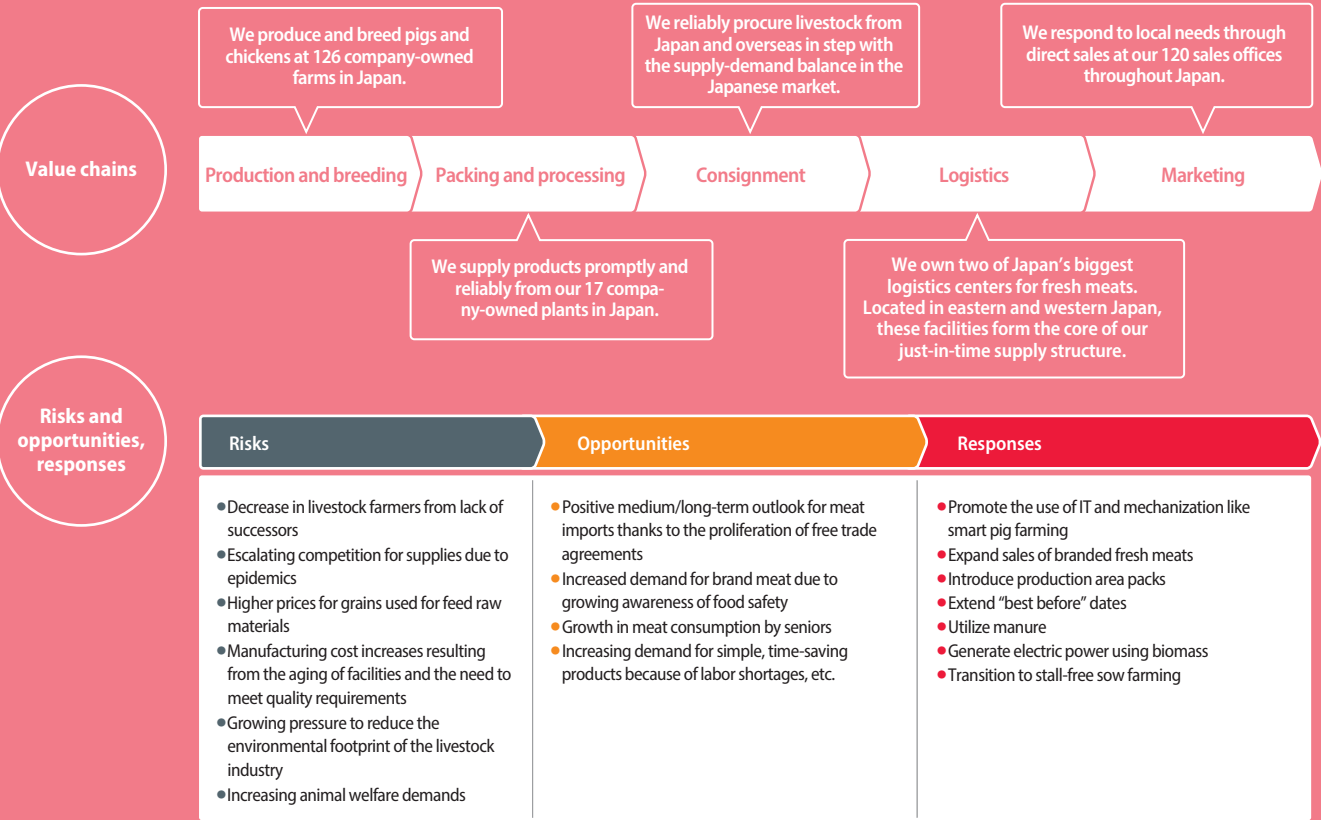
The Processed Food Business Division has provided new value in the form of a wide variety of key brand products through our processed food business, including ham, sausages, and processed foods, under the Nippon Ham brand, as well as cheese, seafood, and other products under the brands of group companies. Recognizing that the improvement of our brand image will lead directly to the improvement of corporate value, we will work toward the realization of Vision2030 by fulfilling our responsibility to supply safe, dependable products reliably, and by creating ever more delicious and palatable protein products through product development from the consumer's perspective.

Fresh Meats
Business Division

We aim to expand our market share and profits by strengthening our procurement and sales capabilities.

Tetsuhiro Kito

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



Review of Medium-Term Management Plan 2020 and policies under Medium-Term Management Plan 2023

Policies under Medium-Term Management Plan 2020	Prepare for changes in the environment and create a business environment for growth <ul style="list-style-type: none">● Reinforce integration● Production system with balanced supply and demand
Results and priorities under Medium-Term Management Plan 2020	Results <ul style="list-style-type: none">● Expanded supply capacity through prioritized investment in upstream businesses● Increased profitability by expanding sales of highly profitable brand meat● Recovered to the ¥40.0 billion level of business profit by responding to increased demand in the volume retailer channels, despite the COVID-19 pandemic Priorities <ul style="list-style-type: none">● Priorities need for further improvement of the brand ratio● Continuing investment, including measures to address the aging of production and processing facilities, improvement of production indicators
Policies under Medium-Term Management Plan 2023	Establish a sustainable value chain based on strong integrations <ul style="list-style-type: none">● Strengthen procurement by improving productivity and deepening relationships with external partners● Strengthen sales through the expansion of brand meat and capture focused channels● Promote environmental responsiveness and develop brands that enhance social value

Enhance earning power through the development of upstream businesses and improve profitability by developing products and nurturing brands.

Under Medium-Term Management Plan 2020, we accelerated our efforts to strengthen the business structures that support our capacity to supply sustainable meat reliably, and to drive our evolution as a business entity capable of earning even greater support from our customers and consumers.

In the fiscal years ended March 2019 and March 2020, these efforts yielded the results anticipated in the plan. However, the impact of COVID-19 caused progress to slow in the fiscal year ended March 2021. Our sales shares in three years were 20.1%, 20.8%, and 20.0% respectively, while operating profit exceeded ¥100 billion but failed to reach the target.

Initiatives to improve productivity and profitability during the three-year period included upstream business development, the expansion and stabilization of logistics functions, and the expansion of production capacity. These efforts resulted in improved earnings.

Specifically, investment in chicken production and processing facilities in Japan allowed us to maintain high levels of profit and profitability across the entire value chain. We worked to maintain our production systems for domestic pork while improving our in-house

production indicators. We also improved our profitability by expanding sales of domestic pork and chicken produced in house and sold under our brands, and by responding to increased demand for meat for home consumption due to COVID-19.

Our efforts to address social issues during the plan period included social welfare initiatives, such as the supply of meat for "Kodomo Shokudo." Activities focused on animal welfare included the progressive introduction of free-access stalls for sows at our domestic pork manufacturing operations.

From an environmental perspective, we are working to reduce CO₂ emissions. We are also making effective use of waste from pigs, chickens, and other livestock by processing these materials in fertilizers. The Nippon White Farm Group uses chicken manure as a thermal resource by burning it in boilers to provide heating for chicken sheds and hot water for cleaning. The Interfarm Group uses pig manure to produce organic fertilizers through an organic breakdown process using bacteria.

Our procurement and marketing capabilities are the source of our competitiveness. We see improvement in these areas as the key to future growth.

Overview of Medium-Term Management Plan 2023

Summary of strategies

Aiming for a 25% market share in fiscal 2030, strengthen procurement and sales capabilities

1. Strengthen procurement capabilities

- [Domestic beef] Externalize assets and collaborate with external partners
- [Domestic pork] Improve in-house production indicators and strengthen external partnerships
- [Domestic chicken] Strengthen procurement by both strengthening in-house / using external partners
- [Importing] Strengthen ties with existing overseas major suppliers and improve quality and standards. Expand procurement routes by new countries to diversify risks

2. Strengthen sales capabilities

- Expand market share and improve profitability through focused channel strategies
- Gain competitiveness and improve gross profit through branded meat and value-added products
- Strengthen marketing to formulate and implement sales policies

Further expanding our leading share of the fresh meat market through the enhancement of procurement and marketing capabilities

Under Medium-Term Management Plan 2023, we will formulate and pursue individual strategies centering on the enhancement of procurement and marketing capabilities.

Strengthen procurement capabilities

We will enhance our procurement capabilities by securing access to supplies in ways that minimize costs, including the use of external procurement. We will also maintain and strengthen our supply capacity by preparing for sudden environmental changes in Japan and overseas.

In the Japanese fresh meat market, we aim to secure reliable access to supplies by improving productivity at our own farms, and by strengthening collaboration and forming partnerships with suppliers outside of the NH Foods Group.

