

(TRANSLATION)

## **Information Disclosed on the Internet under Laws, Regulations and the Articles of Incorporation upon Issuing Notice of the 78th Ordinary General Meeting of Shareholders**

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NH Foods Ltd.

NH Foods Ltd. provides “Establishment of the systems to secure the properness of business activities and the status of the implementation of such systems,” “Fundamental policy on corporate control,” “Consolidated Statement of Changes in Equity,” “Notes to Consolidated Financial Statements,” “Non-consolidated Statement of Changes in Net Assets” and “Notes to Non-consolidated Financial Statements” to Shareholders by posting them on its website (<http://www.nipponham.co.jp/eng/ir/events/generalmeeting/>) pursuant to the provisions of laws, regulations and its Articles of Incorporation.

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**(1) Establishment of the systems to secure the properness of business activities and the status of the implementation of such systems**

[Matters concerning the establishment of the systems to secure the properness of business activities]

- (i) Systems to secure the execution by the Directors of their duties complies with laws and regulations and the Articles of Incorporation
  - (a) NH Foods Ltd. establishes the NH Foods Group Global Action Standards in order to strictly implement its Action Guidelines so as to bring the Corporate Philosophies to fruition under the Corporate Philosophies and Business Principles. The Corporate Officers and employees of the Group comply with it.
  - (b) The Corporate Officers of the Group take initiative in complying with laws and regulations and the internal rules, etc., including the Articles of Incorporation and the NH Foods Group Global Action Standards, and ensure that all employees are fully aware of these rules.
  - (c) NH Foods Ltd. establishes the Compliance Committee in order to examine policies and measures concerning the compliance of the Group as a whole in a comprehensive manner. The Compliance Department of NH Foods Ltd. reviews the NH Foods Group Global Action Standards regularly and as necessary, and ensures that all Corporate Officers and employees of the Group are fully aware thereof.
  - (d) The Corporate Officer appointed by the President and Representative Director will preside over the Compliance Committee, and NH Foods Ltd. convenes meetings of the Compliance Committee, which periodically reports to the Board of Directors on progress on ensuring awareness of compliance and specific problems, issues, etc.
  - (e) NH Foods Ltd. secures a direct way for employees to report conducts at the Group that pose a question as to compliance of laws and regulations and establish and operate internal and external hotlines in relation to compliance issues.
- (ii) Systems concerning storage and management of information pertaining to the execution of duties by the Directors
  - (a) The Directors, pursuant to the document management rules, properly store and manage the following documents (including electronic records; the same applies hereinafter) concerning the execution of their respective duties and other important information:
    - a) Minutes of general meetings of shareholders and their related materials;
    - b) Minutes of the Board of Directors' meetings and their related materials;

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- c) Records of proceedings of other important meetings hosted by the Directors or their instructions, and their related materials;
    - d) Documents pertaining to decision making by the Directors and their attached documents; and
    - e) Other important documents for execution of duties by the Directors.
  - (b) The President and Representative Director is responsible for monitoring and supervising the storage and management of information set forth in (a) above. The President and Representative Director performs such that pertain to preparation of minutes as required by the Companies Act of Japan.
  - (c) The documents set forth in (a) above are kept on file for at least 10 years and are made available for inspection as necessary.
- (iii) Rules and other systems concerning management of exposure to risk of loss
- (a) NH Foods Ltd. enacts risk management rules, establishes a Risk Management Committee in order to examine policies and measures concerning risk management of the Group as a whole in a comprehensive manner and designate Compliance Department as a section that oversees risk management of the Group as a whole and that defines the risk management system.
  - (b) The Compliance Department cooperates with other relevant sections to establish a preventive system adopted for non-emergency events and a system for emergency events to facilitate prompt and appropriate information communication and urgent tasks that correspond to risks expected under the risk management rules.
  - (c) The Compliance Department identifies important risks to the Group and periodically holds meetings of the Risk Management Committee to share, respond to and confirm risk information for the purpose of managing the said risks through the reasonable and most appropriate method, from the perspective of the Group as a whole.
  - (d) The Audit Department cooperates with the Compliance Department and other relevant sections of the business division to audit the state of day-to-day risk management of the Group.
- (iv) Systems to secure efficient execution of the Directors' duties
- (a) To enhance the transparency and appropriateness of decision-making by the Board of Directors, the Board of Directors includes two or more Outside Directors, in principle.
  - (b) The Board of Directors, based on the assignment of duties of the management bodies, Representative Directors, Executive Directors and Executive Officers, etc. determined by the Board of Directors, cause the Representative Directors, Executive Directors, and Executive Officers to execute business.

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- (c) With regard to items of business in respect of which the decision making authorization is delegated to the Representative Directors, Executive Directors, and Executive Officers, such items are determined by such bodies or in accordance with procedures as stipulated in the Rules on Business Authorization. The Rules on Business Authorization may be revised from time to time when the relevant laws or regulations are amended or abolished, or as necessary, to enhance the efficiency of the execution of their duties.
  
- (v) Systems to secure the employees' execution of their duties to comply with laws and regulations and the Articles of Incorporation
  - (a) To ensure that the execution of duties by NH Foods Ltd.'s employees comply with laws and regulations and the Articles of Incorporation, NH Foods Ltd. establishes a system to strictly implement its Corporate Philosophies, Management Principles, Action Guidelines and the NH Foods Group Global Action Standards. NH Foods Ltd. also cause the Representative Directors, Executive Directors, and Executive Officers to train and educate the employees of the Group concerning compliance.
  - (b) In the event of any employee of the Group finds any material violation of the law or regulation or any other material fact concerning compliance in any company within the Group, he/she reports the same to NH Foods Ltd.'s Compliance Department pursuant to the internal rules, etc., including the NH Foods Group Global Action Standards. The Corporate Officer in charge of compliance directs and supervises investigations of such reported fact, and the said Department confirms all the facts revealed through the investigation, cooperate with the relevant sections from the perspective of their expertise, formulate and implement corrective measures and recurrence prevention measures.
  - (c) With regard to important information, NH Foods Ltd. discloses the content thereof and its status of handling and results thereof to the Corporate Officers and employees of the Group and ensures that all Corporate Officers and employees are fully aware thereof.
  - (d) The President and Representative Director directly manages the Audit Department. The Audit Department, in accordance with the instruction of the President and Representative Director, conducts audits on the state of execution of business. The Quality Assurance Department conducts quality audits.
  
- (vi) Systems to secure the appropriateness of business activities of the corporate group comprised of NH Foods Ltd. and its subsidiaries
  - (a) The NH Foods Group Global Action Standards serve as action standards for the Corporate Officers and employees of the Group to act in compliance with laws and regulations, the Articles of Incorporation and social norms.

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- (b) In order to ensure strict compliance with (a) above, the Compliance Department supervises compliance efforts on a cross-sectional manner and provides training, etc. for the Corporate Officers and employees of the Group.
- (c) The Representative Directors, Executive Directors, and Executive Officers of the Group define internal control through means such as establishment of the Primary Business Administration Rules, in order to ensure appropriate execution of business at each business division.
- (d) The Audit Department audits the subsidiaries on a regular basis and cooperates with business divisions that oversee the business of each company within the Group. The results of such audits are reported to the President and Representative Director.
- (e) The Group Audit & Supervisory Board Members' Office strengthens the auditing functions and internal controls of the Group by having Audit & Supervisory Board Members of the subsidiaries who are independent of Directors of the subsidiaries conduct audits, and by strengthening cooperation with other relevant sections. Accordingly, the Group Audit & Supervisory Board Members' Office develops an organization and human resources necessary to establish and realize an ideal auditing system for all subsidiaries.
- (f) NH Foods Ltd. respects the autonomy and independence of the management of the subsidiaries. However, when the subsidiaries make decision on important managerial matters, NH Foods Ltd. establishes a system in which prior approval, prior adjustment and reporting are made to us in accordance with the Rules on Business Authorization.
- (g) As for transactions between NH Foods Ltd. and its subsidiaries (including transactions between subsidiaries), based on the market principle, NH Foods Ltd. ensures that such transactions are not significantly advantageous or disadvantageous compared to transactions with a third party and establishes a system in which transparency of transactions is ensured such as confirmation with experts as necessary.
- (h) With regard to the risk management conducted by the subsidiaries as a corporate group, NH Foods Ltd. grasps the status thereof and establishes a system in which NH Foods Ltd. provides instructions for improvement.
- (i) NH Foods Ltd. establishes compliance point of contact and a system to allow all employees of the Group to directly report an incident within and outside the Group, and NH Foods Ltd. establishes the Group's Whistleblowing Rules and ensures that the Corporate Officers and employees of the Group are fully aware of these rules. NH Foods Ltd. does not dismiss or unfavorably treat any person who has been a whistleblower.
- (j) In accordance with the Group's Whistleblowing Rules, in order to encourage employees to report any violation of laws and regulations, misconducts, etc., by the Corporate Officers of the Group, NH Foods Ltd. establishes reporting hotlines regarding the Corporate Officers as subjects to report.

