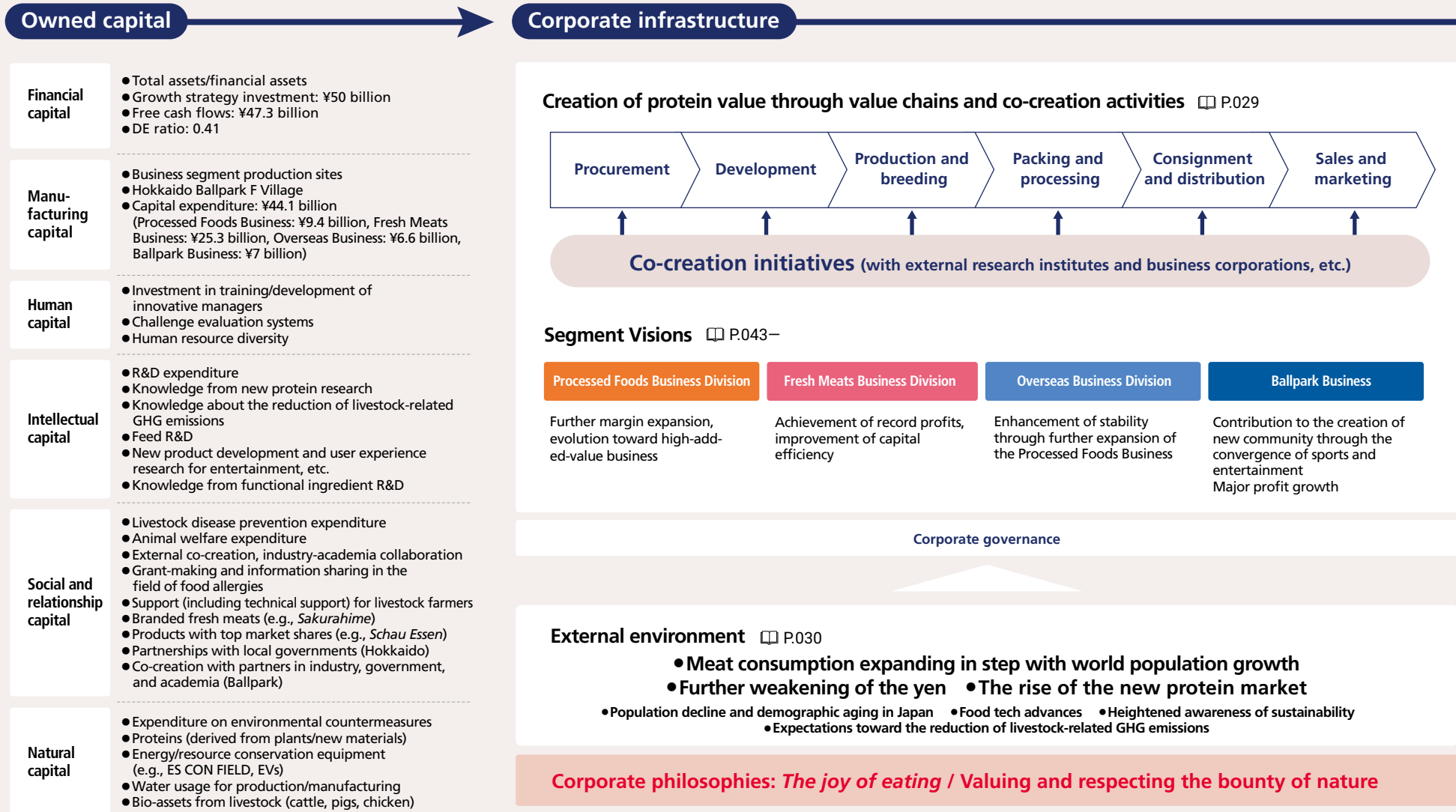




Value creation process

Building a future as a company dedicated to innovation and sharing the value of protein



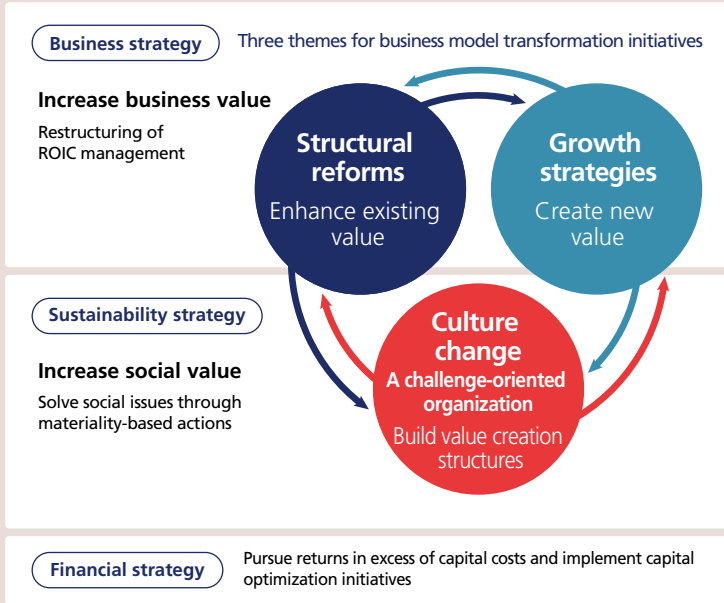


Value creation process

Value creation going forward

Company-wide strategy

Pursuit of innovation and challenges under Medium-Term Management Plan 2026 P.033-



Materialities P.031-

- Stable procurement and supply of proteins
- Enrichment of lives through food
- Contributing to a sustainable environment
- Creating new values
- Fostering an organizational culture focused on new challenges

Creating value and impacts

Reliable supply of protein as an essential resource for health

- Securing essential supplies of meat (protein) through the continuation of livestock production
- Reliable procurement of protein through fresh meat importing and collaboration with partners
- Development of products with delicious new tastes
- R&D relating to meat substitutes and other diverse proteins
- Reduction of livestock-related GHG emissions

Customers Partners The global environment

Co-creation and partnership with local communities

- Contribution to regional economic development including Hokkaido
- Development of a unique community through the co-creation of ballpark facilities with our partners
- Creation of environmentally sustainable communities

Customers Partners The global environment

Expansion and enhancement of human capital

- Fostering an organizational culture in which people can take on new challenges
- Expansion of recruitment and retention through the enhancement of employee capabilities and salaries
- Promote DE&I and diversity

Employees

Maintenance/expansion of shareholders' equity

- Improvement of corporate value and the stock price through enhanced profitability
- Maintenance/enhancement of dividends
- Constructive dialogue with shareholders and investors

Shareholders/investors

Sustainable society

Vision2030
Unleash new potentials for protein

Helping people to enjoy happier, healthier lives

Corporate philosophies: *The joy of eating* / Valuing and respecting the bounty of nature



Capital and value chains

The NH Foods Group has built up a variety of capital assets for each of its value chains. We use these assets to maintain and enhance our competitive advantage and create corporate value by taking up new challenges and pursuing co-creation.