Our priorities for our fresh meat importing business are to ensure high quality and reliability of access by strengthening our collaboration with existing suppliers, and by developing sources in new countries. We will first expand procurement from existing suppliers through collaboration with the overseas subsidiaries of the Overseas Business Division. The next step will be to assign personnel to local beef and pork packers to provide training for employees of local subsidiaries. The aim of these measures is to ensure

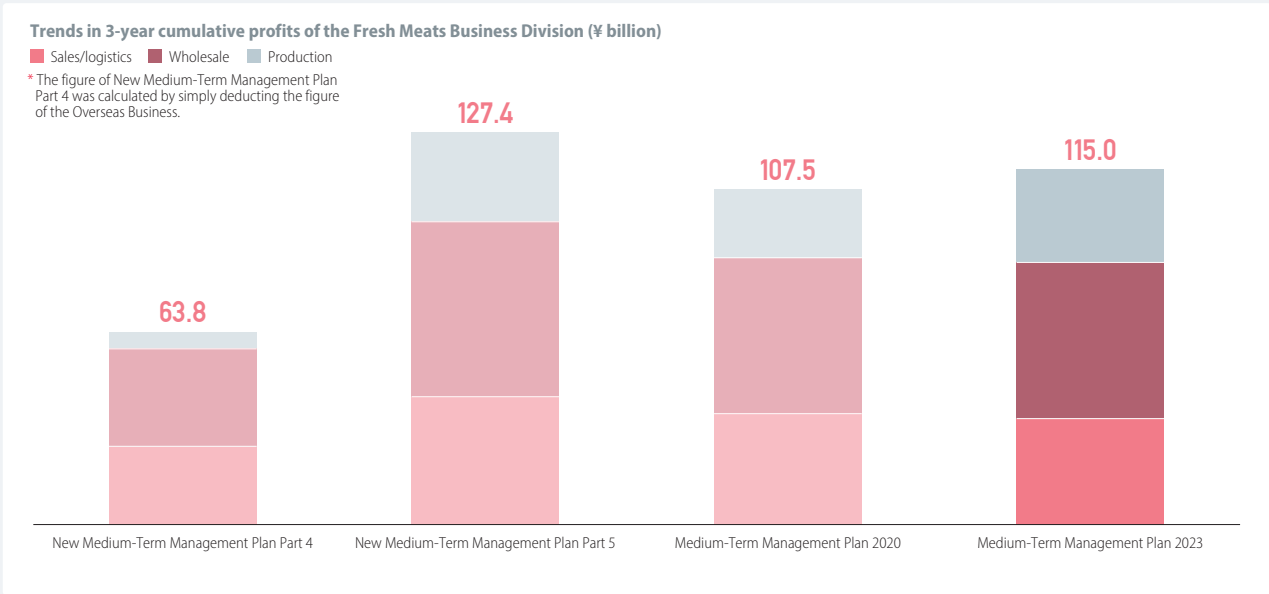
consistently high quality and compliance with standards as part of efforts to develop products for the Japanese market. We will develop and expand sources in new countries as a way of spreading risk. The process will begin with surveys to ascertain the potential for importing.

We will also strengthen the trading capabilities of Japan Food Corporation. We will implement a comprehensive range of measures designed to enhance the company's information gathering and survey capabilities and revitalize other aspects of its activities, including the transfer of personnel to other countries.

We anticipate continuing rapid changes in the business environment for the fresh meat business. In addition to the impact of COVID-19, the supply-demand balance in domestic and overseas markets could be disrupted by outbreaks of livestock diseases in Japan, fluctuations in livestock and feed prices due to climate change, the expansion of free trade agreements, increasing demand in emerging countries, and other factors.

Under Medium-Term Management Plan 2023, we plan to invest ¥78.1 billion in the fresh meat business. We will invest strategically in the development of sustainable value chains. Investments in productivity improvements and automation, including the development of new farms and processing line rationalization projects, will lead to improved earnings. Because investment precedes profit growth, we will implement our strategies carefully while focusing on ROIC to ensure expenditure is linked as efficiently as possible to profits.

Management targets



Strengthen sales capabilities

We will strengthen sales capabilities by enhancing our capacity to respond to needs through priority channels based on the sales networks and customer response and marketing capabilities of our food companies, which have always been a key strength of the NH Foods Group.

Our strategies targeting priority channels reflect the attributes of each channel, including market size, growth potential, and our market share. We plan to pursue strategies targeting each of these channels, starting with the ones that offer the greatest scope for further expansion of our market shares, such as mass-sales outlets, restaurants, cooperative societies, drugstores, convenience stores, and e-commerce outlets.

We also aim expand markets for fresh meats in general and wagyu beef in particular by working with NH Foods Group companies and other cooperating companies to increase exports to North America, Europe, Asia, and other regions.

We will increase our focus on differentiation based on added-value products, including the development and popularization of brand meat. We will work with feed and machinery manufacturers on the development of added-value products. We will also engage in industry-academia collaboration on the development of products from ESG and animal welfare perspectives.

Through our brand strengthening initiatives, we will work to build recognition of all Fresh Meats Division brands. Another priority will be

brand manager training. We will also strengthen individuals through training and the optimization of functional deployments. In addition, the Fresh Meats Marketing & Promotion Department will become the hub for collaboration with other units within the company.

Build sustainable value chains as the leading company in the fresh meats business.

The NH Foods Group supplies around one-fifth of fresh meat sold in Japan and makes a vital contribution to food infrastructure. Our mission, as stated in our materiality, is to procure and supply protein reliably. As the leading company in the fresh meat business, we aim to contribute to the development of a sustainable society with low environmental impacts by building sustainable value chains. We will also help to improve the sustainability of livestock farming in general by offering solutions to issues affecting the industry.

As in the previous year, we will continue to supply food to children's cafeterias and run food education programs as part of our contribution to Co-creation and shared prosperity with local communities and society as a whole through food and sports.

We remain firmly committed to the creation of new value by reliably supplying consumers with products that help them to enjoy good health and the joy of eating, and by supporting local communities.

Overseas Business Division

We aim to strengthen our earnings base and expand sales.

Nobuo Oda
Managing Executive Officer



Main overseas group companies

Risks and opportunities, responses

	Processed foods	Fresh meats	Trading	
ASEAN	NH Foods Vietnam Joint Stock Company / NHF Manufacturing (Malaysia) Sdn.Bhd. / PT NH Foods Diamond Indonesia / Shandong Rilong Foodstuffs Co., Ltd. / Pure Food Asia, Inc. / Thai Nippon Foods Co., Ltd. / Thai Nippon Cold Storage Co., Ltd.		Nippo Food Co., Ltd. / NH Foods (Thailand) Ltd. / NH Foods Singapore Pte. Ltd. / NH Foods Taiwan Ltd.	Local sales Exporting to third countries Exporting to Japan
Oceania		Whyalla Beef Pty. Ltd. / Thomas Borthwick & Sons Pty. Ltd. / Oakley Beef Exports Pty. Ltd. / Wingham Beef Exports Pty. Ltd.	NH Foods Australia Pty. Ltd. / Beef Producers Australia Pty. Ltd.	
Europe			NH Foods U.K. Ltd.	
North America	Redondo's	Day-Lee Foods, Inc.		
South and Central America		Breeders & Packers Uruguay S.A.	NH Foods Chile Y Compania Limitada / NH Foods Mexicana S.A. DE C.V.	
Middle East		Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi		
Risks	Opportunities		Responses	
<ul style="list-style-type: none">Higher prices for grains used in raw feedDecrease in livestock farmers from lack of successorsEscalating competition for supplies due to epidemicsRising production costs due to aging facilities and more stringent quality measuresExpanding demand for religious foods due to growth in the number of foreign workers and other factorsGrowing pressure to reduce the environmental footprint of the livestock industryIncreasing animal welfare demands	<ul style="list-style-type: none">Increased demand for meat due to global population growthIncreased needs for Japanese diet from heightened health consciousnessResurgence of new markets for processed foods in response to lifestyle changes [Tentative]Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements		<ul style="list-style-type: none">Upgrade feed plants in AustraliaWorkplace experiences and tours for local residents and students, etc.Development of future generations of farmers and manufacturing workers through worksite visitsStrengthen disease prevention systems on farms and in production and breeding facilitiesExtend "best before" dates by enhancing production and preservation technologiesPromote cyclical conservation-oriented agriculture	

Review of Medium-Term Management Plan 2020 and policies under Medium-Term Management Plan 2023

Policies under Medium-Term Management Plan 2020	Net sales expansion and profit stabilization <ul style="list-style-type: none">Expand sales and profit by building value chainOverall optimization of global beef business
Results and priorities under Medium-Term Management Plan 2020	Results <ul style="list-style-type: none">Australia: Achieved an earnings turnaround thanks to reform project.Uruguay: Rebuilt the business environment.Americas: Improved of earnings through the expansion of processed food sales.Asia: Expanded the processed food business, especially in Asia. Priorities <ul style="list-style-type: none">Review of business portfolio→Increase sales of processed food products to reduce volatilityEvolution of sales to Japan<ul style="list-style-type: none">→Strengthen sales to Japan, both in terms of raw materials and processed food products, in response to technological innovation and changes in tariffs
Policies under Medium-Term Management Plan 2023	Establish growth models <ul style="list-style-type: none">Stabilize profit in existing businessesExpand sales of processed food products in North America and the ASEAN regionBuild a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas

Drive further evolution of reform projects and pursue an expansion strategy encompassing the Entire Overseas Division.