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- (k) For cases of any violation of laws, regulations and/or internal rules, etc. or if any threat thereof occurs or is revealed in NH Foods Ltd. or its subsidiaries, NH Foods Ltd. establishes a system in which the foregoing is reported to NH Foods Ltd.'s Compliance Department.
- (l) The Group, as a member of society, has no relationship, including business relationship, with any anti-social force that threatens the social order or safety and uncompromisingly deal with any undue claims. The NH Foods Group Global Action Standards stipulate how to deal with anti-social forces, and NH Foods Ltd. ensures that how to deal with anti-social forces are made fully aware throughout the Group. The General Affairs Department of NH Foods Ltd. collects and manages information on undue claims, thereby reducing risks concerning anti-social forces.
- (m) The Group establishes a system to ensure the reliability of financial reporting and establishes relevant rules as well as a system under which responsible sections and the audit section are able to periodically evaluate the operations of the system to find and solve problems, if any. In addition, the Group provides training and raise awareness of compliance with accounting standards and related laws and regulations, thereby reinforcing internal control over financial reporting.
- (n) As for foreign subsidiaries, NH Foods Ltd. causes such subsidiaries to establish and operate appropriate internal control in accordance with this policy to a reasonable extent. NH Foods Ltd. causes such subsidiaries to apply respective internal control procedures/systems and accounting processing/reporting methods established by NH Foods Ltd. to the extent permitted by the laws, etc. of each relevant country.
- (vii) Matters concerning the employees assisting the Audit & Supervisory Board Members to execute their duties, matters concerning the independence of such employees from the Board of Directors, matters concerning ensuring the effectiveness of instructions toward such employees
  - (a) NH Foods Ltd. assigns staff for the Audit & Supervisory Board Members as employees assisting the Audit & Supervisory Board Members in the execution of their duties.
  - (b) The number of staff for Audit & Supervisory Board Members is determined upon consultation with the Audit & Supervisory Board.
  - (c) The staff for the Audit & Supervisory Board Members dedicates all of their work time for the Audit & Supervisory Board and assists its auditing activities exclusively pursuant to instructions of the Audit & Supervisory Board.
  - (d) NH Foods Ltd. obtains prior approval from the Audit & Supervisory Board upon nomination, personnel change, evaluation and disciplinary punishment of the staff for the Audit & Supervisory Board Members and establishes a system in which the independence from the Board of Directors is ensured.

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- (viii) System for reporting by the Directors and employees of NH Foods Ltd. and its subsidiaries to the Audit & Supervisory Board Members and other systems for reporting to the Audit & Supervisory Board Members, system for ensuring that any person making such report will not be subject to unfavorable treatment due to the fact of making such report
- (a) The Audit & Supervisory Board Members attend the Board of Directors' meetings and the representative(s) of the Audit & Supervisory Board attend important meetings such as the Management Strategy Committee.
  - (b) The Directors report the following matters to the Audit & Supervisory Board:
    - a) Matters resolved at meetings such as the Management Strategy Committee;
    - b) Matters that may inflict material damage to the Group;
    - c) Matters important to business conditions each month;
    - d) Important matters concerning the status of internal audits and risk management;
    - e) Material violations of laws or regulations or the Articles of Incorporation;
    - f) Matters in violation of the NH Foods Group Global Action Standards; and
    - g) Status of whistleblowing made to the compliance point of contact and the details thereof.
  - (c) If the Audit & Supervisory Board Members determine necessary, the Audit & Supervisory Board Members may request the Directors, Executive Officers and employees, or any of NH Foods Ltd.'s subsidiaries' Directors, Audit & Supervisory Board Members, Executive Officers and employees to report to the Audit & Supervisory Board Members at any time.
  - (d) NH Foods Ltd. ensures that any person who makes a report to the Audit & Supervisory Board Members will not be subject to dismissal or suffer any other unfavorable treatment due to the fact of making such report.
  - (e) The Audit & Supervisory Board investigates the facts regarding reports of any violation of laws and regulations, misconducts, etc. by the Corporate Officers. The Audit & Supervisory Board may request the establishment of an investigation team with members of the relevant sections and an investigation of the facts, if necessary.
  - (f) The Corporate Officers and employees of the Group shall cooperate with the Audit & Supervisory Board or the investigation team if cooperation is requested for such investigation.

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(g) The Audit & Supervisory Board shall report to the Board of Directors, etc. in the event that misconducts, etc. are confirmed as a result of the investigation. In the event that misconducts, etc. are confirmed as a result of the investigation, NH Foods Ltd. shall promptly implement corrective measures and recurrence prevention measures.

(ix) Other systems to assure effective audits by the Audit & Supervisory Board Members

(a) In principle, the majority of the Audit & Supervisory Board members are Outside Audit & Supervisory Board Members in order to secure transparency externally.

(b) NH Foods Ltd. provides opportunities for the Audit & Supervisory Board to have individual hearings with the Representative Directors, the Executive Directors, the Executive Officers and important employees, and the Audit & Supervisory Board regularly hold meetings to exchange opinions with the Representative Directors and the Accounting Auditors, respectively.

(c) The Audit & Supervisory Board Members may assign matters necessary for auditing activities to the staff of the Audit Department. The Audit Department, upon consultation with the Audit & Supervisory Board, conducts internal audits of the matters requested by the Audit & Supervisory Board Members and reports the results thereof to the Audit & Supervisory Board.

(d) When conducting audits, the Audit & Supervisory Board may, as necessary and at the expense of NH Foods Ltd., retain legal and accounting experts.

[Overview of the status of the implementation of the systems to secure the properness of business activities]

(i) Overall internal control system

(a) To develop and implement the internal control system of NH Foods Ltd. and its group companies and to efficiently achieve the purpose of internal control, the Audit Department conducts audit pursuant to the annual audit plan as to whether the execution of business is performed properly and efficiently. The Audit Department conducted audits for 13 divisions and 28 group companies in the year ended March 31, 2023.

(b) As to internal control over financial reporting, the Internal Control/JSOX Committee examines pursuant to the Internal Control Management Rules Concerning Financial Reporting whether the internal control of the Group functions appropriately, and reports the result thereof to Representative Directors.

(ii) Compliance system

(a) NH Foods Ltd. has established the “Compliance Committee,” which comprehensively reviews policies and measures concerning the compliance of the entire Group, the “Compliance Promotion Committees” where individual group companies and divisions promote compliance-related activities, and the “Compliance Leader



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Conference,” where representatives from each Compliance Promotion Committee discuss concrete measures, and each committee cooperates with each other.

- (b) To raise awareness of compliance, NH Foods Ltd. holds level-specific compliance training sessions, compliance meetings, and office study groups. In the medium-term management plan, NH Foods Ltd. made efforts to prevent harassment and reinvigorate communication in the workplace, under the activity theme of “We all work together to develop ‘workplaces we can be proud of’ where we discuss, recognize each other and grow together.”
- (c) NH Foods Ltd. ensures full implementation of compliance management by promoting the operation thereof in accordance with the NH Foods Group Whistleblowing Rules. Especially, NH Foods Ltd. has established one point of contact for consultation of compliance inside the Group and two outside the Group to allow all employees of the Group to report and consult on compliance-related issues freely without concern for organizational, departmental and positional restrictions, etc., and thereby we work for the prevention and prompt revelation of problems such as misconduct. NH Foods Ltd. also further ensures that persons in charge of whistleblowing shall comply with confidentiality obligation in response to the revision of the Whistleblower Protection Act enforced in June 2022.