	Procurement	Development	Production and breeding	Packing and processing	Consignment and distribution	Sales and marketing
Financial capital	<ul style="list-style-type: none"> Operating cash flow: ¥86,500 million (fiscal year ended March 2024) 	<ul style="list-style-type: none"> R&D expenditure: ¥315.5 million (94.4% year on year) 	<ul style="list-style-type: none"> Disease prevention expenditure 	<ul style="list-style-type: none"> Capital expenditure Automation investment 	<ul style="list-style-type: none"> Environmental expenditure (reduction of logistics-related GHG emissions) 	<ul style="list-style-type: none"> Business profit: ¥44,900 million
Manufacturing capital	—	<ul style="list-style-type: none"> Research/inspection centers: 2 	<ul style="list-style-type: none"> Production/breeding sites: 148 	<ul style="list-style-type: none"> Processing and packaging sites: 83 Plant specializing in food allergy-related products (Tohoku) 	<ul style="list-style-type: none"> Distribution bases: 34 	<ul style="list-style-type: none"> Sales offices: 208
Human capital	<ul style="list-style-type: none"> R&D talent working on the development of new proteins Training of human resources to ensure the future of livestock farming Cumulative total of 64 quality assurance specialists^{*1} Human resource sharing among Group companies DX Human Capital Development Program Prioritization of diversity in the human capital mix (increased mid-career recruitment) 					
Intellectual capital	<ul style="list-style-type: none"> Knowledge about the procurement of key raw materials Safety and reliability knowledge 	<ul style="list-style-type: none"> Number of patent applications: 16 (FY2022)^{*2} Knowledge from protein research spanning many years 	<ul style="list-style-type: none"> Specialized technology and knowledge about livestock R&D relating to use of biological resources to improve health 	<ul style="list-style-type: none"> Specialized technology and knowledge about ham and sausages Meat processing and packing technology and knowledge 	—	<ul style="list-style-type: none"> Specialized customer response skills^{*3} Original surveys by the Lifestyle Research Office
Social relationship capital	<ul style="list-style-type: none"> Cooperative relationships with suppliers 	<ul style="list-style-type: none"> Joint research with external partners (Kansai Medical University, the University of Tokyo, Hokkaido University, etc.) Opportunities for communication with people affected by food allergies and their families 	<ul style="list-style-type: none"> Cooperative relationships with (support for) livestock farmers 	<ul style="list-style-type: none"> Development of meat cuts and processed food products based on the needs of individual customers 	<ul style="list-style-type: none"> Reliable supply of products through our domestic and overseas logistics networks Nationwide logistics to ensure the safe distribution of products, including distribution in times of disaster 	<ul style="list-style-type: none"> Unique monitoring system (Consumer Delegate Committee) established over 50 years ago Interaction with large numbers of consumers through social media and website memberships, etc. Development of highly competitive product brands High shares of domestic fresh meat markets: 19.9% (beef: 16.6%, pork: 19.8%, chicken: 21.6%)
Natural capital	<ul style="list-style-type: none"> Reducing GHG emissions 	<ul style="list-style-type: none"> Plant-derived proteins New protein resources Key raw materials 	<ul style="list-style-type: none"> Reducing GHG emissions Use of livestock waste as fuel, composting 	<ul style="list-style-type: none"> Cooling water Reducing GHG emissions Use of by-products (bones, skin, etc.) as resources 	<ul style="list-style-type: none"> Reducing GHG emissions Installation of non-CFC freezers / refrigerators using natural coolants 	—

*1 In April 2023, we amended our quality policy, which now applies to services as well as products. We address quality at all stages in our value chains, from breeding and manufacturing through to sales and logistics, and we are constantly training personnel, developing technologies and creating systems for this purpose.

People selected from all Group companies can become specialists by acquiring advanced skills and passing special exams created by NH Foods.

We maintain a cyclical approach to specialist training, whereby employees certified as specialists contribute to the development of future generations by acting as instructors for educational programs and basic and advanced training courses.

*2 We have obtained patents for various advances, including alternative meat products, and a smart pig farming system to support farmers.

*3 We have received the top three-star rating in the customer support (telephone) category of the HDI Benchmarking system in six consecutive years.



External environment

Meat consumption expanding in step with world population growth

World population expected to increase from 6.9 billion in

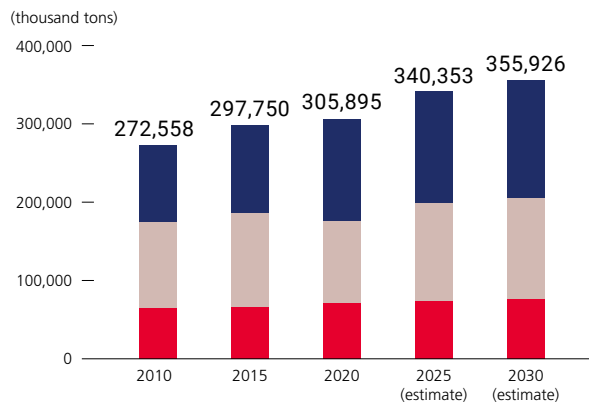
2010 to **8.5 billion** by 2030 ↗

Risks and opportunities

World population growth and increased meat consumption in emerging countries have led to predictions of future meat shortages. There is particular concern about beef because of the large quantities feed consumed during its production, and there is a risk that import prices will soar and that shortages will occur. However, we see this as an opportunity to contribute to supply stability by producing branded beef through co-creation initiatives with domestic livestock farmers.

Consumption by meat type

■ Beef ■ Pork ■ Chicken



Source: OECD-FAO Agricultural Outlook 2022-2031

Further weakening of the yen

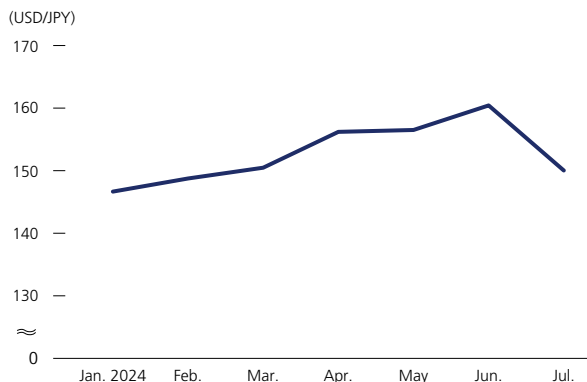
Yen weakened by Japan-U.S. interest rate gap ^{*As of July 2024} and other factors

¥150 exchange rate over to the dollar in 2024 ↘

Risks and opportunities

The yen has continued to weaken because of factors that include the gap between Japanese and U.S. interest rates, which has led investors to sell yen and buy dollars. This situation is reflected in persistently high prices for imported fresh meats and raw materials, and there is a risk that our profit margins will be eroded. We will continue to look for opportunities to secure profits through price adjustments and investment, while closely monitoring the gap between Japanese and U.S. interest rates.

Japanese and U.S. interest rates



Source: Bank of Japan time series data

* It was decided to use Bank of Japan data because of subtle differences in data from other sources, such as city banks and Yahoo Finance.

The rise of the new protein market

World market expected to reach

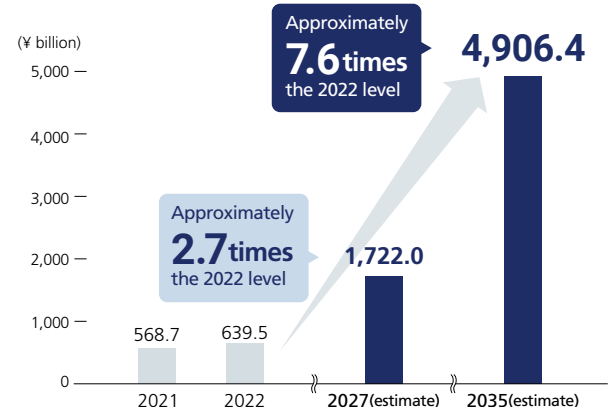
approximately **7.6 times** the 2022 level by 2035 ↗

Risks and opportunities

The United Nations has predicted that a worldwide increase in per capita consumption of meat and fish will lead to global protein shortages by 2050, and that the supply of protein will need to increase to double the present level. The market for new types of protein, including plant-based products, cultivated meat, and insect protein is expanding. The NH Foods Group will continue to prioritize the development of this market.

Global New Protein Market Size Forecast

(plant-based meat, plant-based seafood, cultivated meat, cultivated seafood, insect protein)



Source: Yano Research Institute Ltd.

* Based on manufacturer shipments



Materiality review

While formulating Medium-Term Management Plan 2026, we also reviewed our five materialities to reflect changes in the business environment and social conditions. Three of the materialities were amended and redefined.