Net sales reached only 81% of the target level under Medium-Term Management Plan 2020 due to a global slump in restaurant demand due to the COVID-19 crisis, and the deterioration of the cattle collection environment in Australia. Business profit substantially exceeded the target for the year ended March 2021, thanks to increased demand for home-cooked and prepared foods and strong sales of processed foods during the COVID-19 pandemic. However, the target under Medium-Term Management Plan 2020 was not achieved because of fluctuations in market prices, exchange rates, and other factors.

Our Australian business, which produces, processes, packs, and sells beef, accounts for almost one-half of sales from our overseas business. Stagnating sales since the year ended March 2019 have affected the overall performance of the Overseas Business Division. Fluctuations in the beef market directly impact on the performance of our overseas business. We worked to break out of this situation by focusing on branding and the expansion of sales of added-value

products by our Australian business through the optimal use of existing value chains. We leveraged technology developed for the *Nature's Fresh* and *Omugi-gyu* brands, which we created for the Japanese market, to expand sales of Angus Reserve, while using the *Joy of Eating* tag line to raise awareness of our corporate philosophy and enhance our brand image. We also took steps to improve profitability and productivity, including capacity expansion at feed plants, and the automation of shipment processes at processing facilities.

Portfolio changes resulted in the restructuring of overseas sales offices, including the closure of three offices. In addition, we decided to sell the processed food business of NH Foods Mexicana (Mexico), and to reorganize our business operations in Thailand, especially the three manufacturing companies. In Uruguay, we strengthened our capacity to market products in the expanding Chinese market by appointing a staff member to work exclusively on the Chinese business. We also made changes to quality control systems with the aim of strengthening sales to Japan. These measures laid the foundations for the extension of the Australia Project to other countries.

Overview of Medium-Term Management Plan 2023

Summary of strategies

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

1. Stabilize profit in existing businesses	<ul style="list-style-type: none">Clarify and enhance functionsEstablish an optimal beef production system
2. Expand sales of processed food products in North America and the ASEAN region	<ul style="list-style-type: none">Develop alternative proteins and new processed food products, in addition to chicken based processed products
3. Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas	<ul style="list-style-type: none">Stabilize profitConstruct a strong supply chain

Expand production and sales opportunities in Japan and overseas while strengthening our income base.

Our basic strategies under Medium-Term Management Plan 2023 are to stabilize the profit of existing businesses, expand sales of processed food products in North America and the ASEAN region, and build a new profit pillar by formulating and implementing growth strategies focused on promising areas.

While strengthening stable income streams from existing businesses through structural reforms, we will also expand sales to Japan and in local markets. These efforts will be paralleled by human resource development initiatives and measures to strengthen governance.

Stabilize profit of existing businesses

We will stabilize profits by clarifying and strengthening functions across the entire value chain. We will then review the status of each company with a view to improving ROIC and investment efficiency.

We will take steps to reduce production and processing costs, especially through the improvement of the production yields of our beef businesses in Australia and Uruguay. At the same time, we will work to stabilize profit by developing and selling high-added-value products, resulting in the establishment of a production structure that will allow us to adapt flexibly to changes in the fresh meat market. We will also expand exports from Uruguay to Japan and other markets by widening

our sales channels.

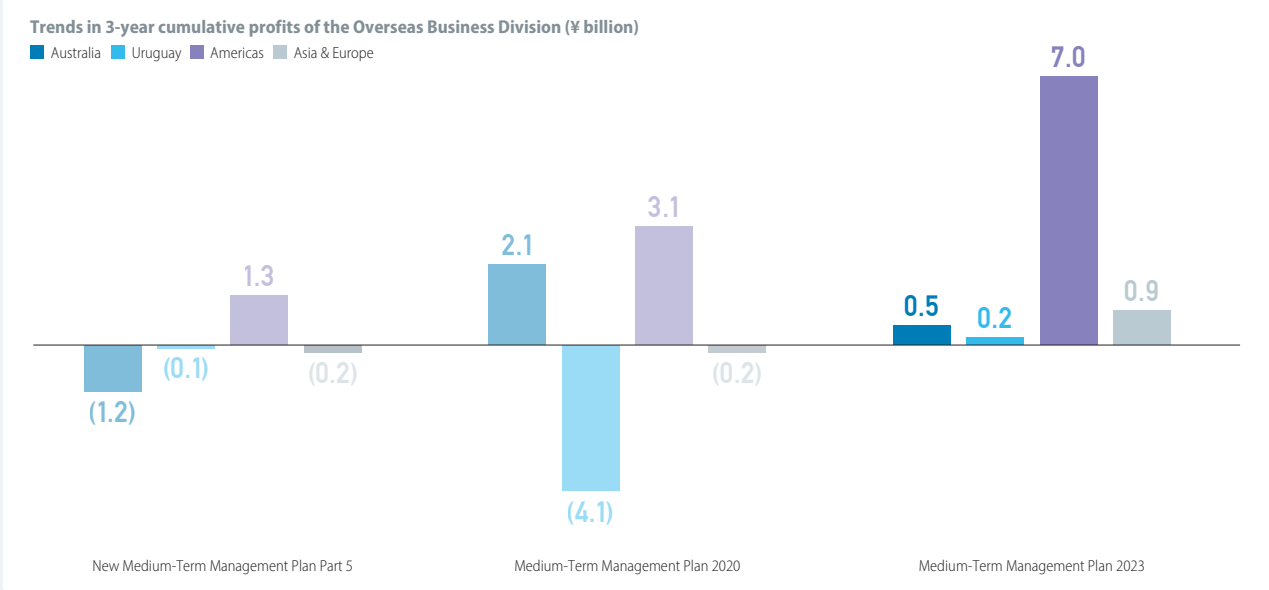
In Turkey, too, we will further reduce production and processing costs for the chicken business, while modifying business portfolios that are currently weighted toward low-profit businesses. In addition, we will again review the required capital expenditure with the aim of reducing the fixed costs of manufacturing operations.

Expand sales of processed food products in North America and the ASEAN region

We aim to expand our processed food sales by targeting sales growth in the North American market through development and introduction of new products to meet customer needs in the continually expanding U.S. ready meal market. This will require further enhancement of business infrastructure, including improvements in our product development and manufacturing capabilities, and the expansion of sales channels. Particular priorities in the North American market include the expansion of sales of processed foods developed using Japanese technology, especially for our flagship *Crazy Cuisine* brand. We will also work to expand our share of the market for commercial products. In addition, we plan to carry out consumer surveys as the basis for the development of products that reflect local consumer needs and preferences in each region.

In the ASEAN region, we aim to develop manufacturing bases to

Management targets



supply products reliably to Japan, while at the same time expanding sales in local markets by developing and launching products that match demand in Southeast Asian countries.

Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas

Free trade agreements have the potential to trigger major changes in the markets for processed products and processed foods. We are preparing for new business opportunities created by these changes.

Since the trend toward free trade is expected to lead to increases in fresh meat import volumes, we will move forward with strategic initiatives to expand sales in Japan. To achieve that, we will work with the Fresh Meats Business Division to enhance our procurement capabilities.

We will also develop new export markets for fresh meat and increase our development efforts in step with demand in each country and region. In the Americas, the EU and other regions, we plan to strengthen our capacity for exporting pork to Japan.

The expansion of world demand for beef could lead to escalating competition for access to supplies. We will develop new supply sources in various countries to ensure that we can continue to export of beef reliably to Japan.

We will fulfill our social responsibilities by engaging in business sustainably

We will work to support and enrich the lives of people worldwide through food by developing and supplying safe, reliable products and services, while respecting the culture, customs, history, and laws of the countries and regions in which we develop our overseas businesses.

Our plan for contribution to a sustainable global environment, in which we have identified five material issues, calls for efforts to quantify the environmental impact of our business activities at overseas, and for the further reduction of our greenhouse gas emissions. We will also make preparations for the disclosure of environmental impact data from our overseas companies engaged in livestock breeding and manufacturing activities.