(iii) Risk management system

- (a) The Risk Management Committee established by the President and Representative Director centrally covers the group-wide risks and primarily endeavors to recognize and assess various risks, identify high priority risks and review an action policy. During the year ended March 31, 2023, 4 meetings were held, where the results of the review were reported to the Board of Directors.
- (b) In the event of a large-scale accident, disaster, scandal, etc., NH Foods Ltd. establishes the Crisis Management Committee to deal with the situation.

(iv) Business management of group companies

- (a) With regard to the business management of the respective group companies, NH Foods Ltd. established a system in which each group company is subject to review and obtains the approval of its business execution according to significance, by and from the Board of Directors or management committees including the Management Strategy Committee, Directors or Executive Officers.

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- (b) NH Foods Ltd. receives reports on the status of the execution of each business at the meeting of the Board of Directors on a quarterly basis.
- (c) Study groups (June: newly appointed Corporate Officers, October: all Corporate Officers, August and November: Audit & Supervisory Board Members) are held to serve as forums to acquire the necessary knowledge to appropriately fulfill expected roles and responsibilities as Corporate Officers of Group companies of NH Foods Ltd. and to exchange information and opinions. Thus, the level of the Corporate Officers of Group companies is being improved and an operational audit support system is being developed.

(v) Systems for efficient execution of duties

NH Foods Ltd. defines rules on decision-making, including matters to be resolved at the meeting of the Board of Directors, pursuant to the Rules of the Board of Directors. During the year ended March 31, 2023, 18 meetings of the Board of Directors were held. In addition, we convened 24 meetings of the Management Strategy Committee, a body discusses and decides substantive matters concerning management.

(vi) Execution of duties by Audit & Supervisory Board Members

- (a) Audit & Supervisory Board Members attend important meetings, such as the Internal Control/JSOX Committee, Risk Management Committee, Corporate Governance Committee, and Management Strategy Committee, and assess the status of the development and implementation of the internal control system.
- (b) Audit & Supervisory Board Members request business reports from the Directors, Executive Officers, and important employees of NH Food Ltd. and its subsidiaries, and inspect the status of the business operations and assets of NH Food Ltd. and its subsidiaries.
- (c) Audit & Supervisory Board Members enhance the effectiveness of audit by having opportunities to exchange information and opinions with the Audit Department and Accounting Auditors on a regular basis. During the year ended March 31, 2023, Audit & Supervisory Board Members organized 12 meetings with the Audit Department and 13 meetings with Accounting Auditors, respectively, to exchange information and opinions regularly.
- (d) NH Foods Ltd. establishes a system in which three staff members are assigned to Audit & Supervisory Board for the smooth execution of duties by Audit & Supervisory Board Members.

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**(2) Fundamental policy on corporate control**

The shares of NH Foods Ltd. may be transferred freely, in principle. On the stock market, the shares are traded freely and actively by many investors. Hence, fundamentally, free trading in the shares of NH Foods Ltd. determines who will control the determination of its financial and business policies. Therefore, in the event that a plan of large purchase of shares of NH Foods Ltd. enough to control the determination of its financial and business policies is offered, management believes that to vote for or against the plan must depend on the free will of the shareholders, finally. However, from the standpoint of ensuring common interests of the shareholders of NH Foods Ltd. and preventing damage to the corporate value, NH Foods Ltd. will request the party attempting to make a large purchase action of shares of NH Foods Ltd. to provide necessary and sufficient information for the shareholders to make appropriate judgment on the rationality of such action. NH Foods Ltd. will also disclose views, etc. of the Board of Directors and, in addition to the efforts to ensure information and time for consideration of the shareholders, will take appropriate steps in accordance with the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(from April 1, 2022 to March 31, 2023)

(millions of yen)

Items	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Accumulated other comprehensive income of disposal groups classified as held for sale	Total		
					Re-measurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Subtotal				
<b>Balance as of April 1, 2022</b>	36,294	71,272	360,900	(2,856)	–	9,639	3,820	13,459	–	479,069	10,485	489,554
Profit			16,637					–		16,637	(661)	15,976
Other comprehensive income					1,056	(1,937)	7,903	7,022		7,022	55	7,077
Comprehensive income	–	–	16,637	–	1,056	(1,937)	7,903	7,022	–	23,659	(606)	23,053
Dividends			(10,437)					–		(10,437)	(11)	(10,448)
Acquisition of treasury stock				(2)				–		(2)	–	(2)
Disposal of treasury stock		(174)		801				–		627	–	627
Share-based payment transactions		(3)						–		(3)	–	(3)
Transfer to accumulated other comprehensive income of disposal groups classified as held for sale							(999)	(999)	999	–	–	–
Transfer of accumulated other comprehensive income to retained earnings			2,289		(1,056)	(1,233)		(2,289)		–	–	–
Total transactions with owners	–	(177)	(8,148)	799	(1,056)	(1,233)	(999)	(3,288)	999	(9,815)	(11)	(9,826)
<b>Balance as of March 31, 2023</b>	36,294	71,095	369,389	(2,057)	–	6,469	10,724	17,193	999	492,913	9,868	502,781

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Notes to the Basis for Preparing Consolidated Financial Statements)**

(1) Basis for preparing consolidated financial statements:

Pursuant to the first paragraph of Article 120 of the Ordinance on Company Accounting, the consolidated financial statements of NH Foods Ltd. and its consolidated subsidiaries (collectively, the “Group”) are prepared in accordance with International Financial Reporting Standards (“IFRS”); however, in accordance with the provisions of the second sentence of said paragraph, certain statements and disclosures required under IFRS are omitted.

(2) Matters concerning the scope of consolidation and application of the equity method:

Number of consolidated subsidiaries:	68 companies
Number of equity-method companies:	6 companies

(3) Matters concerning accounting policies:

1. Method and basis of valuation of financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables as of the occurrence date. All the other financial assets are initially recognized as of the transaction date on which the Group becomes a contracting party of such financial instrument. When the Group initially recognizes the non-derivative financial assets, they are classified into financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income or profit or loss. A summary of each classification and measurement model is as follows:

Financial assets measured at amortized cost

Initially measured by adding the transaction cost to the fair value.

Financial assets measured at fair value through other comprehensive income

Initially measured by adding the transaction cost to the fair value.

Financial assets measured at fair value through profit or loss

Initially measured at fair value, and transaction costs are recognized as profit or loss at the time of occurrence.

(ii) Subsequent measurement

After the initial recognition, financial assets are measured as follows, according to classification:

Financial assets measured at amortized cost

Measured at amortized cost based on the effective interest method.

Financial assets measured at fair value through other comprehensive income

Measured at fair value, and changes in their fair values are recognized as other comprehensive income.

However, dividends from financial assets measured at fair value through other comprehensive income are recognized as profit or loss.

Financial assets measured at fair value through profit or loss

Measured at fair value, and changes in their fair values are recognized as profit or loss.

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(iii) Derecognition

The Group derecognizes the financial assets if the contractual rights of cash flow generated from the financial assets expire, or if the said financial assets are assigned and all the risks and rewards of ownership are transferred.

(iv) Impairment of financial assets

Financial assets measured at amortized cost and debt financial instruments measured at fair value through other comprehensive income are presented after deducting credit losses likely to occur in the future. The Group evaluates whether the credit risk of such financial assets has increased significantly or not since the initial recognition.

If such credit risk has not increased significantly since the initial recognition, allowance for credit losses of such financial assets is measured at the amount equivalent to 12-month expected credit losses. In contrast, if the credit risk has increased significantly since the initial recognition, allowance for credit losses of such financial asset is measured at an amount equivalent to lifetime expected credit losses.

However, with respect to trade and other receivables, allowance for credit losses is measured at an amount equivalent to lifetime expected credit losses and such measured amount is recognized as profit or loss.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

The Group initially recognizes debt securities issued by the Group as of such issuance date. All the other financial liabilities are recognized as of the transaction date in which the Group becomes a contracting party of such financial instruments.