Fiscal years ended March 2021-2023		Since FY2024		
Materialities	Changes	Materialities	Main measures	Our vision (KPIs)
Stable procurement and supply of proteins	—	Stable procurement and supply of proteins	<ul style="list-style-type: none"> ● Expansion of stable supply of livestock meat ● Continued efforts prevent the outbreak of diseases ● Support for and co-creation with farmers <ul style="list-style-type: none"> ● Provision of technical guidance for PIG LABO® and the poultry production business ● Development and utilization of new technologies such as smart livestock farming 	<ul style="list-style-type: none"> ● Domestic meat product sales volume growth rate: 104% compared to FY2023 (FY2026)
Food diversification and health	We aim not only to adapt to changing food and health needs, but also to help people enjoy richer and more diverse lifestyles.	Enrichment of lives through food	<ul style="list-style-type: none"> ● Development and provision of products that meet diverse needs ● Provision of food experiences that inspire smiles ● Spreading knowledge gained in Japan to other countries and regions ● Development and provision of products that contribute to good health. 	<ul style="list-style-type: none"> ● 50% of the main consumer products in the ham and sausage, processed food category, including <i>Mealin'Good</i> products. (FY2026) ● Overseas processed products business sales growth rate: 200% (baseline year: fiscal year 2023) (FY2026)
Contributing to a sustainable environment	—	Contributing to a sustainable environment	<ul style="list-style-type: none"> ● Reduction of CO₂ emissions from fossil fuels (Scope 1, 2) ● Research and development on the control, reduction, and effective utilization of GHG emissions from livestock ● Reduction of plastic use <p>* Scope: Fossil fuel-derived Packaging materials that are subject to the Containers and Packaging Recycling Law in Japan</p>	<ul style="list-style-type: none"> ● Reduction of CO₂ emissions from fossil fuels (Scope1, Scope2) <ul style="list-style-type: none"> Domestic: -46% compared to 2013 (FY2030) Overseas: -24% compared to 2021 (FY2030) Domestic: -29% compared to 2013 (FY2026) Overseas: -17% compared to 2021 (FY2026) ● Reduction of plastic usage <ul style="list-style-type: none"> Domestic: -20% compared to 2013 (FY2030) Domestic: -17% compared to 2013 (FY2026)
Co-creation and shared prosperity with local communities and society as a whole through food and sports	Our goal is to go create new value that is not limited to food and sports.	Creating new values	<ul style="list-style-type: none"> ● Planning of urban areas centered on the food and sports business around Hokkaido Ballpark F Village ● Creation of value by strengthening R&D ● Exploration of various possibilities for protein 	<ul style="list-style-type: none"> ● Provision of new value through food and sports <ul style="list-style-type: none"> ● Increase in the number of visitors and permanent residents through the enhancement of facilities and services in the F Village (FY2030) ● Creation of businesses that expand the potential of protein <ul style="list-style-type: none"> ● Launch and monetization of businesses (FY2030) ● Establishment of technology for commercialization (FY2030)
Employee development and respect for diversity	Our most important priority is to build a foundation for value creation by fostering an organizational culture focused on new challenges.	Fostering an organizational culture focused on new challenges	<ul style="list-style-type: none"> ● Review of executive evaluation items and enhancement of the management succession plan ● Reinforcement and embedding of systems that encourage and recognize each individual's efforts ● Creation of an environment in which a diverse range of individuals are respected and can thrive 	<ul style="list-style-type: none"> ● Training and recruitment of transformational management personnel <ul style="list-style-type: none"> ● Progress on Transformation, Challenge, and Employee Engagement Initiatives (FY2030) ● Promotion of participation by diverse human resources <ul style="list-style-type: none"> ● Progress on Priority Management Items (FY2030)

Materiality review

As part of our review and reidentification of the materialities, we evaluated and examined the issues from both our stakeholders' and our own perspectives. In addition, we took into account international trends, initiatives and other social demands, and the business environment and social conditions encompassing the NH Foods Group, as well as the challenges in Medium-Term Management Plan 2026.

STEP 1	<p>Comprehensively identify ESG issues</p> <p>Comprehensively identify ESG issues based on GRI, ISO 26000, SDGs, industry-specific issues (SASB, SBT FLAG), domestic and international social issues, livestock industry-specific issues, and issues faced by the Company.</p>
STEP 2	<p>Classify issues by theme</p> <p>Classify and organize the issues identified in Step 1 by theme.</p>
STEP 3	<p>Conduct materiality assessments</p> <p>Conduct interviews with Sustainability Committee members regarding the ESG issues classified and organized in Step 2. The ES Subcommittee*, a supporting organization under the Sustainability Committee, also conducts materiality assessments. Also identify operational and other issues related to the materialities selected in 2021, and investigate points that need to be revised in conjunction with the results of the materiality assessments.</p>
STEP 4	<p>Validate</p> <p>Before ultimately receiving approval from the Board of Directors, the materialities identified based on the materiality assessments are validated by the Sustainability Committee and by a council composed of executive officers.</p>

* Reorganized into Sustainability Subcommittee in April 2024

Comments by experts

General: The materialities are well-balanced and reflect an emphasis on compatibility with the Group's business activities. With more and more companies aiming to contribute to the creation of a sustainable society through the development of protein raw materials, I hope that the Group will continue to supply plant-derived protein products and other new types of protein, while pursuing further R&D in this area.

Creating new values: I have been very impressed by the way that the Group has used its strengths to pursue the entertainment value of food and create a new food culture, such as through the development of the F Village community. The Group should be able to work with communities around Japan to develop food supply strategies based on upstream, midstream, and downstream concepts, such as food entertainment parks.

Fostering an organizational culture focused on new challenges: Most people interpret leadership as the ability to lead other people. In fact, it really means the ability to lead oneself and start up new initiatives. If every individual is aware of this concept, the Group's focus on fostering an organizational culture focused on new challenges will enable diverse people to achieve career development. Other ways to accelerate the development of an organizational culture focused on new challenges include collaboration and co-creation activities with venture companies.



Ichiro Asahina

CEO
Aoyama Shachu Corporation

General: I hope that NH Foods will identify both risks and opportunities and use its strengths to create a narrative.

Stable procurement and supply of proteins: The Group's recognition of farmer support and co-creation as key priorities is an extremely positive step at a time when the livestock industry is facing a variety of issues, including a shrinking and aging workforce. Even greater benefits could be achieved by disclosing information about initiatives relating to specific issues affecting overseas and domestic procurement, such as priority policies and reports.

Creating new values: I feel that the development of the F Village community would be more convincing as a priority goal with the addition of other dimensions, such as the use of the Group's strengths in the area of food to contribute to community development as well as providing entertainment.

Fostering an organizational culture focused on new challenges: The Group should pursue initiatives that identify its visions and goals as outcomes of challenges by individuals and respect for diversity.



Mari Yoshitaka

Fellow (Sustainability),
Mitsubishi UFJ Research and
Consulting Co., Ltd.

Stable procurement and supply of proteins: The Group should be able to enhance the value that it provides by taking a new look at the value of protein from meat. For example, it could highlight the unique nutritional benefits that can only be provided with meat protein. I also hope that NH Foods will provide food education as part of its role as a food manufacturer.

Contributing to a sustainable environment: The Group has shown a strong commitment to research targeting the reduction of livestock-derived GHG emissions. I hope that they will also pursue initiatives based on a recycling-based approach to livestock farming, such as increased utilization of livestock waste.

Creating new values: Stakeholder understanding could be enhanced by providing a little more detail about the Group's strategic direction in relation to new value creation. I hope that the Group will go beyond the development of the F Village community by expanding its circle of co-creation to encompass various regional locations.