We aim to ensure reliable procurement and supplies of protein by promoting CSR-based procurement and building strong relationships with suppliers.

We will use our unique capabilities as a food company to contribute to social and community enrichment. In addition, we will help our employees to achieve growth by further enhancing our training and education system. We will continue to adapt proactively to the diversification of people, food, and health needs.

Baseball Club Business

Creating financial and social value through baseball



Profit expansion strategy centering on the Hokkaido Nippon-Ham Fighters and a new stadium

Harmony with local communities has been a focus for the Hokkaido Nippon-Ham Fighters and their stadium since the team’s relocation to Japan’s northern island of Hokkaido. The NH Foods Group sees operation of the team and the stadium as part of its commitment to Co-creation and shared prosperity with local communities and society as a whole through food and sports.

Usage charges at the present stadium cost over one billion yen per year. In addition, revenue from billboard advertising, food and beverage sales, and other sources at the stadium is not attributable to NH Foods, while income from goods is subject to royalty payments. These and other factors have made the development of a long-term growth strategy difficult. In addition, the baseball business was only able to remain in surplus because NH Foods Ltd. contributed ¥2.7 billion last year, including advertising fees.

The sales scheme will change dramatically at the new stadium. With

new revenues from advertising, sales of goods, and other sources, the business will move from losses to profitability at the consolidated level.

We have established the Hokkaido Ballpark F Village scheme to carry out community development activities, including the development of the area around the ballpark, in ways that will also contribute to the achievement of the SDGs. Our aim is to achieve shared prosperity with local communities and support regional development through sport entertainment.

About one-third of the total area of land will be developed by the time of the opening of the new ballpark in the spring of 2023. The remainder will be developed in five four-year stages over the 20 years between the opening and 2042. This approach is based on the “Shared Creative Space” concept, which will allow us to enjoy the process of driving prosperity in step with changes in the social environment. Our ongoing challenge will be to go beyond baseball into the realm of community development.

Anticipated business returns from the new Ballpark

Item	Revenue category	Business environment		Remarks
		Today	New ballpark	
Business-consumer (B-C)	Ticket income	△	◎	The current stadium is used for both baseball and soccer. It lacks atmosphere during baseball matches because of the gap between the players and the crowd, which is the widest in the world. In addition, because the seating is all uniform, it is not possible to offer diverse viewing environments.
	Goods income	×	◎	Currently commissions of 30% or higher are levied on sales of team and player goods. There will be no such commissions in the new stadium.
	Food and beverage income	×	◎	We are unable to provide any food and beverages in the present stadium. In the new stadium it will be possible to develop a presence as a team owned by a food manufacturer.
	Other B-C business income	△	◎	Other income will include fan club revenues. With a company-owned ballpark, we will have greater freedom to offer special services to fan club members.
Business-business (B-B)	Sale of broadcasting rights	○	◎	Because the new ballpark will be owned by NH Foods, there will be greater freedom for the positioning of cameras and other equipment for television and Internet broadcasting, resulting in dramatically improved television coverage. Another positive will be the opportunity to create WEB content, including content for social networking services.
	Advertising income	×	◎	Income from sponsor advertisements in the stadium has not been attributable to NH Foods in the existing stadium. In the new stadium, NH Foods will receive all advertising income. In addition to billboards, there will also be greater freedom to provide other types of advertising, resulting in even more advertising income.
	Other B-B income	○	○	There will be additional income from game licensing, and from companies that use team logos and mascots for product promotions.

New stadium to be financed by sustainability bonds

The aim of the new Hokkaido Ballpark F Village project is not simply to build a ballpark, but to put down roots in the Hokkaido community and work with all stakeholders to create a space that will symbolize the region. We want this space to become a focus of pride and affection for the citizens of Hokkaido, and a starting point for sustainable community development.

The new stadium will also have important social value as an evacuation center in times of emergency. In addition, the stadium will feature an eco-friendly design that will reduce energy consumption and resource use.

Recognition for these efforts includes a 5 star ranking under the DBJ Green Building certification system, which is administered by the Development Bank of Japan to support real estate projects and businesses that have shown care for society and the environment.

Thanks to this recognition, we were able to implement the NH Foods Group’s first sustainability bond issue to fund or refinance expenditure relating to the construction of the new ballpark. Sustainability bond issues are used exclusively to fund initiatives to alleviate environmental and social issues, and projects designed to

produce positive outcomes. The pursuit of sustainability is identified as a management policy in the Group’s Medium-Term Management Plan 2020, which covered a three-year period starting in fiscal year 2018. The allocation of funds from the parent company bond issue to the construction of the new stadium aligns with our commitment to working toward environmental and social sustainability.

Overview of NH Foods Ltd. sustainability bond

Issuance period	10 years
Amount	¥10 billion
Issue date	February 2021
Lead manager	SMBC Nikko Securities Inc. (administration) Nomura Securities Co., Ltd.
Sustainability bond structuring agent*1	SMBC Nikko Securities Inc.

*1 This party supports the execution of sustainability finance by creating the financing framework and providing advice about related matters, such as obtaining second-party opinions.

Reporting of allocation of funds	Amount raised *2	Amount allocated *3	Balance to be allocated *4
	¥9,949million	¥7,900million	¥2,049million

*2 This is the amount of the parent company bond issue minus issuing expenses.
*3 The entire amount has been allocated to refinancing.
*4 The balance to be allocated is being managed as cash and cash equivalents.

Impact reporting	Green project	Qualifying category: Green building Acquired 5-star ranking under the DBJ Green Building certification system.
	Social project	Qualifying category: Improvement of access to essential services There are plans to install the following facilities. <ul style="list-style-type: none">•Multi-purpose toilets•Parking places for people in wheelchairs•Viewing spaces for people in wheelchairs•Viewing spaces for people with guide dogs•Slopes•Escalators by the large staircase on the third-base side•Storage areas containing emergency food supplies and free toys for children•Multilanguage signage in city parks

The compliance of this reporting with the Sustainability Finance Framework has been reviewed by Sustainalytics.
(https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nh-foods-ltd.-sustainability-bond-annual-review.pdf?sfvrsn=108a03b0_1)

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

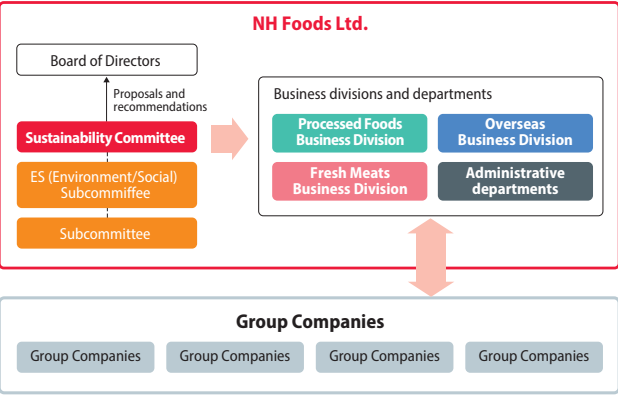
(→p.22) which are initiatives that need to be engaged as a priority in order to realize our vision. We will implement our business strategy and materialities in a way that also advances our sustainability strategy so that we can contribute to solving social issues through our businesses.

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.

Sustainability promotion framework



Promotion system

Organization entity	Role	Organization	Frequency
Sustainability Committee	Develop the Group's sustainability policy and determine strategy	● Director ● Outside Director ● General Manager of Business Division ● Audit & Supervisory Board Member* / Outside experts	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	● Director in charge of sustainability ● Head of departments and sections	4 times / year
Subcommittee • CSR Procurement Taskforce	Consider specific details and carry out promotional activities related to important CSR procurement themes	● Procurement personnel	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 CO₂ emissions by switching to fuels that produce relatively low CO₂ 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 CO₂ 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	Reducing CO ₂ emissions	Reduce fossil fuel-derived CO ₂ emissions by more than 46% compared to FY2013 levels (FY2013: 550,518 t-CO ₂ → FY2030: 297,279 t-CO₂)	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	Reducing waste discharge	Reduce waste discharge per production unit by 5% compared to FY2019 levels (FY2019: 134.6 kg/t → FY2030: 127.9 kg/t)	All processing and production sites in Japan (55 sites)
	Increasing the waste recycling rate	Increase the waste recycling rate to more than 92% (FY2019 rate: 84.1%)	All business sites in Japan
	Reduce water consumption	Reduce waste consumption per production unit by 5% compared to FY2019 levels (FY2019: 15.2 m ³ /t → FY2030: 14.4 m³/t)	All processing and production sites in Japan (55 sites)
	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	All production, processing, and manufacturing sites in Japan and overseas
Addressing biodiversity	Expanding the handling of certified goods	Realize sustainable resource procurement by handling certified products <ul style="list-style-type: none">● Ensure that 100% of palm oil used is RSPO certified (including book & claim)● Increase the number of seafood products that are certified (MSC/ASC)	Certified palm oil: business sites in Japan and overseas

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 CO₂ emissions derived from fossil fuels, such as the use of renewable energy, into our business plans. We will also carry out comprehensive information disclosure.