The Group holds interest-bearing liabilities and trade and other payables as non-derivative financial liabilities. At initial recognition, those are measured by subtracting from the fair value the transaction costs which are directly attributable to the relevant issuance.

(ii) Subsequent measurement

After the initial recognition, financial liabilities are measured at amortized cost based on the effective interest method.

(iii) Derecognition

The Group derecognizes the financial liabilities if they are extinguished, in other words, when contractual obligations are performed, discharged, cancelled or expire.

3) Derivative and hedge accounting

The Group uses derivatives such as foreign currency forward exchange contracts and interest rate swap contracts to hedge currency risks and interest rate risks. These derivatives are initially measured at fair value at the time the agreement is concluded, and continue to be measured at fair value thereafter.

Changes in fair value of derivatives is recognized as profit or loss in the consolidated statement of income.

Further, the Group has not adopted hedge accounting.

2. Method and basis of valuation of inventories

Inventories are measured at the lower of cost and net realizable value. For calculation of the cost, the average cost method is used. The cost of the inventories includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present locations and conditions.

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Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. Agricultural accounting

Biological assets are measured at fair value less costs to sell on initial recognition and at the end of each reporting period, if the fair value can be reliably measured. Changes in fair value according to such accounting are recognized as profit or loss. In contrast, if the fair value measurements are determined to be clearly unreliable, they are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Harvested agricultural produce is reclassified from biological assets to inventories at the amount of fair value less costs to sell at the point of harvest.

4. Property, plant and equipment

For measurement of property, plant and equipment, the cost model is adopted and they are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each asset.

5. Leases

At the inception of a contract, the Group determines whether the contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For such lease contracts, the Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease.

Lease liabilities are initially measured and recognized at the discounted present value of the total lease payments that are not paid at the commencement date. The interest rates implicit in the lease are used to measure the present value of the lease payments that are not paid if those rates can be readily determined. If those cannot be readily determined, the lessee's incremental borrowing rates are used. Lease payments are allocated to interest expenses and repayments of lease liabilities under the interest method. Interest expenses on the lease liabilities are separately recognized from the depreciation charges for the right-of-use assets in the consolidated statement of income. The Group initially measures the right-of-use assets by adding any initial direct costs, any lease payments made before the commencement date and any costs of obligations to restore the assets to the conditions required by the contracts to the amount of the initial measurement of the lease liabilities. The right-of-use assets are depreciated under the straight-line basis or another systematic basis over the lease terms.

However, the Group elects not to recognize right-of-use assets and lease liabilities for either short-term leases with a lease term of 12 months or less, or leases for which the underlying assets are of low value. The total lease payments of these leases are recognized as expenses under the straight-line basis or another systematic basis over the lease terms.

6. Intangible assets and goodwill

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are measured at the fair value at the acquisition date.

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For measurement of intangible assets, the cost model is adopted and they are carried at cost less any accumulated depreciation and any accumulated impairment losses.

For amortization of intangible assets with finite useful life, the straight-line method is used over each estimated useful life.

For goodwill, the acquisition cost less accumulated impairment losses is recorded.

### 7. Impairment of non-financial assets

For impairment of non-financial assets excluding inventories, biological assets, deferred tax assets and assets related to retirement benefits, the Group determines whether there is any indication of impairment at the end of the reporting period. If there is an indication of impairment, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives, the recoverable amount of the asset is estimated every year at the same time and at any time there is an indication of impairment.

If the recoverable amounts of assets or cash-generating units are lower than the carrying amounts, the carrying amounts are reduced to the recoverable amounts and impairment losses are recognized.

For impairment losses recognized in the past, the Group determines as of the closing date of each reporting period whether there is an indication of possible decrease or extinguishment of loss.

If there is an indication of reversal of impairment losses, recoverable amount of the asset is estimated. Further, if such recoverable amount is more than the carrying amount, impairment losses are reversed.

The maximum amount reversed is an amount which is not higher than the carrying amount less the depreciation cost or amortization cost if impairment losses had not been recognized previously.

Impairment losses recognized in relation to goodwill are not reversed.

### 8. Post-employment benefits

The Group adopted the defined benefit plan comprised of defined benefit pension plan and retirement lump-sum severance plan, and defined contribution pension plan, as post-employment benefit plans.

The liabilities or assets of the defined benefit plan are recognized at an amount representing the present value of the defined benefit obligations less the fair value of the plan assets (the effect of the asset ceiling may be taken into account if necessary).

The present value of the defined benefit obligations is calculated by using the projected unit credit method. The discount rate used in this calculation is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds for the period until the expected date of future benefit payment.

Remeasurement of the net defined benefit liabilities or assets is recognized as other comprehensive income at the time of occurrence and is immediately reclassified as retained earnings. Past service cost and any gain or loss on settlement are recognized as profit or loss.

Expenses related to post-employment benefits of the defined contribution pension plan are recognized as expenses at the time an employee provides the relevant service.

### 9. Share-based payment

#### 1) Stock Option Plan



(TRANSLATION)

The Group has adopted the Stock Option Plan as equity-settled share-based payment plan.

The values of stock options are estimated based on fair value as of the grant date, which is recognized as expenses in the consolidated statement of income and a corresponding amount is recognized as an increase of equity in the consolidated statement of financial position.

The fair value of the granted option is calculated using the Black Scholes Model and other models, by taking into account terms and conditions of the option.

2) Performance-Based Stock Compensation Plan

The Group has introduced the Performance-Based Stock Compensation Plan as an equity-settled share-based payment plan for officers. Under the Plan, services received are measured at the fair value of the Company's shares as of the grant date, and recognized as expenses in the consolidated statement of income throughout the vesting period. A corresponding amount is recognized as an increase of equity in the consolidated statement of financial position. The fair value of the Company's shares as of the grant date is measured based on observable market prices, and the expected dividends are incorporated in the measurement of the fair value.

3) Trust-type Employee Shareholding Incentive Plan

The Group has introduced the Trust-type Employee Shareholding Incentive Plan (hereinafter the "Plan") as a cash-settled share-based payment plan. Under the Plan, services received are measured at the fair value of the liabilities incurred, and recognized as expenses in the consolidated statement of income from the grant date to the trust expiration date. A corresponding amount is recognized as an increase of liabilities in the consolidated statement of financial position. The fair value of the liabilities is remeasured as of the end of each period until settlement, and the changes in the fair value are recognized as profit or loss.

10. Revenue

Pursuant to IFRS 15, the Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group mainly engages in the sales of hams and sausages, processed food products, fresh meats and dairy products.

With respect to the sales contracts of products with customers, since control over the products transfers to the customer and the performance obligations are satisfied as of when the products are delivered to the customer, revenue is recognized at such time.

Revenue is determined as the amount of the consideration in the sales contract less the rebates and discounts based on the net sales or the sales amount, and the consideration expected to be refunded to the customer is reasonably estimated and is recorded as refund liabilities.

In addition, if the Group is involved in the sales of products as an agent, revenue is recognized as a net amount.

The consideration in a sales contract for products is primarily recovered within one year from when the products are delivered to the customer. Furthermore, significant financing components are not included.

(TRANSLATION)

11. Assets held for sale and discontinued operations

Non-current assets or disposal groups whose carrying amounts are recovered principally through sale transactions rather than through continuing use are classified as held for sale. To be classified as held for sale, the assets must be available for immediate sale in the present condition and the sale must be highly probable. It is only if the Group's management is committed to the sale plan and the sale is expected to be completed, in principle, within one year. Once classified as held for sale, the non-current assets or disposal groups are measured at the lower of carrying amounts and fair value less costs to sell and are not depreciated or amortized.

Discontinued operations include components of an entity that either has been disposed of or is classified as held for sale. The Group recognizes them if they represent a separate major line of Group's business or a geographical area of operations and there is a plan to dispose of one of the businesses or geographical areas.

(4) Notes to revenue recognition:

1. Disaggregation of revenue

The Group disaggregates revenue from each of the three reportable segments, the "Processed Foods Business Division," the "Fresh Meats Business Division," and the "Overseas Business Division," into the categories of "Hams and sausages," "Processed foods," "Fresh meats," "Dairy products," and "Others," depending on the type of goods and services.