Kenichi Takeda

Professor Institute of Agriculture,
Academic Assembly Shinshu University



Medium-Term Management Plan 2026

Advancing to a new stage through business model transformation

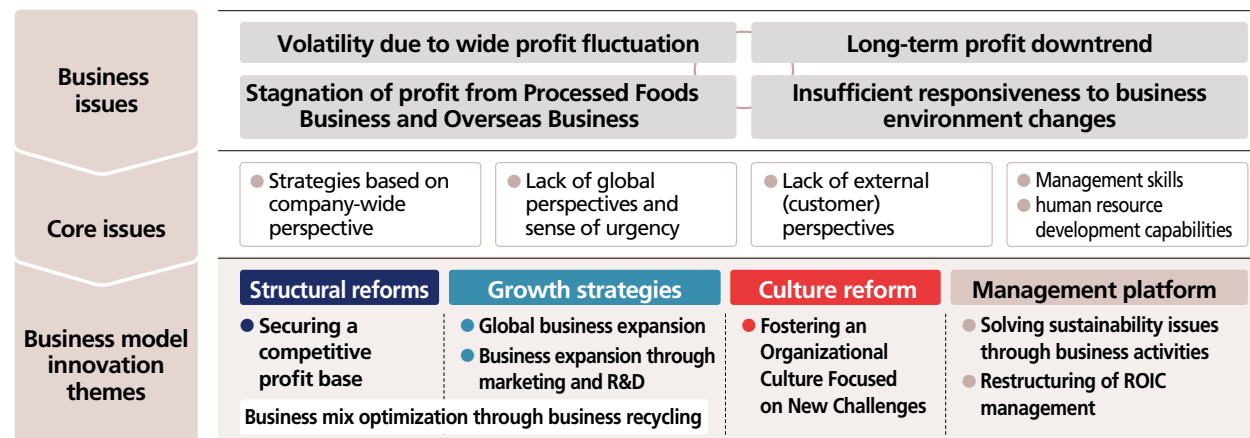
The themes that we have selected for Medium-Term Management Plan 2026 relate to business model transformations that will provide the impetus for future growth toward the realization of Vision2030. We will begin by identifying current issues and determining the root causes behind those issues.

Our medium-term goals are to overcome business issues through structural reforms, and to concentrate our efforts toward high-profit areas. Under our growth strategy, we will enhance our profitability and growth potential by developing, strengthening, and co-creating brands and intellectual property. At the same time, we will reform our corporate culture and strengthen our management platform to ensure the achievement of these goals.

From a long-term perspective, we aim to advance to a new stage by enhancing our profitability in Japan and expanding our overseas businesses. This will be an increase in the percentage of domestic products in our core Fresh Meats Business, and the achievement of business profit of ¥50 billion. In the Processed Foods Business, which is our brand platform, we aim to achieve a business profit ratio in excess of 6% by continuing to concentrate our resources toward high-profit businesses and implement structural reforms. Our target for the Overseas Business, which is a growth driver, is to achieve an overseas sales ratio above 20% by further expanding our overseas processed foods business.

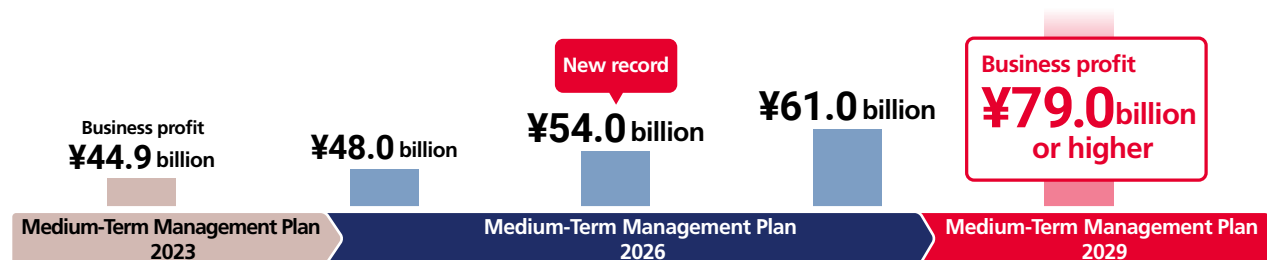
Under our next plan, Medium-Term Management Plan 2029, we will target a dramatic increase in business profit, from ¥44.9 billion in the fiscal year ended March 2024 to at least ¥79 billion in the fiscal year ending March 2030. We aim to achieve that target by continuing to take up the challenge of making new businesses profitable through the realization of our growth strategies.

Management issues and innovation themes



Medium- to long-term business profit growth targets

- | | |
|---|--|
| Medium-Term Management Plan 2026 | <ul style="list-style-type: none"> ● Continuously pursue structural reform initiatives and focus on high-profit businesses. ● Develop and enhance brands and intellectual property through growth strategies and co-creation. Enhance profitability and growth potential. |
| Medium-Term Management Plan 2029 | <ul style="list-style-type: none"> ● Advance to a new stage by strengthening profitability in Japan and expanding overseas businesses. <ul style="list-style-type: none"> ● Expand our share of the domestic fresh meats market and achieve profit of ¥50 billion. ● Achieve a business profit margin of over 6% through concentration on high-profit areas and continual structural reforms ● Lift the overseas sales ratio to over 20% by expanding overseas sales of processed products ● Achieve profitability for new businesses by realizing growth strategies. Continually take up new challenges |





Medium-Term Management Plan 2026

Value creation going forward

Comprehensive management concepts designed to maximize corporate value

We cannot achieve our goal of business profit totaling ¥79 billion or higher in the final year of Medium-Term Management Plan 2029 simply by continuing along our present path. We need to establish new business models and make them profitable. Under Medium-Term Management Plan 2026, we will prepare for this new stage by maximizing our corporate value through structural reforms and growth strategies.

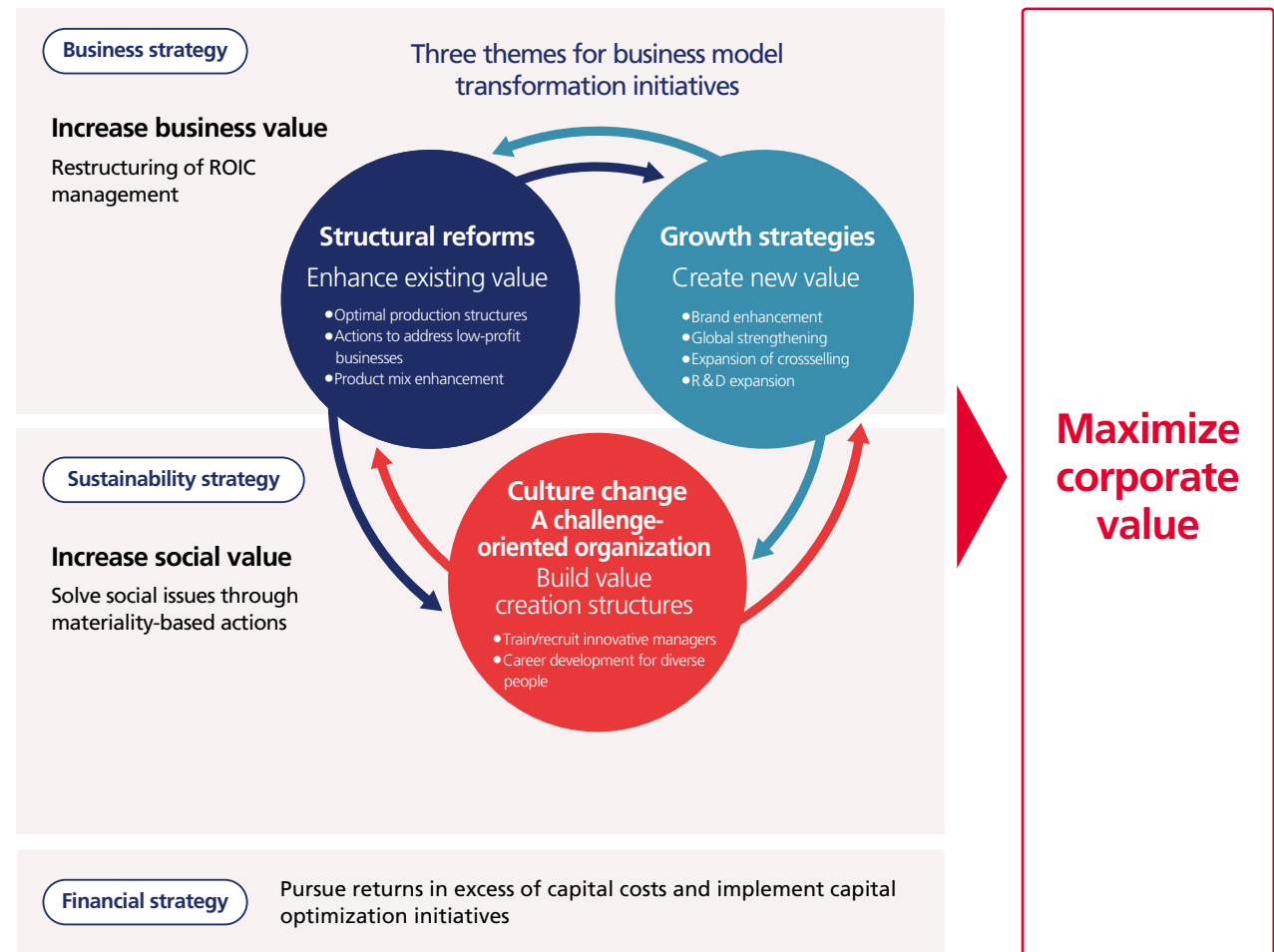
Based on our business priorities, we have selected three themes for our business model transformation initiatives: structural reforms, growth strategies, and cultural reform.