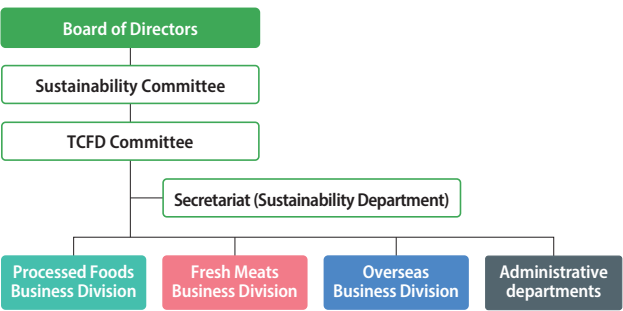


*1 Japan Climate Initiative: A network that aims to strengthen the distribution and exchange of information among companies, local governments, NGOs, and others in Japan in order to achieve a low-carbon society. CDP Worldwide-Japan, WWF Japan, and the Renewable Energy Institute serve as the secretariat.

*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

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.

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.

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

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	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			Medium-Term Management Plan 2023 (first year)		
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					
NH (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

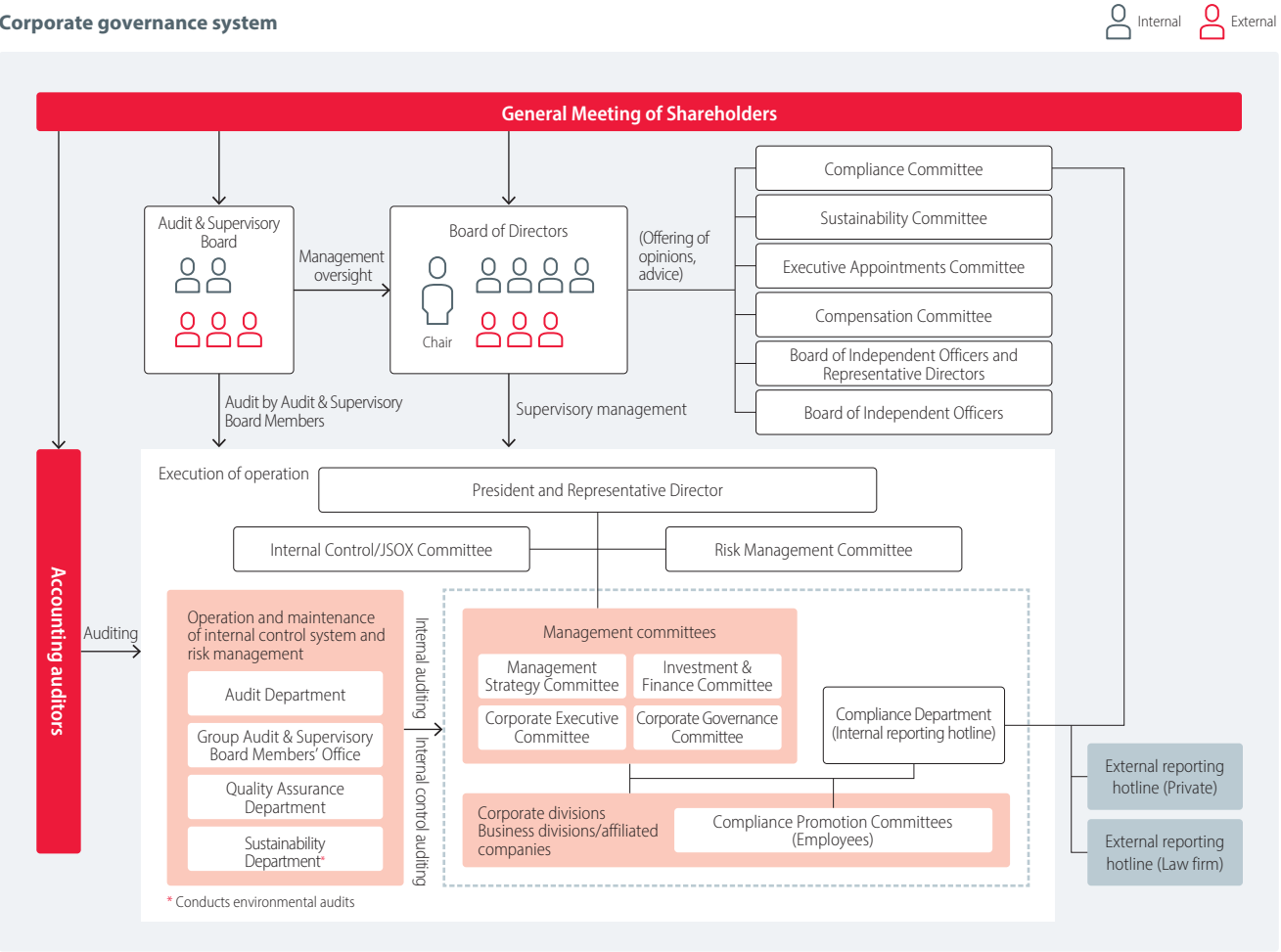
In principle, the Company does not hold shares in cross-shareholdings. However, we may hold shares in cross-shareholdings in cases where it is recognized that cross-shareholding is essential to the sustainable growth of the Group or to improving corporate value, such as for reinforcing alliances in order 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
Yasuko Kono 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)
Atsushi Iwasaki 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)
Hideo Arase 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)
Akihiko Shiba 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)
Masayuki Kitaguchi 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)
Tokushi Yamasaki 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

(2) Management strategy and business strategy

(3) Corporate ethics and risk management
- (4) Evaluation and compensation of the members of management

(5) Communication with shareholders

Evaluation of effectiveness and results for FY2020

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.

Priority themes for FY2021

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

- (1) Continuously strengthen discussion of risks that the Board should be aware of based on Group-wide identification and organization of risk.

(2) 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.

(3) 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 Stock Compensation
	Basic Compensation	Performance-Based Compensation	Performance-Based Stock Compensation	
Positioning	Fixed compensation	Short-term incentive compensation	Long-term incentive compensation	
Recipients	● Directors ● Executive officers ● Audit & supervisory board members	● Directors (excluding outside directors) ● Executive officers	● Directors (excluding outside directors) ● Executive officers	
Delivery form	Money	Money	Stock (BIP Trust)	
Evaluation indicators	—	● Consolidated net sales ● Consolidated business income ● ROE ● ROIC ● Individually established management issues	● Consolidated net sales ● Consolidated business income ● ROE	
Delivery method	Payment of standard amounts established by position	If the standard performance achievement level is 100%, the payment will vary within 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

Number of points granted*1 = (Base amount of stock-based compensation by position*2 / Share price for point calculation*3) × 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.

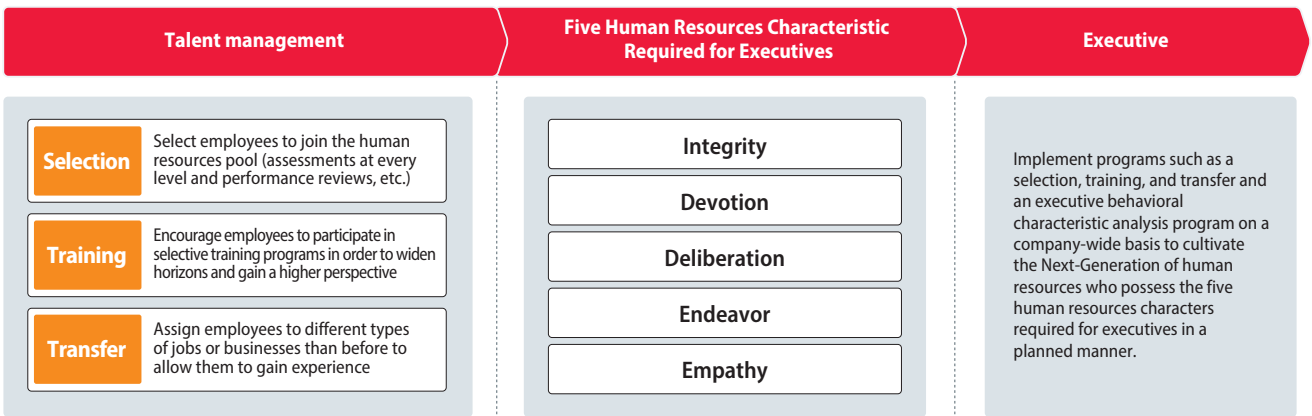
Additionally, we conduct 360-degree evaluation for employees who are the heads of major departments and divisions or above, which incorporates feedback from superiors, peers, and people working under them. These are useful for self-development.