The beef business relating to Breeders & Packers Uruguay S.A. has been classified as discontinued operations. However, the Overseas Business Division includes the beef business that has been classified as discontinued operations.

(millions of yen)

	Processed Foods Business Division	Fresh Meats Business Division	Overseas Business Division	Others	Total	Eliminations, adjustments and others	Consolidated (before adjustment for discontinued operations)	Transfer to discontinued operations	Consolidated (after adjustment for discontinued operations)
Hams and sausages	125,910	497	3,748	7	130,162	(1)	130,161	–	130,161
Processed foods	187,285	19,664	24,024	129	231,102	4,064	235,166	–	235,166
Fresh meats	29,321	651,797	135,219	3	816,340	3,417	819,757	(27,785)	791,972
Dairy products	36,190	–	4	–	36,194	–	36,194	–	36,194
Others	11,691	13,374	23,454	13,679	62,198	6,519	68,717	(2,418)	66,299
Total	390,397	685,332	186,449	13,818	1,275,996	13,999	1,289,995	(30,203)	1,259,792

(Note) The amount of net sales of Breeders & Packers Uruguay S.A. included in the Overseas Business Division has been reclassified to "Transfer to discontinued operations."

(Change in presentation)

The Company transferred all of its shares of its consolidated subsidiary, The Marine Foods Corporation, to Sojitz Corporation during the fiscal year ended March 31, 2022. As a result, sales related to "Marine products" have become less significant in the Group and thus have been included in "Others" from the fiscal year ended March 31, 2023.

(TRANSLATION)

2. Balances from contracts with customers

Balances from contracts with customers are as follows:

Contract liabilities	¥6,418 million
Refund liabilities	¥7,566 million

Of the contract liability balance above, the amount of those recognized as revenue for the fiscal year ended March 31, 2023 is as follows:

Amount included in the opening balance of contract liabilities    ¥2,755 million

The Group receives payments from customers according to the contractual billing schedule. Contract liabilities represent payments received prior to the performance under the contract.

Accordingly, their balances vary depending on the Group's status of performance obligation in the contract.

The amount of income recognized in the fiscal year ended March 31, 2023 from performance obligations satisfied in the past is not material.

(5) Notes to accounting estimates:

1. Recoverability of deferred tax assets

1) Amount recorded in the consolidated financial statements

Deferred tax assets	¥31,082 million
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2) Other matters

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the unused tax losses and deductible temporary differences can be utilized.

In considering the probability of the taxable income, the amount is determined by reasonably estimating the timing and amount of taxable income which will be available in the future.

The estimates may be affected by uncertain future changes in economic conditions or other factors. If the actual timing and amount of taxable income differ from their estimates due to unpredictable situations, they might have a material impact on the amount of deferred tax assets in the consolidated financial statements for the fiscal year ending March 31, 2024.

2. Impairment of non-financial assets

1) Amounts recorded in the consolidated financial statements

Property, plant and equipment	¥364,381 million
Right-of-use assets	¥40,898 million
Intangible assets and goodwill	¥20,193 million
Impairment losses	¥1,594 million
Reversal of impairment losses	¥2,202 million

2) Other matters

(TRANSLATION)

The details are the same as those provided in 7. Impairment of non-financial assets in “(3) Matters concerning accounting policies” in the consolidated financial statements.

(TRANSLATION)

**(Notes to Consolidated Statement of Financial Position)**

- (1) Accumulated depreciation and accumulated impairment losses of property, plant and equipment: ¥371,416 million

**(Notes to Consolidated Statement of Changes in Equity)**

- (1) Class and total number of issued shares as of March 31, 2023:

Issued shares                      Common stock                      102,958,904 shares

- (2) Matters concerning dividends:

1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 10, 2022	Common stock	10,499	102.00	March 31, 2022	June 1, 2022

- 2) Dividends for which the record date is in the current fiscal year but the effective date is in the next fiscal year

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 10, 2023	Common stock	11,324	110.00	March 31, 2023	June 2, 2023

(Note) The total amount of dividends includes dividends on the Company's shares held by the Board Incentive Plan Trust of ¥14 million and dividends on the Company's shares held by the NH Foods Group Employee Shareholding Association Trust (the "Shareholding Trust") of ¥34 million.

(TRANSLATION)

**(Notes to Financial Instruments)**

(1) Matters relating to the status of financial instruments:

The Group raises necessary funds primarily through bank loans and issuance of corporate bonds based on the demand for funds for conducting business activities.

With regard to trade notes and accounts receivable, the Group controls credit risks in relation to customers in accordance with their credit management rules. The Group holds securities and other financial instruments that are exposed to share price risk. The Group reviews all issues of such equity investments and their holding statuses once a year on an ongoing basis.

Bank loans, etc., are used for working capital (principally short term) and capital expenditures (long term). With regard to part of long-term bank loans, the Group fixes interest rates using interest rate swaps to eliminate interest rate risk relating to floating-rate borrowings.

The Group uses foreign currency forward exchange contracts to mitigate foreign exchange rate risk. The Group has a policy not to use derivatives for any purpose other than managing market risks.

(2) Matters concerning fair values of financial instruments:

The following table shows the carrying amounts and fair values as of March 31, 2023, along with their differences. Financial instruments measured at fair value and financial instruments whose fair values approximate their carrying amounts are not included in the table below.

(millions of yen)

	Carrying amount	Fair value	Difference
Bonds and borrowings (*)	123,632	120,515	(3,117)

(\*) Bonds and borrowings, including current portion, are included within interest-bearing liabilities (current liabilities and non-current liabilities) in the consolidated statement of financial position.

(Note) The fair values of financial instruments are determined as follows:

1) Financial instruments measured at amortized cost

- (i) Cash and cash equivalents, trade and other receivables, trade and other payables, short-term bank loans

The carrying amounts of these items approximate the fair values because of their short maturities.

- (ii) Bonds and long-term bank loans

Bonds and long-term bank loans are measured by discounting the future cash flows to present value at a rate that would be applied to a similar new contract.

(TRANSLATION)

2) Financial instruments measured at fair value

(i) Investment securities

The fair values of marketable investment securities are based on quoted prices. The fair values of unlisted investment securities are measured by using valuation techniques, such as the market approach and the income approach.

(ii) Other financial assets

The fair values of foreign currency forward exchange contracts are determined by the discounted cash flow model for the contract term using observable market data such as forward exchange rates.

(iii) Other financial liabilities

The fair values of foreign currency forward exchange contracts and interest rate swap agreements are determined by the discounted cash flow model for the contract term using observable market data such as forward exchange rates and market interest rates.

(3) Financial instruments categorized by fair value hierarchy:

The table below shows analytical results on financial instruments measured at fair value. Each level is defined as follows. There are no financial instruments measured at fair value on a non-recurring basis.

Level 1: Fair value measured at quoted prices in active markets

Level 2: Fair value determined, either directly or indirectly, by using observable inputs other than Level 1

Level 3: Fair value determined using valuation techniques based on unobservable inputs

The Group recognizes transfers between the levels of the fair value hierarchy at the date when the event or the change in circumstances resulting in the transfer occurred.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for the fiscal year ended March 31, 2023.

(TRANSLATION)

(millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	1,241	–	1,241
Debt financial assets	–	220	767	987
Financial assets measured at fair value through other comprehensive income				
Equity financial assets	20,041	–	2,370	22,411
Total financial assets	20,041	1,461	3,137	24,639
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	2,370	–	2,370
Total financial liabilities	–	2,370	–	2,370

#### Reconciliation for financial instruments classified as Level 3

The reconciliation from the opening balances to the closing balances of financial instruments classified as Level 3 in fair value measurements is as follows:

(millions of yen)

Balance at beginning of the year	9,403
Profit or loss	(387)
Other comprehensive income	(4,106)
Purchase	1
Disposal	(1,774)
Balance at end of the year	3,137

Financial assets classified as Level 3 mainly consist of unlisted shares, whose fair values are measured using valuation techniques based on market prices of peer companies and other methods.