The goals of our structural reform efforts will be the optimization of production structures, measures to address low-profit businesses, and the improvement of the product mix. The four main growth strategies will be brand enhancement, the expansion of global activities, the intensification of cross-selling, and R&D enhancement. By pursuing structural reforms and growth strategies, we will continually shift reforms toward high-profit businesses, leading to the creation of an optimal business mix.

Our efforts to build an organizational culture focused on new challenges through cultural reforms will center on two policies: the recruitment and training of innovative leaders, and career development for diverse human resources.

We aim to enhance our business and social value, maximize our corporate value, and achieve sustainable growth by linking the restructuring of our ROIC management through our business strategy with the realization of our materiality through our sustainability strategy, and the optimization of our capital structure through our financial strategy.

We will evolve into a business structure capable of achieving continuous growth through the pursuit of business, sustainability and financial strategies.



Medium-Term Management Plan 2026

Definition of key policies and KPIs to create a structure for the achievement of all goals under Medium-Term Management Plan 2026

Our business profit target for the year ending March 2027, which will be the final year of Medium-Term Management Plan 2026, consists of ¥16 billion from the Processed Foods Business Division, ¥42.5 billion from the Fresh Meats Business Division, ¥6.5 billion from the Overseas Business Division, and ¥2.6 billion from the Ballpark Business.

As part of our process for achieving these numerical targets, we have set KPIs for each key measure relating to structural reforms and growth strategies. We have also identified the business divisions and executive officers responsible for the achievement of each target.

We have also visualized progress on each measure and clarified our target management by defining key actions and targeted benefits for core measures relating to both structural reforms and growth strategies.

Management and assessment of progress on cultural reforms will be based on commitment sheets issued by the management team in order to accelerate reforms and encourage employees to take up new challenges.

We will reach our medium- to long-term business profit targets and achieve business growth by establishing a structure to monitor and manage progress on these policies and goals.

		Core policies	FY2026 KPI	Benefit
Structural reforms	Product mix enhancement	Improve the product mix for ham, sausages and deli products.	from key categories 70% * Consumer products (ham, sausages, deli)	¥10.0 billion
		Generate reliable profits through enhanced marketing of branded beef.	Contribution from branded beef 60%	
	Optimal production structures	Optimize the production structure (restructure production sites) for ham, sausages and deli products.	20% line reduction	
		Restructure the domestic pork business.	Benefits of at least 1 billion	
Actions to address low-profit businesses	Review low-profit lines in the marine products, dairy products, extracts, and primary processed products businesses	20% line reduction		
Growth strategies	Brand enhancement	Increase sales of flagship brand products (<i>Schau Essen, Ishigama Kobo, Chuka Meisai</i>).	<i>Schau Essen</i> : ¥90 billion * Based on estimated retail sales (NH Foods research)	¥6.0 billion
		Increase sales of flagship brand products (<i>Sakurahime, Mugikomachi, Omugi Beef ANGUS</i>).	<i>Sakurahime</i> volume target: 120%	
	Cross-selling	Expand sales of processed products.	Processed product sales target: ¥30 billion	
	Global strengthening	Expand the processed foods business in North America and ASEAN	External sales: ¥200 billion	
	R&D expansion	Create businesses in new areas.	—	
	Ballpark	Further enhance the attractiveness of the ballpark and strengthen the team.	Visitor numbers over 3 million	



Medium-Term Management Plan 2026

Value creation going forward

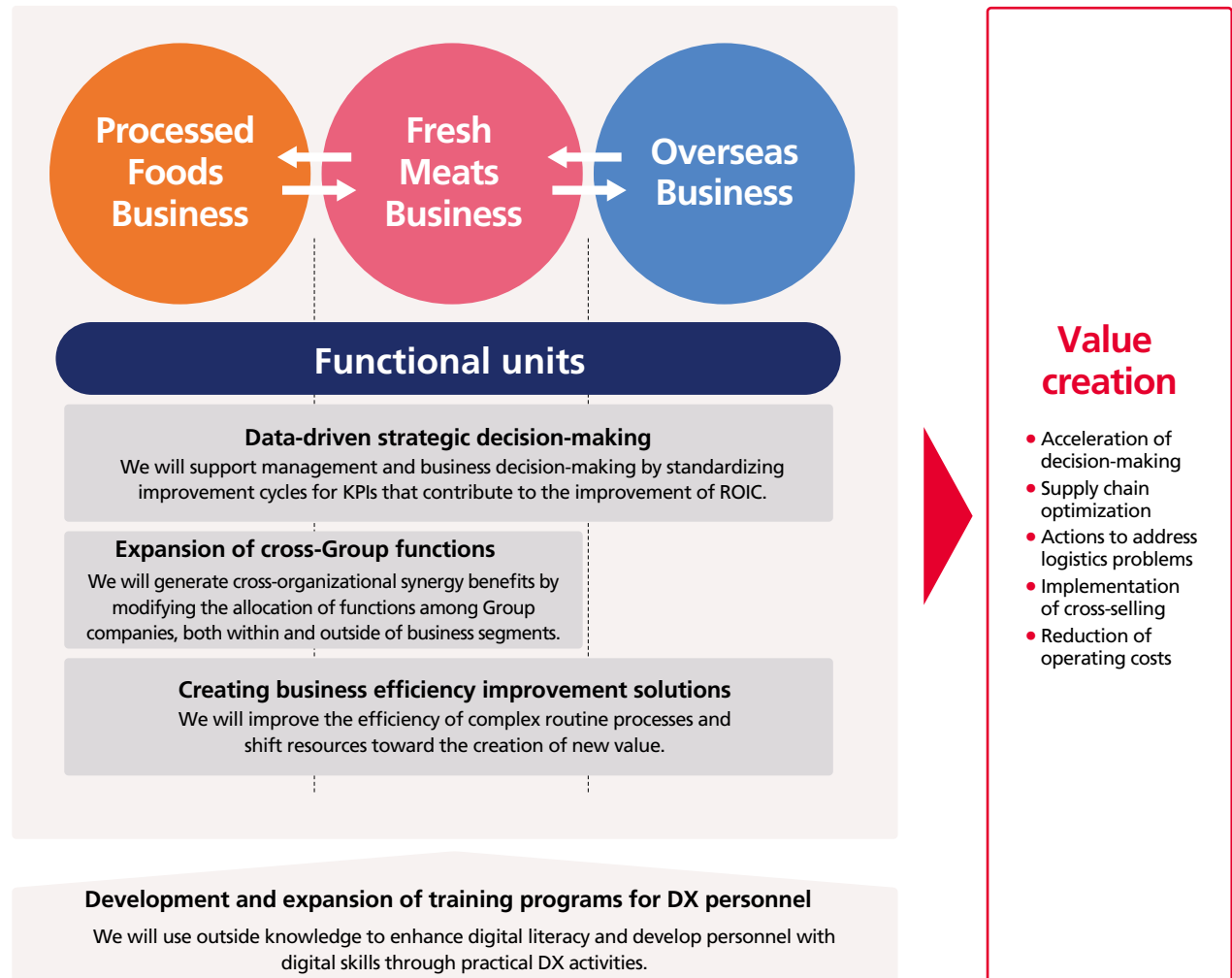
Facilitating business model transformation through our DX strategy

