

Discussion with outside directors

What is your evaluation of the NH Foods Group as it strives for transformation and how will you support it going forward?

—A conversation with four outside directors.

Q1. What is your evaluation of the past year?

Kono I think the main topics to address concerning the previous fiscal year are the turnover in top management positions and launch of a new management framework following a downturn in business performance, the formulation of Medium-Term Management Plan 2026, and the redefining of our materialities.

Corporate growth requires an accurate understanding of the demands and expectations of not only shareholders, but also a wide range of stakeholders, including consumers, employees, and local communities, and it is essential that this understanding is reflected in strategy formulation. I have been involved in the activities of consumer organizations for many years and I have participated in decision making concerning government policy on food safety and food education. I have leveraged this experience in my activities with the Compliance Committee, as well as the Consumer Delegate Committee, which interacts directly with consumers, to facilitate active discussions from a consumer-oriented perspective that focus



Yasuko Kono

Tokushi Yamasaki

Hiroko Miyazaki

Hideo Arase



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on non-financial matters, including the utilization of human capital and response to climate change.

As chairperson of the Executive Nomination Committee, I have made recommendations regarding potential members of the Board of Directors and worked to further develop succession plans that consider the sustainability of the Group. I think this focus on enhancing corporate value and business continuity has been reflected in the content of discussions at committee meetings.

Yamasaki My background is in securities analysis, so I was able to provide recommendations and advice, and to share opinions with individuals, in a way that incorporated the perspectives of the stock and capital markets. An area I particularly focused on was management speed. I felt that the speed of the Company's management was a little slow compared to other companies listed on the Prime Market. Structural reforms were being mentioned at Board of Directors meeting three years ago but from the outside, it looked like no action had been taken. However, over the past year there has been a clear change. The Company's human resource strategy and its capital and finance strategies have been clarified and from a governance perspective, progress has been made on setting agendas for Board of Directors meetings and delegating authority regarding reporting items. I feel the Company is approaching a significant turning point.

Arase I have worked in the healthcare field for over 40 years and also have experience of corporate management overseas. I provided advice on business strategy from various perspectives based on this experience. This fiscal year, we formulated the medium-term management plan and we incorporated keywords that differentiate us from other companies into this plan to showcase our strengths to shareholders in an easy-to-understand manner. I also

proposed that we include clear, specific behaviors that employees at business sites within the Company should be practicing. In addition to this, I advised that decisions regarding the M&A of overseas companies should be based on a specific process that focuses on whether the target can raise the overall corporate value of the Company.

Miyazaki I worked as an attorney at law for law firms in Japan and the US, providing legal advice to companies. Following this, I led the legal departments of three foreign-owned companies and then served as a representative director. When I was appointed as an outside director of NH Foods in June 2024, I spoke with members of the Executive Nomination Committee and came to understand that I am expected to actively provide recommendations for raising corporate value with a focus on transformation.

Over the next year, I want to provide advice and oversight that helps business managers to take appropriate risks. In times of transformation, it is especially important to take risks in the right way. I will oversee and support various initiatives by facilitating discussion between our outside directors, who each have their own area of specialization, and the executive team in a way that focuses on specific details regarding risk, rather than abstract concepts.

Q2. How do you evaluate the Group's organizational and governance frameworks and what issues have you noticed?

Yamasaki The major theme of the evaluation of effectiveness of the Board of Directors was separating oversight and executive functions, and this was also recognized as an issue among directors. One of the challenges to address was management speed, which has seen rapid improvement over the past year. Over the last

four to five years, the management speed of companies listed on the TSE Prime Market has been rising considerably due to the increase in companies adopting a Company with Nominating Committee structure, which fully separates oversight and execution, and there was concern that the gap between us and these companies was widening. However, as I mentioned above, improvements have been made over the past year. Discussions are underway as to whether the gulf in management speed is the result of corporate governance structure or management methodology, and I hope that progress will be made on Going forward, we need to continue to deepen discussion concerning the separation of the oversight and executive functions to raise the Company's management speed and greatly enhance corporate value.

Another issue was that there was not enough discussion of management strategy. Going forward, I think it will be important to thoroughly discuss both business and



Hiroko Miyazaki

Ms. Hiroko Miyazaki took office as Outside Director in June 2024. She has broad business experience as an attorney at law firms in Japan and abroad and also has experience in corporate management through serving as legal director and president and representative director at global companies.



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sustainability strategy, and to clarify what the Board of Directors and executive team should be doing.

Arase Separating oversight and execution makes the Board of Directors responsible for deciding and supervising important policy, enabling directors to get an overview of every aspect of management. This means transitioning to a monitoring style of governance. While it is important for the Board to make decisions on short-term business matters, I would like to see more discussion on growth strategy that is rooted in management from a medium- to long-term perspective.

Kono The approach of Medium-Term Management Plan 2026 is to continue providing households with a stable supply of safe animal proteins while properly respecting the bounty of nature. This resonates with consumers. Gaining the understanding of stakeholders will be essential for promoting this message. Even though the people involved in formulating the plan have a full understanding, unless we can get the employees who will actually be implementing



Hideo Arase

Mr. Hideo Arase took office as Outside Director in June 2019. He has abundant experience of and deep insight into global-scale corporate management. He serves as chairperson of the Compensation Committee, and as a member of the Executive Nomination Committee, the Compliance Committee, and the Sustainability Committee.

measures and the management teams at subsidiaries to take ownership of it, our efforts will come to nothing. Sharing information with stakeholders is key to encouraging understanding, and our communications efforts to date have been insufficient. Over the past year, I have consistently asked for improvements to be made, such as having the matters discussed by the Board of Directors disclosed immediately through the Company's website, and there are signs that it is becoming easier to provide information.