Fair value measurements of unlisted shares use unobservable inputs, such as a valuation multiple. The fair value increases (decreases) as an operating income multiple rises (declines).



(TRANSLATION)

**(Notes to Per Share Information)**

(1) Total equity per share attributable to owners of the parent:	¥4,808.70
(2) Basic earnings per share:	¥162.44
Continuing operations	¥176.27
Discontinued operations	¥(13.83)
(3) Diluted earnings per share:	¥162.42
Continuing operations	¥176.25
Discontinued operations	¥(13.83)

(Note) In determining total equity per share attributable to owners of the parent, basic earnings per share and diluted earnings per share, 131,403 shares of the Company held by the Board Incentive Plan Trust and 313,400 shares of the Company held by the Shareholding Trust are accounted for as treasury stock. Accordingly, the number of these shares is deducted in determining the weighted-average number of shares.

**(Other Notes)**

(1) Assets held for sale

The breakdown of assets held for sale and liabilities directly associated with such assets is as follows:  
(millions of yen)

Assets held for sale		Liabilities directly associated with assets held for sale	
Cash and cash equivalents	809	Interest-bearing liabilities	6,390
Trade and other receivables	2,240	Trade and other payables	3,969
Inventories	2,875	Other	1,000
Property, plant and equipment	8,198		
Other	516		
Loss recognized on the measurement to fair value less costs to sell of a disposal group constituting the discontinued operation	(2,449)		
	12,189		11,359

(TRANSLATION)

Assets held for sale and liabilities directly associated with them as classified above in the fiscal year ended March 31, 2023 mainly relates to Breeders & Packers Uruguay S.A. (“BPU”). The above classification has been made following the decision to sell shares of the company. An overview of discontinued operations is provided in “(2) Discontinued operations, 2. Transfer of shares of Breeders & Packers Uruguay S.A. 1) Overview of discontinued operations” within this note.

The disposal group classified as held for sale relating to BPU is measured at fair value less costs to sell because the fair value less costs to sell is lower than the carrying amount. The loss of ¥2,449 million recognized as a result of this transaction is included in “Loss from discontinued operations” in the consolidated statements of income. The fair value is based on the sale price, which is categorized as Level 3 in the fair value hierarchy.

(2) Discontinued operations

1. Transfer of shares of The Marine Foods Corporation

1) Overview of the discontinued operations

The Company, at the meeting of its Board of Directors held on February 9, 2022, determined to transfer all of its shares and related assets of its consolidated subsidiary, The Marine Foods Corporation (“Marine Foods”), to Sojitz Corporation, and the transfer was completed on March 31, 2022.

As a result, the marine products business related to Marine Foods has been reclassified to discontinued operations.

2) Name and nature of business of the subsidiary and the segment that included the divested business

Name of the subsidiary	The Marine Foods Corporation
Nature of business	Manufacturing and sale of processed marine food products and import and sale of marine raw materials
Applicable segment	Processed Foods Business Division

3) Number of shares sold and percentage of ownership after the sale

Number of shares owned before the sale	22,666,000 shares (Number of voting rights: 22,666,000) (Percentage of voting rights held: 100.0%)
Number of shares sold	22,666,000 shares (Number of voting rights: 22,666,000)
Percentage of ownership after the sale	— share (Number of voting rights: —) (Percentage of voting rights held: — %)

4) Profit (loss) from the discontinued operations

Details of profit (loss) from the discontinued operations are as follows.

## (TRANSLATION)

(millions of yen)

Net sales	—
Gain (loss) on sales of business (Note)	(408)
Other profit (loss)	—
Profit (loss) before tax from the discontinued operations	(408)
Income tax expense	127
Profit (loss) from the discontinued operations	(281)

(Note) Gain (loss) on sales of business classified as the discontinued operations was due to an adjustment to the transfer price of the shares of Marine Foods held by the Company pursuant to the share transfer agreement.

## 2. Transfer of shares of Breeders &amp; Packers Uruguay S.A.

## 1) Overview of discontinued operations

The Company, at the meeting of its Board of Directors held on January 31, 2023, determined to transfer all of its shares of its consolidated subsidiary, BPU, to Minerva S.A.

As a result, the beef business related to BPU has been reclassified to discontinued operations.

## 2) Name and nature of business of the subsidiary and the segment that included the divested business

Name of the subsidiary	Breeders & Packers Uruguay S.A.
Nature of business	Meat processing and sales (beef)
Applicable segment	Overseas Business Division

## 3) Number of shares to be sold, sale price, and percentage of ownership after the sale

Number of shares owned before the sale	1,797,343,133 shares (Number of voting rights: 1,797,343,133) (Percentage of voting rights held: 100.0%)
Number of shares to be transferred	1,797,343,133 shares (Number of voting rights: 1,797,343,133)
Sale price (Note)	The sale price will be determined based on the enterprise value of 40 million USD (5.2 billion JPY), and the price adjustments stipulated in the stock purchase agreement, including net debt and working capital of BPU.
Percentage of ownership after the sale	— share (Number of voting rights: —) (Percentage of voting rights held: — %)

(Note) The yen equivalent is a reference value calculated at a rate of 130 yen to the U.S. dollar.

(TRANSLATION)

4) Profit (loss) from the discontinued operations

Details of profit (loss) from discontinued operations are as follows:

(millions of yen)

Net sales	30,203
Loss recognized on the measurement to fair value less costs to sell of the disposal group constituting the discontinued operation	(2,449)
Other profit (loss)	(32,831)
Profit (loss) before tax from the discontinued operations	(5,077)
Income tax expense (Note)	3,942
Profit (loss) from discontinued operations	(1,135)

(Note) Income tax expense includes ¥3,916 million of deferred tax assets for temporary differences, arising from gains and losses recognized in prior years on investment in BPU and loss recognized on the measurement to fair value less costs to sell of the disposal group constituting the discontinued operation.

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward.

(TRANSLATION)

**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

(from April 1, 2022 to March 31, 2023)

(millions of yen)

	Shareholders' Equity										
	Common Stock	Capital Surplus		Appropriated for Legal Reserve	Retained Earnings					Treasury Stock	Total Shareholders' Equity
		Capital Reserve	Total Capital Surplus		Unappropriated				Total Retained Earnings		
					Reserve for Deferral of Capital Gain on Property	Reserve for Promotion of Open Innovation	General Reserve	Net Retained Earnings Forwarded			
<b>Balance as of April 1, 2022</b>	36,294	55,212	55,212	6,041	726	25	95,000	33,056	134,848	(2,856)	223,498
Changes during the year											
Cash dividends								(10,499)	(10,499)		(10,499)
Profit								12,231	12,231		12,231
Acquisition of treasury stock										(3)	(3)
Disposal of treasury stock								(67)	(67)	802	735
Changes in items other than shareholders' equity during the year-net											
Total changes during the year	-	-	-	-	-	-	-	1,665	1,665	799	2,464
<b>Balance as of March 31, 2023</b>	36,294	55,212	55,212	6,041	726	25	95,000	34,721	136,513	(2,057)	225,962

(TRANSLATION)

(millions of yen)

	Valuation and Translation Adjustments		Stock Acquisition Rights	Total Net Assets
	Unrealized Gains on Other Marketable Securities	Total Valuation and Translation Adjustments		
<b>Balance as of April 1, 2022</b>	5,569	5,569	23	229,090
Changes during the year				
Cash dividends				(10,499)
Profit				12,231
Acquisition of treasury stock				(3)
Disposal of treasury stock			(23)	712
Changes in items other than shareholders' equity during the year-net	115	115	-	115
Total changes during the year	115	115	(23)	2,556
<b>Balance as of March 31, 2023</b>	5,684	5,684	-	231,646

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward.

(TRANSLATION)

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**

**(Notes to Significant Accounting Policies)**

1. Basis and method of valuation of assets:

(1) Basis and method of valuation of securities:

Capital stock of subsidiaries and associated companies:

At cost, determined by the moving-average method.

Other securities:

Securities other than shares, etc. that do not have a market price:

At fair value, determined by quoted prices at the balance sheet date. (Unrealized gains (losses) are reported directly in net assets. Cost of sales is determined by the moving-average method).