The DX strategy of the NH Foods Group is focused on the challenge of enhancing the value of existing businesses and creating new value through operational innovations and the transformation of digital platforms. Business and functional units will work together to enhance the efficiency and speed of management, business, and administrative processes and build a new core system that will deliver enhanced profits.

In addition to the improvement of operational efficiency, DX can also facilitate the analysis of sales, costs, and other factors to create data that can be used to improve profitability and productivity. It can also contribute to the creation of mechanisms to allow monitoring and continual improvement of ROIC for each business segment as part of ROIC management.

We completed the updating of our systems in the area of accounting under Medium-Term Management Plan 2023. We are now working to achieve further improvements in the efficiency and sophistication of these systems.

In FY2025, we will introduce this technology in the Processed Foods Business Division with the aim of enhancing supply-demand management. Starting in FY2028, we plan to implement the technology in the Fresh Meats Business Division in order to optimize its value chain. As we introduce the technology in each business area, we will apply appropriate operating requirements while controlling risks through project management.





CFO MESSAGE



A message from the CFO Further deepening of VBM to accelerate the creation of corporate value and shareholder value

Masahito Kataoka

Director and Vice President
Executive Vice President

Financial overview of fiscal 2023

In fiscal 2023, we worked on various levels to counter the effects of rising raw material prices and other cost factors, as well as the impact of a weaker yen. In addition to price adjustments, we also took various other actions to improve our earnings. These efforts produced a major recovery in business profit. However, the recovery of our profit levels is not complete, and we will need to work toward the sustained accumulation of earnings through the measures

contained in Medium-Term Management Plan 2026. While our business profit ratio has risen from 2.2% in the previous fiscal year to 3.5%, further improvement is needed.

The figures in our balance sheet have ballooned, in part because of inflationary trends and cost increases in Japan and overseas. We believe that it will take a little longer for the numbers to peak out because of exchange rate instability and other factors. The outlook will depend on trend in the external environment.

Our cash flows are substantially better. The profit

recovery has helped to drive a major increase in cash flows from operating activities, while capital expenditure has stabilized. As a result, free cash flows improved, and the total for the three-year period covered by Medium-Term Management Plan 2023 moved into positive figures.

The level of the debt-equity ratio, which was at 0.41 at the end of the previous fiscal year, remains an issue. It is still below the 0.5-0.6 range that we projected based on the repayment of interest-bearing debt made possible by the increase in cash flows from operating activities and other factors. We need to correct this, and that will be a focus under Medium-Term Management Plan 2026.

Another ongoing issue is capital efficiency. Our return on invested capital (ROIC) currently stands at 4.1%, and return on equity (ROE) at 5.5%. While these figures have improved over the previous year's levels, they are still far from satisfactory.

Our price book value ratio (PBR) had recovered to just below 1.0 by March 2024, in part because of the recovery in business performance. However, we do not believe that this figure reflects growth expectations. We aim to take the ratio above 1.0 times by pursuing the initiatives in Medium-Term Management Plan 2026.

Our financial strategy under Medium-Term Management Plan 2026

From a financial perspective, we will work to improve our capital efficiency by deepening Value-Based Management (VBM) through three initiatives.

First, we will establish a financial PDCA system to support value creation. Previously we apportioned capital costs uniformly across the entire company. In the future we will enhance portfolio management by splitting capital costs



CFO message

on a business-by-business basis and assessing business performance through the measurement of segment ROIC.

Second, we will allocate management resources strategically. In the past, capital expenditure for purposes other than maintenance and updates has been managed at the discretion of business divisions. Going forward, we will switch to head office management based on the allocation of growth investment budgets. This will ensure the strategic allocation of funds to priority areas based on company-wide priorities. We will also consider the enhancement of value-based investment decision-making as a way to fine-tune investment decisions through the assessment of risks for individual investment projects. By steadily implementing these measures in fiscal 2024, we will in essence form a capital market within the company.

Third, we will pursue a capital policy and financial strategy that will lead to value creation. We will optimize liabilities and capital through leverage control and improve the efficiency of the Group's internal financing by using a cash management system (CMS) to reduce cash, deposits, and interest-bearing debt, with a particular focus on overseas subsidiaries. At the same time, we will implement and expand strategic IR and shareholder policies designed to ensure that capital markets are properly aware of our corporate value. We believe that measures such as these will lead to corporate value creation and the improvement of the PBR level.

ROIC can be broken down into the profit ratio times the turnover ratio. Our efforts to improve ROIC began in the previous fiscal year with measures designed to increase the profit ratio. In the current fiscal year, we are working to improve both the denominator and the numerator, including the reduction of invested capital. (See the chart on the right.)

For example, we are raising our profit ratio by improving our product mix through a review of low-margin

products, especially in the Processed Foods Business Division. Going forward, we will further step up our efforts to create an optimized production structure, while at the time taking a close look at our invested capital with a particular focus on fixed assets.

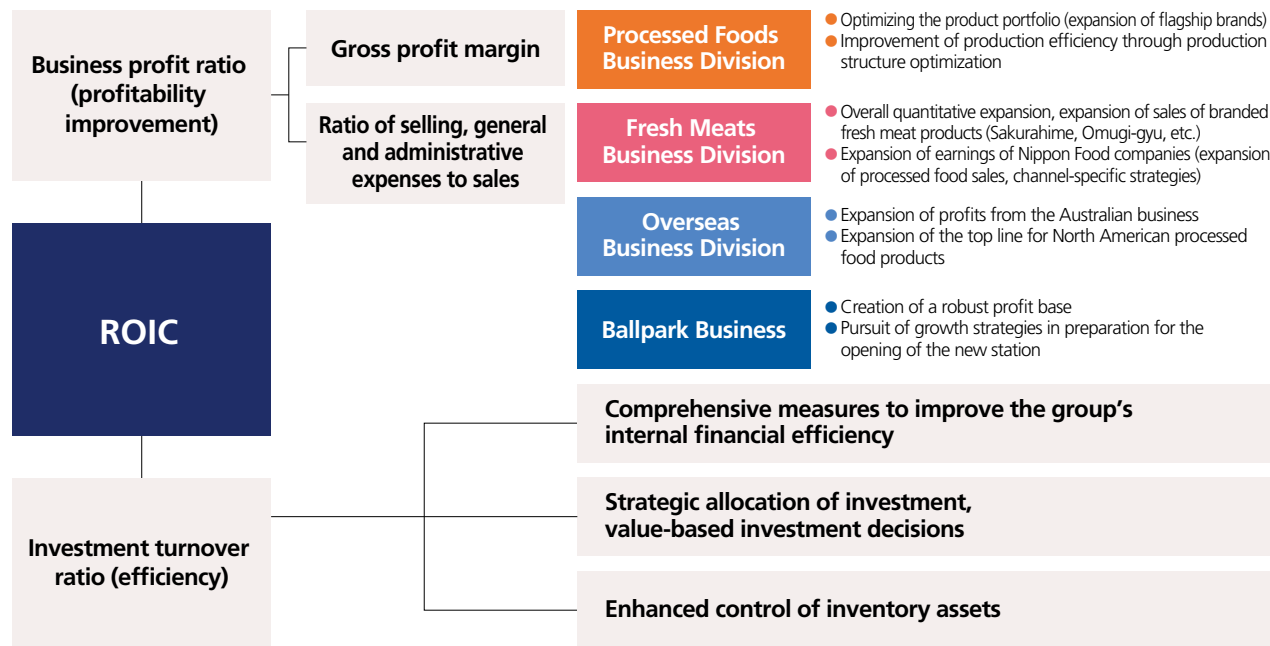
In the case of the Fresh Meats Business Division, we have already achieved a certain level of profitability. Our basic strategy therefore calls for the pursuit of profit growth through investment and expansion. We will also prioritize the control of inventory assets, especially imports. We will continue to manage the turnover period on a monthly basis,