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
Phase 1 Definition of the character of management leader human resources Formulation of a management leader human resources strategy	● Formulation of the five human resources characters required for executives ● Articulation of the Plan for the Development of the Next-Generation Executives in the NH Foods Group Fundamental Policy on Corporate Governance ● Addition of five requirements to the corporate officers' commitment sheet
Phase 2 Identification and evaluation of human resources, and selection and retention of candidates	● Formulation of a corporate officer candidate selection and deselection scheme ● Appointment of outside officers
Phase 3 Formulation and implementation of a human resources development plan, and conditioning and support for the development environment	● Conduct an executive behavioral characteristic analysis program for new executive officers ● Addition of employees who are subject to 360-degree evaluations (August 2021) ● Implementation of officer interviews by outside officers
Phase 4 Evaluation of the results of development, and reassessment and reevaluation of related measures	● Systemization of education and training programs for officers (from April 2021)

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

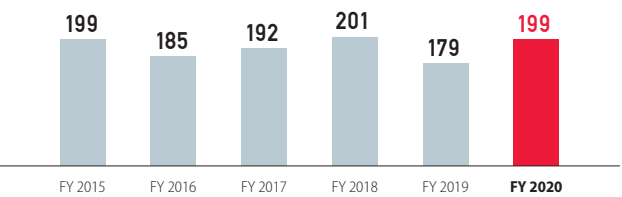


Establishing consultation channels

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)



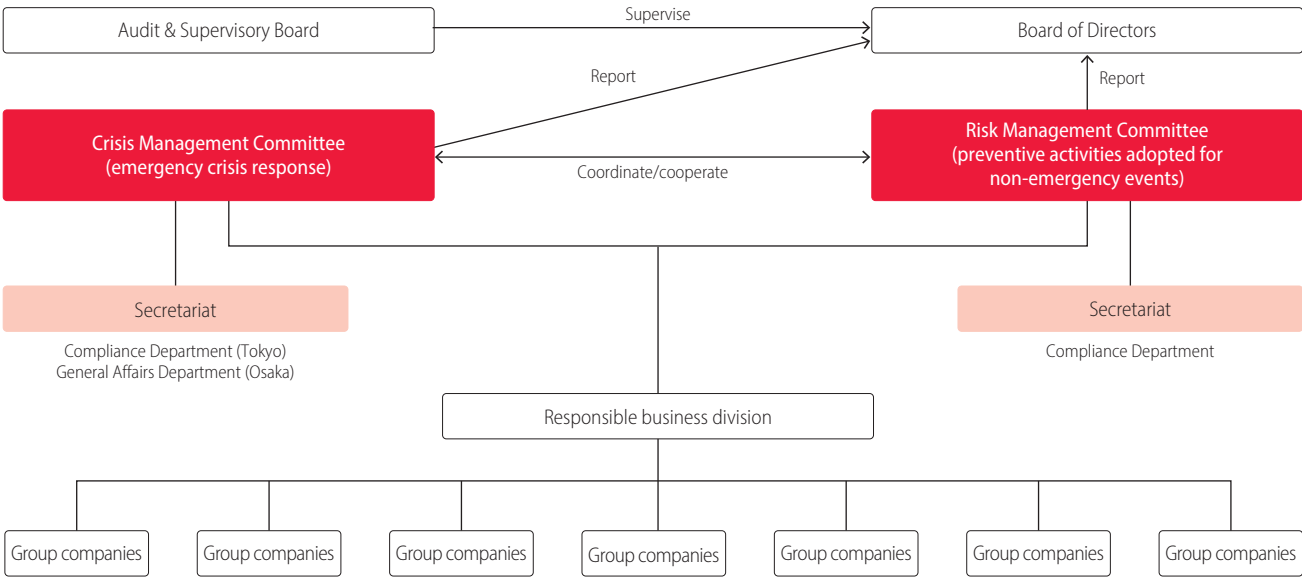
Risk management

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

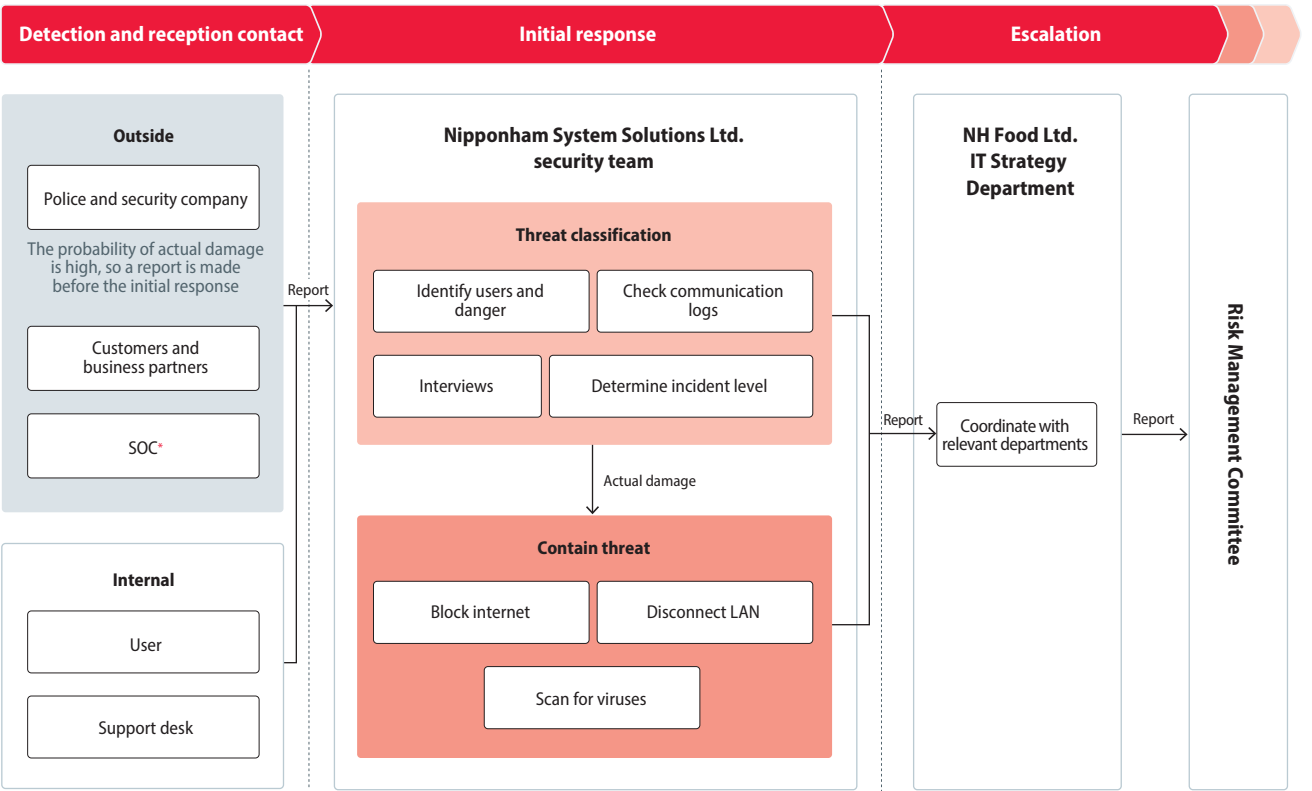
The Group recognizes that information security is a major issue affecting operations, conducts risk assessments for the Group as a whole, and implements appropriate information security measures in a deliberate manner.

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 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 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 Tetsuhiro Kito	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 Nobuhisa Ikawa	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 Fumio Maeda	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 Masahito Kataoka	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 Yasuko Kono	Outside Director	Ms. Yasuko Kono took office as Outside Director in 2018. She has extensive knowledge and experience concerning consumer issues.
	⑦ Atsushi Iwasaki	Outside 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 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 of and deep insight into global-scale corporate management.