Shares, etc. that do not have a market price:

At cost, determined by the moving-average method.

(2) Basis and method of valuation of inventories:

Merchandise and finished goods,  
work-in-process and  
raw materials and supplies:

At cost, determined by the moving-average method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability).

2. Method of depreciation of fixed assets:

(1) Property, plant and equipment  
(excluding leased assets):

By the straight-line method.

(2) Intangible assets  
(excluding leased assets):

By the straight-line method.  
Software for internal use is amortized by the straight-line method over the estimated useful life (5 to 10 years).

(3) Leased assets:

Leased assets related to finance lease transactions that do not transfer ownership:

Leased assets are depreciated by the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

(TRANSLATION)

3. Basis for accounting for allowances and accrued liabilities:

(1) Allowance for doubtful accounts: For possible bad debt losses, allowances are provided by taking into consideration the actual loss rate in respect of general receivables and the individual collectibility in respect of specific claims such as probable non-performing receivables.

(2) Liability for retirement benefits: To prepare for retirement benefits for employees, liability for retirement benefits is recorded based on the projected benefit obligations and plan assets at the end of the fiscal year.

If plan assets to be recognized at the end of the fiscal year exceed benefit obligations less unrecognized actuarial differences, etc., the excess amount is recognized as prepaid pension expenses.

Actuarial differences are amortized effective from the following fiscal year, using the straight-line method for a specific period of years (13 to 15 years) within the average remaining years of service of employees.

(3) Provision for loss on investments: For possible losses on business of subsidiaries, provision is recorded by taking into consideration the financial position of subsidiaries and other factors.

4. Basis of recognition of revenue and costs:

The Company mainly engages in the sales of hams and sausages, processed food products, and fresh meats.

With respect to the sales contracts of products with customers, since control over the products transfers to the customer and the performance obligations are satisfied as of when the products are delivered to the customer, revenue is recognized at such time.

5. Method of hedge accounting: (i) Method of hedge accounting:

In principle, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps that meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.



(TRANSLATION)

(ii) Hedging instruments and hedged items:

Hedging instruments: Interest rate swaps  
Hedged items: Interest expenses on debt

(iii) Hedging policy:

NH Foods Ltd. engages in interest rate swaps to mitigate exposure to interest rate fluctuations.

(iv) Method of evaluating hedge effectiveness:

Evaluation of effectiveness is omitted for interest rate swaps that meet specific matching criteria.

6. Other significant fundamental matters for the preparation of non-consolidated financial statements:

Application of the group tax sharing system:

The group tax sharing system is applied.

(TRANSLATION)

**(Notes to Changes in Accounting Policies)**

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as “Fair Value Measurement Guidance”) from the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in paragraph 27-2 of the Fair Value Measurement Guidance. The application of the standard has no effect on the non-consolidated financial statements.

**(Notes to Revenue Recognition)**

Notes are omitted because a similar description is included in the Notes to revenue recognition in the Notes to Consolidated Financial Statements.

**(Notes to Accounting Estimates)**

1. Valuation of capital stock of subsidiaries and associated companies:

(1) Amounts recorded in the non-consolidated financial statements:

Capital stock of subsidiaries and associated companies	¥56,322 million
Valuation loss on capital stock of subsidiaries and associated companies	¥4,105 million

(2) Other matters:

In the valuation of shares, etc. that do not have a market price, impairment accounting is applied if the net asset value of the shares significantly decreases and is not expected to recover.

In considering the recoverability, it is considered whether the net asset value will recover to the acquisition price in five years by reasonably estimating the future net asset value based on the business plan of subsidiaries and associated companies and other materials.

The estimates may be affected by uncertain future changes in economic conditions or other factors. If the business performance of subsidiaries and associated companies deteriorates and is not expected to recover in the future due to unpredictable situations, it might have a material impact on the amount of capital stock of subsidiaries and associated companies in the non-consolidated financial statements for the fiscal year ending March 31, 2024.

(TRANSLATION)

2. Valuation of loans receivable from subsidiaries and associated companies:

(1) Amounts recorded in the non-consolidated financial statements:

Loans receivable from subsidiaries and associated companies	¥283,609 million
Allowance for doubtful accounts receivable from subsidiaries and associated companies	¥5,897 million

(2) Other matters:

In the valuation of loans receivable from subsidiaries and associated companies, allowances for doubtful accounts receivable are individually recorded if the financial position of subsidiaries and associated companies, as the borrowers, deteriorates and a material concern is likely to occur with the collection of receivables. In determining the amount of the allowances for doubtful accounts receivable, the recoverable amount is reasonably estimated by considering the future solvency based on the business plan of subsidiaries and associated companies and other materials.

The estimates may be affected by uncertain future changes in economic conditions or other factors. If the business performance of subsidiaries and associated companies differs from the estimates due to unpredictable situations, it might have a material impact on the amount of loans receivable from subsidiaries and associated companies in the non-consolidated financial statements for the fiscal year ending March 31, 2024.

3. Recoverability of deferred tax assets:

(1) Amount recorded in the non-consolidated financial statements:

Deferred tax assets	¥3,211 million
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(2) Other matters:

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the unused tax losses and deductible temporary differences can be utilized.

In considering the probability of the taxable income, the amount is determined by reasonably estimating the timing and amount of taxable income which will be available in the future.

The estimates may be affected by uncertain future changes in economic conditions or other factors. If the actual timing and amount of taxable income differ from their estimates due to unpredictable situations, they might have a material impact on the amount of deferred tax assets in the non-consolidated financial statements for the fiscal year ending March 31, 2024.

(TRANSLATION)

4. Impairment of fixed assets:

(1) Amount recorded in the non-consolidated financial statements:

Property, plant and equipment	¥28,361 million
Intangible assets	¥16,180 million
Impairment losses	¥514 million

(2) Other matters:

If there is an indication of impairment of fixed assets, the necessity of impairment is determined based on the future cash flows of the assets. Units for determining the necessity of impairment are considered as minimum units which generate cash flows independently of other assets or asset groups.

In determining the necessity of impairment, certain assumptions are set for the amount of future cash flows, long-term growth rate and other items.

The estimates may be affected by uncertain future changes in economic conditions or other factors. If the condition of cash flows differs from the estimates due to unpredictable situations, it might have a material impact on the amount of fixed assets in the non-consolidated financial statements for the fiscal year ending March 31, 2024.

(Notes to Non-consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment: ¥30,554 million

2. Guarantee obligations:

(millions of yen)

Guarantee	Description	Guarantee amount
NH Foods Australia Pty. Ltd. and five other companies	Guarantee for loans and transactions	20,548

3. Accounts receivable from and payable to subsidiaries and associated companies:

Short-term monetary claims	¥86,530 million
Long-term monetary claims	¥145,995 million
Short-term monetary liabilities	¥103,945 million

(TRANSLATION)

**(Notes to Non-consolidated Statement of Income)**

1. Transactions with subsidiaries and associated companies:

Net sales	¥623,025 million
Purchases	¥600,146 million
Transactions other than ordinary business	¥21,010 million

2. Gain on sale of shares of subsidiaries and associates (Extraordinary Income):

Gain on sale of shares of subsidiaries and associates in extraordinary income is attributable to the sale of all of the Company's shares in S.A.E Holding Pte. Ltd., which was a consolidated subsidiary, and the adjustment of the transfer price of shares of The Marine Foods Corporation pursuant to the share transfer agreement.

3. Valuation loss on capital stock of subsidiaries and associated companies (Extraordinary Losses):

Valuation loss on capital stock of subsidiaries and associated companies in extraordinary losses is mainly attributable to a significant decrease in the net asset value of shares of Breeders & Packers Uruguay S.A., a consolidated subsidiary.

(TRANSLATION)

**(Notes to Non-consolidated Statement of Changes in Net Assets)**

(1) Class and number of shares of treasury stock as of March 31, 2023:

Common stock 454,459 shares

The number of shares of treasury stock as of March 31, 2023 includes shares of the Company held by the Board Incentive Plan Trust and shares of the Company held by the NH Foods Group Employee Shareholding Association Trust.