while stepping up our efforts to minimize inventory levels.

Our priorities for the Overseas Business Division, are to boost the performance of low-profit businesses and expand processed foods businesses. We will also target the reduction of volatility, which has been an issue, by modifying our portfolio.

The Ballpark Business is still in the start-up phase, and our focus at present is the reinforcement of the profit base. The opening of the new station in 2028 can be expected to trigger the next growth phase, and we believe that profitability will improve further under Medium-Term Management Plan 2029.

ROIC diagram





CFO message

Policy on cash allocations and dividends

Our capital policy is basically designed to keep interest-bearing debt and capital balanced within certain limits. Specifically, we see a D/E ratio of 0.5-0.6 as the basis for a capital structure that will allow us to reduce capital costs while maintaining the credit standing needed to procure finance. Under this policy, we will enhance shareholder returns and strategically allocate funds, after providing cash for investment in human resources, capital expenditure, and R&D investment.

Under Medium-Term Management Plan 2026, we will secure a ¥50 billion budget for future growth investment with the aim of creating corporate value and shareholder value. These funds will be used for a wide range of initiatives, including brand enhancement, the expansion of R&D, and overseas business expansion.

This budget will also provide for investment in venture capital with the aim of accelerating co-creation and open innovation with partner companies. This type of investment will enable us to acquire information and connections from venture companies and build a structure geared toward the continual exploration of new technologies and expertise to drive the growth of the NH Foods Group 10 years in the future.

We plan to use free cash flows to provide funds for M&A investment as a source of future growth opportunities. Examples of targets for investment in this category include projects that will result in disruptive growth for our Processed Foods Business in North America or Southeast Asia.

Having secured funds for growth investment, we will enhance shareholder returns. During the period covered by Medium-Term Management Plan 2026, we will work to

stabilize the cash dividend and maintain continuous growth. We aim to raise the dividend-on-equity (DOE) ratio from 2.3% to 3.0% and maintain a payout ratio of 40% or higher. Share buyback schemes will also be used to optimize shareholders' equity at a level deemed to be most efficient from a capital cost perspective. Specifically, we want to raise the debt-equity ratio to 0.5 by the final year of Medium-Term Management Plan 2026.

Through these measures, we will work to improve corporate value while controlling the balance between interest-bearing liabilities and capital.

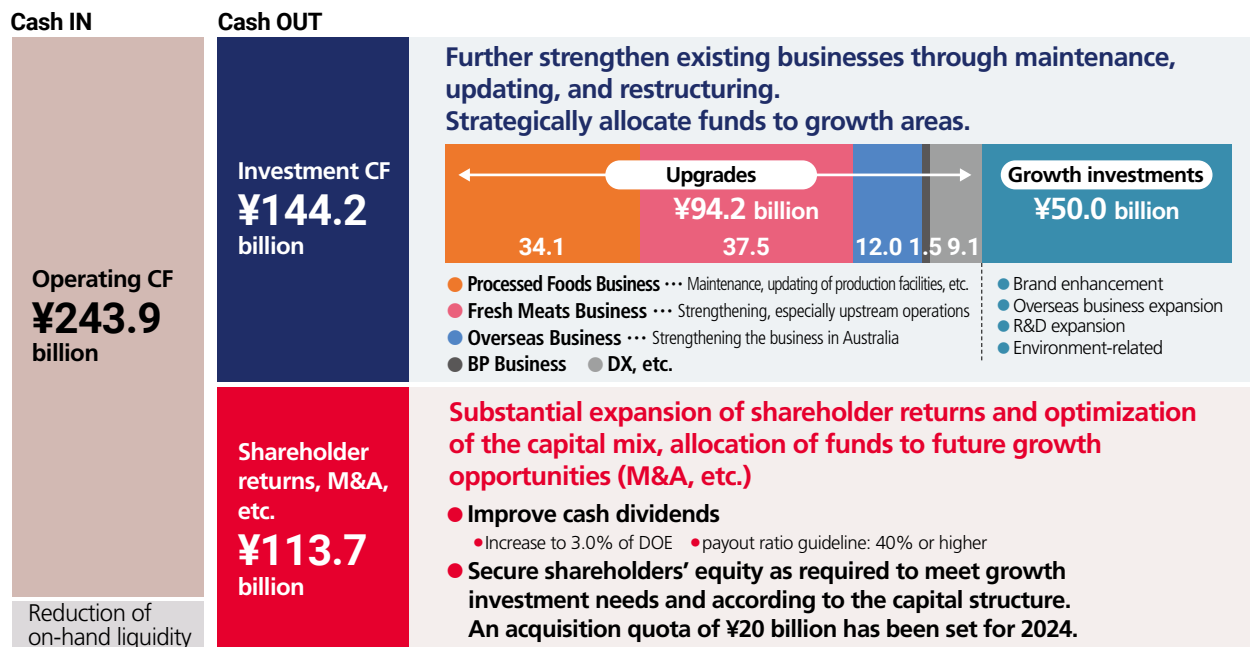
Under our new dividend policy, we increased the

dividend per share for FY2023 by ¥7, from the initial forecast of ¥112 to ¥119. In FY2024, we will implement a further ¥16 increase, taking the dividend to ¥135 per share.

Reduction of cross-shareholdings

Our policy is that, in principle, we will not maintain cross-shareholdings. In accordance with that policy, we are now engaged in sale negotiations with the individual issuers concerned. These ongoing negotiations are leading to a steady reduction in our shareholdings. We will continue this process going forward.

Cash allocations





CFO message

Sustainability policy also enhancing corporate value

Sustainability initiatives are a vital aspect of business management and are becoming increasingly important. Further efforts are needed across a wide range of areas, including environmental issues such as climate change, and social issues such as human rights.

The livestock industry has become a particular focus of international concern because of livestock-related greenhouse gas emissions and the use of land, water, and other resources for livestock farming. Additional issues within Japan include a lack of people willing to take up careers in livestock farming. For these reasons, when formulating Medium-Term Management Plan 2026, we also revised our Materialities and drew up a sustainability strategy focusing on four pillars with the aim of solving social issues through our business activities, helping people to enjoy happy and healthy lifestyles, and achieving harmony with the global environment as the source of the bounties of nature.

The first focus of our sustainability strategy is the joy of eating. We will continue to create new and exciting eating experiences by thinking outside of the box and creating value that matches today's increasingly diverse lifestyles and value systems.