Audit & Supervisory Board Members	⑨ Nobuyuki Tazawa	Audit & Supervisory Board Member (full-time)	Mr. Nobuyuki Tazawa joined the Company in 1984. From April 2017 to March 2019, he led business administration leveraging his rich work experience and knowledge as Executive Officer and General Manager of the Administrative Division, Processed Foods Business Division.
	⑩ Sadanori Miyagai	Audit & Supervisory Board Member (full-time)	Mr. Sadanori Miyagai joined the Company in 1982. From June 2019 to March 2021, he served as Director and Managing Executive Officer in charge of the Quality Assurance Department and Sustainability Department, and he has extensive work experience and knowledge concerning quality and environmental auditing.
	⑪ 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.
	⑫ 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.
	⑬ 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 for a major securities company, and possesses professional knowledge and abundant experience of food companies in general.
Managing Executive Officers	Keiji Maeda	General Manager of Sales Management Division, Processed Foods Business Division	Nobuo OdaGeneral Manager of Overseas Business Division and Operation Management DivisionHitoshi YaoIn charge of Compliance Department and Audit Department and General Manager of Group Audit & Supervisory Board Members
Executive Officers	Hideki Fujii	In charge of Americas of Operations Management Division, Overseas Business Division President and Director of Day-Lee Foods, Inc.	Shuichi TodaGeneral Manager of Imported Fresh Meats Sales Division, Fresh Meats Business Division
	Tadaaki Ito	General Manager of Administrative Division, Overseas Business Division	Kohei AkiyamaIn charge of Human Resources Department, Legal Affairs Department, General Affairs Department, Public and Investor Relations Department, Secretarial Office and corporate communications
	Kuniharu Hirai	General Manager of Administrative Division, Processed Foods Business Division	Hideki EgiGeneral Manager of Product Management Division, Processed Foods Business Division
	Takao Seki	General Manager of Sales & Logistics Operations Division, Fresh Meats Business Division	Shuichi NarumiGeneral Manager of Domestic Fresh Meats Sales Division, Fresh Meats Business Division
	Hiroyuki Tsukuda	General Manager of Administrative Division, Fresh Meats Business Division	Hirohide FujiwaraGeneral Manager of Corporate Planning Department and in charge of DX Promotion Department and IT Strategy Department, Corporate Planning 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/>

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

	USGAAP							IFRS			
	3/13	3/14	3/15		3/16	3/17	3/18	3/18	3/19	3/20	3/21
Net sales	1,011,619	1,110,766	1,199,956		1,229,324	1,202,293	1,269,201	1,258,463	1,234,180	1,229,826	1,176,101
Operating income	30,447	36,089	47,770		49,207	53,802	49,218	—	—	—	—
Profit before tax [Net profit for the period from continuing operations before income taxes, etc.]	30,552	35,673	43,797		35,309	49,112	50,455	52,798	30,267	27,039	48,874
Profit attributable to owners of the parent [Net profit attributable to owners of the parent]	16,459	24,524	31,048		21,779	35,004	37,147	37,552	19,561	19,214	32,616
Business profit	—	—	—		—	—	—	50,589	38,311	43,772	52,426
Total assets	610,293	627,220	661,567		682,855	720,276	755,076	734,528	741,388	768,861	825,405
Total equity attributable to owners of the parent	293,414	320,984	353,664		356,353	404,126	440,793	417,982	401,014	404,414	433,595
Interest-bearing liabilities	149,821	144,901	136,758		154,583	138,284	110,948	111,401	147,009	176,493	193,750
Cash Flow from operating activities	37,407	32,952	29,681		52,535	65,254	54,626	53,284	30,844	65,464	82,518
Cash Flow from investing activities	(22,384)	(27,021)	(31,517)		(49,139)	(38,271)	(49,006)	(48,194)	(45,110)	(36,728)	(57,827)
Free cash flow	15,023	5,931	(1,836)		3,396	26,983	5,620	5,090	(14,266)	28,736	24,691
Cash Flow from financing activities	(10,964)	(9,373)	(17,187)		8,182	(11,439)	(27,508)	(27,110)	2,932	(3,077)	(14,934)
Capital expenditures	33,285	29,152	35,694		36,799	43,765	41,466	41,201	47,820	47,802	82,902
Depreciation and amortization	19,323	18,649	18,951		19,445	19,765	21,234	20,714	22,417	33,038	33,939
Per share amounts											
Basic earnings per share [Basic net profit per share attributable to owners of the parent]											
Continuing operations (¥)	¥ 182.94	¥ 248.02	¥ 297.70		¥ 245.56	¥ 343.59	¥ 348.46	¥ 352.26	¥ 183.21	¥ 186.70	¥ 317.97
Discontinued operations (¥)	(24.10)	(3.79)	7.16		(31.72)	(0.12)	—	—	—	—	—
Total (¥)	¥ 158.84	¥ 244.23	¥ 304.86		¥ 213.84	¥ 343.47	¥ 348.46	¥ 352.26	¥ 183.21	¥ 186.70	¥ 317.97
Diluted earnings per share [Diluted earnings per share for the period attributable to owners of the parent]											
Continuing operations (¥)	¥ 164.56	¥ 225.27	¥ 279.50		¥ 230.61	¥ 322.66	¥ 342.07	¥ 350.00	¥ 181.48	¥ 186.64	¥ 317.89
Discontinued operations (¥)	(21.68)	(3.44)	6.72		(29.72)	(0.12)	—	—	—	—	—
Total (¥)	¥ 142.88	¥ 221.83	¥ 286.22		¥ 200.89	¥ 322.54	¥ 342.07	¥ 350.00	¥ 181.48	¥ 186.64	¥ 317.89
Total equity per share attributable to owners of the parent (¥)	¥ 2,944.20	¥ 3,151.94	¥ 3,472.37		¥ 3,498.72	¥ 3,832.95	¥ 4,100.70	¥ 3,888.48	¥ 3,896.64	¥ 3,929.43	¥ 4,243.70
Cash dividends (¥)	¥ 24.00	¥ 37.00	¥ 46.00		¥ 33.00	¥ 52.00	¥ 53.00	¥ 53.00	¥ 90.00	¥ 90.00	¥ 94.00
Financial indicators											
Business profit ratio (%)	—	—	—		—	—	—	4.0	3.1	3.6	4.5
Operating profit ratio	3.0	3.2	4.0		4.0	4.5	3.9	—	—	—	—
Return on equity (ROE) (%)	5.6	8.0	9.2		6.1	9.2	8.8	9.4	4.8	4.8	7.8
Return on invested capital (ROIC) (%)	4.3	4.9	6.4		6.5	7.0	6.2	6.6	4.9	5.3	5.9
Total equity attributable to owners of the parent ratio [Total equity ratio] (%)	48.1	51.2	53.5		52.2	56.1	58.4	56.9	54.1	52.6	52.5
Interest-bearing liabilities / Equity ratio [Equity ratio] (Times)	0.51	0.45	0.39		0.43	0.34	0.25	0.27	0.37	0.44	0.45
Interest coverage ratio (Times)	22.8	21.3	24.2		35.1	57.4	44.7	43.1	24.2	40.6	61.6
Payout ratio (consolidated) (%)	30.2	30.3	30.2		30.9	30.3	30.4	30.1	49.1	48.2	29.6

Notes:

1. NH Foods Ltd. has voluntarily applied International Financial Reporting Standards (IFRS) to consolidated financial statements for the first quarter of the fiscal year ended March 31, 2019. Where items differ from the USGAAP or IFRS standards, the corresponding USGAAP item is shown in [].

2. Figures have been rounded to the nearest unit.

3. As of April 1, 2018, NH Foods Ltd. carried out a share consolidation at a ratio of one share for each two shares of common stock. Total NH Foods Ltd. shareholders' equity per share, basic earnings per share attributable to NH Foods Ltd. shareholders and diluted earnings per share attributable to NH Foods Ltd. shareholders were computed on the assumption that the share consolidation was carried out at the beginning of the fiscal year ended March 31, 2013. Cash dividends represent the actual payment prior to the relevant share consolidation.

4. Operating income represents net sales less cost of goods sold and selling, general and administrative expenses.

5. Starting from the fiscal year ended March 31, 2020, NH Foods Group discloses business profit (calculated by deducting the cost of goods sold, and selling, general and administrative expenses from net sales, and making adjustments of currency gains and losses as determined by the Group, adjustments in accordance with IFRS, and adjustments of non-recurring items) in place of the operating income results disclosed previously. The purpose of this change is to provide a clear indication of profit earned through business activities. The figures for the fiscal years ended March 31, 2018 and March 31, 2019 have been restated retroactively.
6. Interest-bearing liabilities under USGAAP consist 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.

7. Capital expenditures represent the additions to tangible and intangible fixed assets. Since the fiscal year ended March 2020, capital expenditures have consisted of changes in property, plant and equipment, right-of-use assets, and intangible assets.