Yamasaki The Company has the management resources to become leaders in various fields, including governance, ESG, and the meat industry, so I want to showcase this more strongly. If we can leverage our strengths to demonstrate leadership in each field, it will raise our brand value.

Recently, President Ikawa has been sharing policies and thoughts through various media channels. If he continues with these efforts, I think it will raise the brand value of the Group in the medium to long term.

Miyazaki A key step in providing recommendations for raising corporate value is to provide the Board of Directors with appropriate information at the right time. I will actively propose the way that information should be circulating.

Q3. Please tell us about the issues and achievements concerning each strategy and your thoughts on future initiatives.

Arase In regard to overseas strategy, I think it is important that head office and the business frontlines can share opinions with each other freely and both develop through this process. Employees on the frontlines are always thinking about the who, when, what, and how of marketing, so I think a challenge is for the management of business divisions to come up with clearer policies and direction and then



Yasuko Kono

Ms. Yasuko Kono took office as Outside Director in June 2018. She has extensive knowledge and experience concerning consumer issues. She serves as chairperson of the Executive Nomination Committee, as well as a member of the Compensation Committee, the Compliance Committee, and the Sustainability Committee.

communicate these to the frontlines in a way that will translate into action and results. It is also key that progress is measured not just in terms of qualitative aspects, but through a framework that also adds quantitative evidence. Value is created on the frontlines, so I think the management of each division should let the frontlines lead the way and engage in finding ways to provide robust support.

The steps for developing business in a new country are as follows. First you create a vision which contributes to that country, then you gauge unmet needs, and finally you come up with plans and strategy. The business will not be on track to succeed until these three steps have been taken. I will leverage my experience and knowledge to help find solutions to issues from a frontline perspective.

Yamasaki Looking at the Company's 80-year history, we are reaching a long-term turning point in terms of financial and capital strategy. By accurately gauging capital cost and then categorizing this cost by business to improve ROIC and



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ROE, we will be practicing substantive ROIC management. In regard to investment discipline, which includes M&A, it is important to make decisions on whether to push forward or pull back after carrying out a precise evaluation of risk versus return based on objective data. This is especially true for NH Foods, as our four main businesses each have a different business model. There needs to be an accurate assessment of where to prioritize cash allocation and to what extent returns will surpass costs. However, over the last year, we have built a framework for investment discipline, so I anticipate that in the medium to long term, we will have lean financial and profit structures in place that enable cash to be moved efficiently to where it is needed.

Kono In our human capital strategy, we already have a system in which personnel are rotated between the Fresh Meats, Processed Foods, and Overseas business divisions, which steadily develops human resources that can engage in



Tokushi Yamasaki

Mr. Tokushi Yamasaki took office as Outside Director in June 2022. He has also 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. He serves as a member of the Executive Nomination Committee, the Compensation Committee, and the Sustainability Committee.

business operations. On the other hand, the current business environment requires human resources who can make appropriate judgment concerning social issues and wield decision-making authority, and I feel we need to strengthen in this area, including in our corporate units. Our top management team has been working on this issue for five years but it is not an area where it is easy to produce results.

Diversity and inclusion has become a priority across the globe and the Corporate Governance Code requires stewardship of human capital. I think having a balanced composition in terms of gender is essential and this is a big part of discussions concerning succession planning at meetings of the Executive Nomination Committee.

While it is difficult to produce results in the short term, we now have Ms. Miyazaki onboard as an outside director, and she brings even greater knowledge of gender in organizational management from the perspective of both a lawyer and corporate manager. I expect this will be of huge benefit to the Group. I think it will also improve our effectiveness.

Miyazaki I will continue doing my best to exceed expectations. In addition to addressing diversity within the Group, I also want to realize more dynamic collaboration with our many partner companies. Combining the strengths of people with completely different backgrounds generates innovation. As the first step to achieving this, I think it is important that we properly communicate our strengths and ensure everyone shares aspirations and operates under the same code of conduct.

Q4. What are your future aims and objectives toward increasing corporate value?

Yamasaki Over the past five years, I have listened to the

opinions of investors and analysts and turned this into feedback for the Company. I think my most important job is to clarify the gaps between the information gathered by the Company and the information that I can gather from the industry using my experience as an analyst. At the same time, I will also showcase the appeal of NH Foods. I think we still have plenty of growth potential.

Arase Innovation requires diversity combined with networks. I have experience of managing in different cultures and I have also built up a network in academia. I think I can be useful in many ways, including in the food industry and in new businesses. I have also experienced many failures in regard to the actual application of DX. I believe that I can use these experiences both in an oversight function and to provide advice from an independent position.

Miyazaki Our role as outside directors is not to address short-term or surface issues, but to provide a vision of what the Group should be. This will be achieved through discussion that inherently questions what the Group wants to do and what its DNA is. When the field of vision of people on the frontline or executives becomes too narrow, I want to provide advice that expands their perception. I want to contribute to the realization of an NH Foods where the perspective of the Board of Directors and the perspective of the executive team rub against each other to find a middle ground and produce deeper insight.

Kono I evaluate the overall Company by looking at whether it can take a leap forward as a sustainable enterprise in the medium to long term. The Group will continue to take on challenges while remaining fully conscious of various issues. I want our stakeholders to see the hard work the Group is putting in to make progress.