The second focus is the creation of new value. We will respond to anticipated protein shortages resulting from population growth and other factors by ensuring reliable procurement and supplies, and by developing new products, including plant-based protein, cell-based foods, and products based on malt.

The third focus is protection of global environment. We will continue to work with universities and other organizations on R&D programs initiatives targeting the reduction of CO₂ emissions not only from fossil fuels, but also

from livestock. We will also increase our efforts to reduce the amount of plastic used and conserve biodiversity.

The fourth focus is the development of a resilient business base through the promotion of respect for human rights within the NH Foods Group, and the reduction of human rights risks across our supply chains.

By pursuing this strategy, we will continue to contribute to the solution of social issues and the realization of a sustainable society through our business activities.

Sustainable enhancement of corporate value

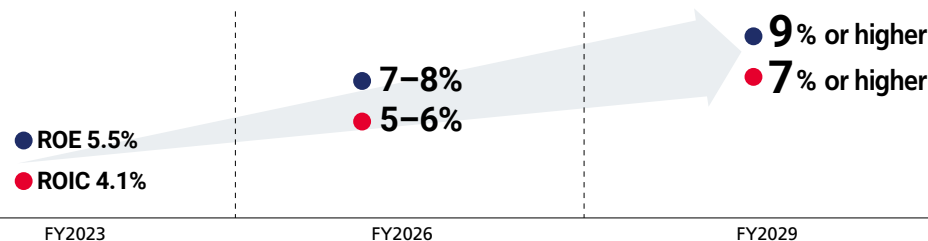
Our medium- to long-term financial targets are ROE of 9% or

higher and ROIC of 7% or higher by the fiscal year ending March 2030. By backcasting from these figures, we have set an ROE target of 8% for the fiscal year ending March 2027. We will work to achieve that by raising ROIC to 6%.

The improvement of our business profit ratio (profitability) is obviously a priority. In FY2024, we will strengthen our control of invested capital (efficiency).

Our efforts to achieve sustainable growth in corporate value will also include measures to raise awareness of capital efficiency within the company, including educational activities using in-house publications and other tools, as well as seminars run by the units in charge.

Medium/Long-term vision



	Issue	Measures under Medium-Term Management Plan 2026	Vision for Medium-Term Management Plan 2029
Processed Foods Business Division	Low profitability Falling asset turnover ratio	Improvement of business profit margins, asset recycling	Further expanding margins by enhancing high-value-added businesses
Fresh Meats Business Division	Slowing profit growth	Expansion leading to profits	Achievement of record profits, improvement of capital efficiency
Overseas Business Division	Unstable profit structure	Profit stabilization, volatility reduction	Transitioning to a growth phase by enhancing the processing business
Ballpark Business	Profit stabilization	Reinforcement of earnings base	Profit growth
NH Foods	Continuous efforts to reduce invested capital, maintenance of optimal liability-capital structure		



A message from the executive officer in charge of human resources



System reforms designed to foster an organizational culture focused on new challenges

Kohei Akiyama

Director and Managing Executive Officer

Review of fiscal 2023

We created the NH Foods Group's human resource strategy by backcasting from Vision2030. We aim to maximize our human capital through employee engagement, value creation, and innovation. The human resource policies that we have developed to realize this vision are based on three pillars: personal growth, organizational growth, and diversity, equity, and inclusion.

I regard personal growth as a key step toward career autonomy. As in the previous fiscal year, we supported career development through a personal declaration system and career interviews. We also ran career seminars and provided support for reskilling. In addition, we conducted a survey of our employees. In fiscal 2023, the percentage of employees who responded positively when asked if they were able to take up new challenges through their work was 0.4% lower year on year at 66.5%, while 66.7% responded positively to a question about work motivation (0.6% lower).

Our efforts to achieve organizational growth centered on the enhancement of management processes and specialized capabilities. We placed particular emphasis on the training of management personnel, including transfers in coordination with succession plans, and training programs designed to enable selected personnel to gain the necessary knowledge and skills when before and after transfers.

In 2021, we defined approximately 30 assessment KPIs relating to diversity, equity and inclusion. Evidence that initiatives based on these KPIs are steadily yielding results includes the fact that the percentage of female managers exceeded 10% in fiscal 2023.

Key aspects of our human resource strategy under Medium-Term Management Plan 2026

One of the major goals under our human resource strategy is to foster an organizational culture focused on new challenges. As under the previous Medium-Term Management Plan, our initiatives to develop our organizational culture center on personal growth, organizational growth, and diversity, equity, and inclusion. We have also prioritized the training and recruitment of innovative managers, and career development for diverse people.

For the purpose of these initiatives, we have broadly divided our corporate organization into three categories: the management team, frontline action leaders at the divisional and department manager levels, and general employees.

We have identified key steps toward fostering an organizational culture focused on new challenges. Above all, the management team needs to show leadership and express their commitment to the employees. Another requirement is effective management and monitoring of progress on these initiatives.

We are moving into an era of increasingly diverse value systems and accelerating social change. To adapt to these environmental changes and achieve growth over the medium- to long-term future, we need to reform our business models and ensure that individual employees can take up new challenges.

To enable employees to take up new challenges, we need to free up time by improving operational efficiency. We will also pursue workstyle reforms so that employees can choose workstyle options according to their life stages.

Motivation is a vital element for personal growth. We will develop environments and systems designed to motivate employees by ensuring that the results of their initiatives are properly recognized.



A message from the executive officer in charge of human resources



changes to our systems for training, transfers, and other processes, and by onboarding mid-career hires.

Implementing and strengthening the human resource strategy

While fostering an organizational culture focused on new challenges will be a priority under Medium-Term Management Plan 2026, personal growth, organizational growth, and diversity, equity, and inclusion will also continue to be important goals. We will link personal growth to organizational growth, while positioning diversity, equity, and inclusion as the foundations for growth.

I have two key roles to play in these efforts. First, I will ensure that our systems and mechanisms are consistently administered in ways that contribute to the realization of our vision for NH Foods, as defined in Vision2030. Human resource systems and mechanisms are meaningless unless they are administered effectively. Comprehensive initiatives in this area will enable the management team, action leaders, and general employees to work toward the same goals, leading to the achievement of Vision2030.

My other role is to modify any systems that are found to be unworkable or counterproductive in the context of our efforts to foster an organizational culture focused on new challenges. I aim to create an improvement cycle in which actions will be guided by analyses to determine whether immediate remedial measures are possible, or whether we should prepare for system upgrades to be implemented in the following fiscal year. In fiscal 2024, I will redefine my role as the executive officer in charge of human resources and focus my efforts toward the creation of this cycle.

We aim to achieve cultural reform under the current Medium-Term Management Plan through a flow of processes. The management team will set the direction for efforts to foster an organizational culture focused on new challenges, while action leaders will assess and approve initiatives that reflect the management team's commitment and create an environment in which people can take up challenges.

In fiscal 2024, we took our first steps toward fostering an organizational culture focused on new challenges by incorporating KPIs relating to innovation, challenge, and career development for diverse people into executive officers' commitment sheets, and by setting targets for the management team through interviews with the president. We will monitor these targets quantitatively and qualitatively while working to maximize our human capital.

From the viewpoint of ensuring our future competitiveness, I feel that in addition to this reform of our organizational culture, we also need to think about changes to our recruitment methods. Traditionally, our recruitment activities have focused primarily on new graduates. Going forward, we will also step up our efforts to attract a diverse range of mid-career recruits. Mid-career recruitment has been a KPI for our human resource strategy since fiscal 2022, and we aim to increase the percentage of mid-career recruits to 15% or higher as we move into 2030. We are initially bringing mid-career personnel into our corporate organization, and we have already appointed mid-career hires to management positions. Going forward, we will also consider mid-career recruitment for positions in business units and the management team. At the same time, we are working to accommodate diverse career aspirations through