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

9. ROE (%) = Profit attributable to owners of the parent / Average total equity attributable to owners of the parent × 100
Free cash flow (million yen) = Cash flow provided by operating activities + Cash flow used in investing activities
Total equity attributable to owners of the parent ratio (%) = Total equity attributable to owners of the parent / Total assets × 100
Interest-bearing liabilities/equity ratio (times) = Interest-bearing liabilities / Total equity attributable to owners of the parent
Interest coverage ratio (times) = Cash flow provided by operating activities / Interest paid

Corporate data

Corporate name	NH Foods Ltd.
Established	May 30, 1949
Capital	¥36,294 million
President	Yoshihide Hata
Employees	Consolidated 29,390 Non-consolidated 2,252 Note: Including the average number of temporary employees
Main businesses	<div><div></div><div>• Manufacture and sale of processed meats (hams and sausages, etc.) and cooked foods (retort-packed foods, pre-prepared foods, etc.)</div><div>• Breeding of livestock, and processing and sale of fresh meats</div><div>• Production and sale of marine and dairy products</div></div>
Head office	Breeze Tower, 4-9, Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan
Telephone	+81-6-7525-3026

Main companies of the Group

Production and Breeding	<div><div></div><div>• Nippon White Farm Co., Ltd.</div><div>• Interfarm Co., Ltd.</div><div>• Nippon White Farm Niigata Co., Ltd.</div><div>• Whyalla Beef Pty. Ltd. (Australia)</div></div>		
Packing and Processing of Fresh Meats	<div><div></div><div>• Nippon Food Packer, Inc.</div><div>• Nippon Food Packer Kagoshima, Inc.</div><div>• Nippon Food Packer Shikoku, Inc.</div><div>• Nippon Food Packer Tsugaru Co., Ltd.</div><div>• Usune Co., Ltd.</div><div>• Miyazaki Beef Center Co., Ltd.</div><div>• Nippon Pure Food, Inc.</div><div>• Oakey Beef Exports Pty. Ltd. (Australia)</div><div>• Wingham Beef Exports Pty. Ltd. (Australia)</div><div>• Thomas Borthwick & Sons Pty. Ltd. (Australia)</div><div>• Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi (Turkey)</div><div>• Breeders & Packers Uruguay S.A. (Uruguay)</div></div>		
Sales of Fresh Meats	<div><div></div><div>• Higashi Nippon Food, Inc.</div><div>• Kanto Nippon Food, Inc.</div><div>• Naka Nippon Food, Inc.</div><div>• Nishi Nippon Food, Inc.</div><div>• NHJF Corporation</div><div>• Minami Nippon Fresh Foods Co., Ltd.</div><div>• NH Foods Australia Pty. Ltd. (Australia)</div><div>• Beef Producers Australia Pty. Ltd. (Australia)</div><div>• Day-Lee Foods, Inc. (USA)</div><div>• Nippo Food (Shanghai) Co., Ltd. (China)</div></div>		
Production and Sales of Hams and Sausages	<div><div></div><div>• Nipponham Factory Ltd.</div><div>• Nipponham Hokkaido Factory Ltd.</div><div>• Nipponham Northeast Ltd.</div><div>• Kyodo Foods Co., Ltd.</div><div>• Japan Assorted Business Services Co., Ltd.</div><div>• Nipponham Southwest Ltd.</div><div>• Hakodate Carl Raymon Co., Ltd.</div><div>• Kamakura Ham Tomioka Co., Ltd.</div><div>• NH Foods Vietnam Joint Stock Company (Vietnam)</div><div>• Redondo's, LLC (USA)</div></div>		
Production of Processed Foods	<div><div></div><div>• Nipponham Processed Foods Ltd.</div><div>• Nipponham Delicatessen Ltd.</div><div>• Premium Kitchen Co., Ltd.</div><div>• Shandong Rilong Foodstuffs Co., Ltd. (China)</div><div>• Thai Nippon Foods Co., Ltd. (Thailand)</div></div>		
		Sales of Hams and Sausages, and Processed Foods	<div><div></div><div>• NHF Manufacturing (Malaysia) Sdn. Bhd. (Malaysia)</div><div>• PT NH Foods Diamond Indonesia, Ltd. (Indonesia)</div></div>
		Production and Sales of Processed Marine Products	<div><div></div><div>• Marine Foods Corporation</div><div>• Hoko Co., Ltd.</div><div>• Kushiro Marusui Co., Ltd.</div></div>
		Production and Sales of Fermented Milk, Lactic Acid Probiotic Beverages, and Dairy Products (Cheese)	<div><div></div><div>• Nippon Luna, Inc.</div><div>• The Hoko Co., Ltd. (ROLF Division)</div></div>
		Production and Sales of Extract Seasonings	<div><div></div><div>• Nippon Pure Food, Inc.</div><div>• Pure Food Asia, Inc. (Taiwan)</div></div>
		Production and Sales of Freeze-Dried and Frozen Foods	<div><div></div><div>• Nipponham Frozen Foods Ltd.</div><div>• Hoko Co., Ltd.</div></div>
		Professional Sports	<div><div></div><div>• Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd.</div><div>• Fighters Sports & Entertainment Co., Ltd.</div></div>
		IT, Services, and Other Businesses	<div><div></div><div>• Nipponham System Solutions Ltd.</div><div>• Nipponham Business Associe Ltd.</div><div>• Nipponham Career Consulting Ltd.</div><div>• Nipponham Engineering Ltd.</div></div>
		Logistics and Trading	<div><div></div><div>• Nippon Logistics Group, Inc.</div><div>• Nippon Chilled Logistics, Inc.</div><div>• Nippon Logistics Center, Inc.</div><div>• Nippon Daily Net Co., Ltd.</div><div>• Nippon Route Service Co., Ltd.</div><div>• Japan Food Corporation</div><div>• NH Foods Chile Y Compania Limitada (Chile)</div><div>• NH Foods Mexicana S.A.DE C.V. (Mexico)</div><div>• NH Foods Singapore Pte. Ltd. (Singapore)</div><div>• NH Foods Thailand Ltd. (Thailand)</div><div>• Thai Nippon Cold Storage Co., Ltd. (Thailand)</div><div>• NH Foods Taiwan Ltd. (Taiwan)</div><div>• NH Foods U.K. Ltd. (The United Kingdom)</div></div>

Share data

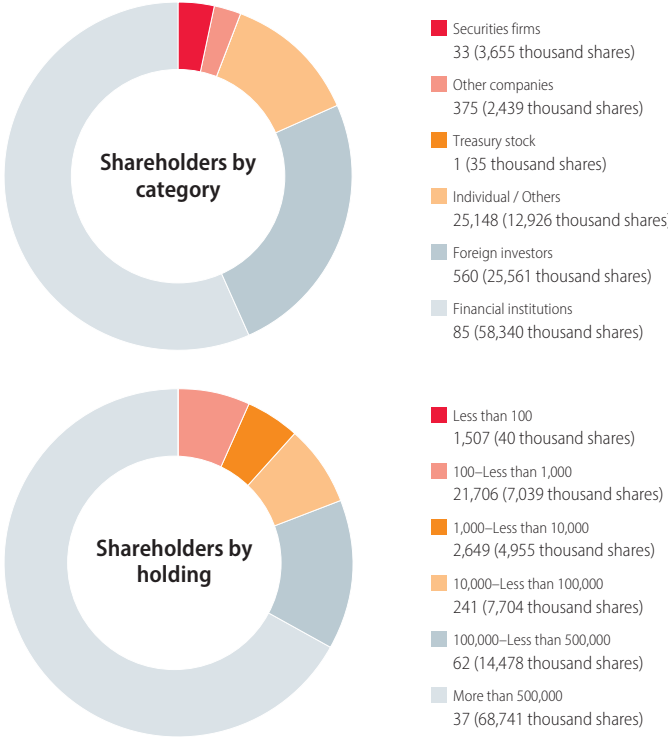
Authorized shares	285,000,000
Issued and outstanding	102,958,904
Shareholders	26,202

Major shareholders (leading 10 by holding)

Name of shareholder	Holding (1,000s of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	15,663	15.33
Custody Bank of Japan, Ltd. (Trust account)	7,224	7.07
The Hyakujushi Bank, Ltd.	3,768	3.69
Meiji Yasuda Life Insurance Company	3,677	3.60
The Norinchukin Bank	2,963	2.90
Nippon Life Insurance Company	2,785	2.73
MUFG Bank, Ltd.	2,747	2.69
Sumitomo Mitsui Banking Corporation	2,325	2.28
JPMorgan Securities Japan Co., Ltd.	1,626	1.59
The Kyoei Fire and Marine Insurance Company, Limited	1,613	1.58

Note: In addition to the list above, NH Foods Ltd. holds 35 thousand shares of common stock.

Distribution of shares



Stock price trend