(Breakdown of treasury stock)

The breakdown is as follows:

	As of April 1, 2022	As of March 31, 2023
Number of shares of the Company held by the Board Incentive Plan Trust (shares)	137,759	131,403
Number of shares of the Company held by the NH Foods Group Employee Shareholding Association Trust (shares)	466,200	313,400

(Outline of the causes of the change)

Major causes:

Increase due to the purchase of shares of less than one unit	759 shares
Decrease due to the exercise of stock options	20,500 shares
Decrease due to the sale of shares of less than one unit	132 shares
Decrease due to the delivery of shares to target persons from trusts related to the Board Incentive Plan Trust	6,356 shares
Decrease due to disposal to the Employee Shareholding Association	152,800 shares

(2) Dividends on the Company's shares held by the Trust included in the total amount of dividends

Dividends on Company's shares held by the Board Incentive Plan Trust	¥14 million
Dividends on Company's shares held by the NH Foods Group Employee Shareholding Association Trust	¥48 million

(TRANSLATION)

**(Notes to Tax Effect Accounting)**

Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets	(millions of yen)
Accrued bonuses	519
Liability for retirement benefits	773
Capital stock of subsidiaries and associated companies	12,844
Allowance for doubtful accounts	1,832
Impairment losses	1,212
Loss on valuation of investment securities	939
Others	2,680
Subtotal of deferred tax assets	20,799
Valuation allowance	(14,961)
Total deferred tax assets	5,838
Deferred tax liabilities	
Reserve for deferral of capital gain on property	(326)
Unrealized gains on other marketable securities	(2,177)
Others	(124)
Total deferred tax liabilities	(2,627)
Net deferred tax assets	3,211

The Company has applied the group tax sharing system from the fiscal year ended March 31, 2023.

Accordingly, accounting treatment, disclosure of income taxes and local corporate taxes, and related tax effect accounting are handled in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42 of August 12, 2021).

(TRANSLATION)

**(Notes to Related-Party Transactions)**

(millions of yen)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	Naka Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	127,120	Accounts receivable– trade	16,072
				Management of funds (Note 3)	–	Deposits received from subsidiaries and associated companies	16,470
	Kanto Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	142,721	Accounts receivable– trade	15,861
				Management of funds (Note 3)	–	Deposits received from subsidiaries and associated companies	14,810
Receipt of dividends (Note 5)				2,430			
NH Foods marketing Ltd.	100% held	Sales of products; Interlocking directorate	Sales of products (Note 2)	142,469	Accounts receivable– trade	13,648	
Nishi Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	93,330	Accounts receivable– trade	11,754	
			Management of funds (Note 3)	–	Deposits received from subsidiaries and associated companies	12,450	



## (TRANSLATION)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	Higashi Nippon Food, Inc.	100% held	Sales of products; Safekeeping of funds; Interlocking directorate	Sales of products (Note 2)	77,523	Accounts receivable– trade	9,537
				Management of funds (Note 3)	–	Deposits received from subsidiaries and associated companies	6,776
	Japan Food Corporation	100% held	Purchases of products; Financial support; Interlocking directorate	Purchases of products (Note 2)	316,990	Accounts payable– trade	75,120
				Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	55,403
				Receipt of dividends (Note 5)	2,670		
	Nipponham Factory Ltd.	100% held	Purchases of products; Financial support; Interlocking directorate	Purchases of products (Note 2)	44,226	Accounts payable– trade	7,733
				Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	7,251
				Lending of funds (Note 4)	4,000	Long-term loans receivable	14,948

## (TRANSLATION)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	Nippon White Farm Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	6,000
				Lending of funds (Note 4)	7,000	Long-term loans receivable	13,660
	Nipponham Processed Foods Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	7,406
				Lending of funds (Note 4)	3,000	Long-term loans receivable	10,152
	Interfarm Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	6,718
				Lending of funds (Note 4)	2,500	Long-term loans receivable	8,240
	NH Foods Australia Pty. Ltd.	100% held	Financial support; Interlocking directorate; Debt guarantee	Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	10,041
				Debt guarantees (Note 6)	14,799		
	Nippon Food Packer, Inc.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	6,000	Long-term loans receivable	8,957

## (TRANSLATION)

Category	Name	Proportion of voting rights held (Note 1)	Relationship	Transaction	Amount	Account	Year-end balance
Subsidiary (Note 7)	Nippon Pure Food, Inc.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	7,829
	Hoko Co., Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	1,450	Long-term loans receivable	7,761
	Premium Kitchen Co., Ltd.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	7,068
	Nipponham Hokkaido Factory Ltd.	100% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	328	Long-term loans receivable	7,012
	Nippon Logistics Center, Inc.	100% held	Financial support; Interlocking directorate	Management of funds (Note 3)	–	Short-term loans receivable from subsidiaries and associated companies	6,138
	Fighters Sports & Entertainment Co., Ltd.	67.1% held	Financial support; Interlocking directorate	Lending of funds (Note 4)	45,000	Long-term loans receivable	44,367

(Note 1) In calculating the proportion of voting rights, voting rights that are held indirectly by the subsidiaries are included.

(Note 2) Prices and other terms and conditions of transactions are determined through negotiations by taking into consideration prevailing quoted prices.

(Note 3) NH Foods Ltd. has introduced a Cash Management System (“CMS”) for the purpose of improving the efficiency of management of funds within the Group. Given that it is difficult in practice to tally the transaction amount of financial transactions using CMS on a transaction-by-transaction basis, the transaction amount is not shown. Interest rates and other terms and conditions of transactions are determined reasonably by taking into consideration market interest rates. No collateral is accepted or offered.

(Note 4) Interest rates and other terms and conditions of transactions are determined reasonably by taking into consideration market interest rates. No collateral is accepted or offered.

(Note 5) These are the dividends received in accordance with the dividend policy of the subsidiaries.

(TRANSLATION)

- (Note 6) NH Foods Ltd. provides debt guarantees for bank loans. Guarantee commissions are determined by taking into consideration the standard guarantee ratios of financial institutions, etc.
- (Note 7) For long-term loans receivable from subsidiaries, NH Foods Ltd. recorded an allowance for doubtful accounts totaling ¥5,897 million, and a provision of allowance for doubtful accounts totaling ¥492 million in the fiscal year ended March 31, 2023.
- (Note 8) The amounts of transactions do not include consumption taxes, while the year-end balances include consumption taxes (excluding short-term loans receivable from subsidiaries and associated companies, long-term loans receivable and deposits received from subsidiaries and associated companies).

(TRANSLATION)

**(Notes to Per Share Information)**

(i)	Net assets per share:	¥2,259.86
(ii)	Basic earnings per share:	¥119.42
(iii)	Diluted earnings per share:	¥119.41

In determining net assets per share, basic earnings per share and diluted earnings per share, the Company's shares held by the Board Incentive Plan Trust and the NH Foods Group Employee Shareholding Association Trust are accounted for as treasury stock. Accordingly, the number of these shares is deducted in determining the weighted-average number of shares.

Transactions related to the Board Incentive Plan Trust

The Company has adopted a scheme of the Board Incentive Plan Trust as the Performance-Based Stock Compensation Plan for the Directors, etc. to further clarify the linkage between the compensation for Directors, etc. and the Company's business performance and shareholder value.

The trust agreement is accounted for pursuant to the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 of March 26, 2015).

(1) Overview of transactions

Under the Plan, a scheme called the officers compensation Board Incentive Plan Trust (the "BIP Trust") has been adopted. The BIP Trust is a plan, as with the performance based stock compensation (Performance Share) scheme and stock compensation with transfer restriction (Restricted Stock) scheme in Europe and America, under which the shares of the Company and the amount of money equivalent to the proceeds from the disposal of the shares of the Company will be delivered and paid to the Directors, etc. according to their position, achievement level of the performance goal, etc.

(2) Treasury stock remaining in the BIP Trust

The Company's shares remaining in the BIP Trust are recorded at the carrying amount in the BIP Trust as treasury stock in net assets in the non-consolidated balance sheet. The carrying amount and the number of shares of the treasury stock were ¥616 million and 131,403 shares, respectively, for the fiscal year ended March 31, 2023.

Trust-type Employee Shareholding Incentive Plan

(1) Overview of transactions

Upon resolution at the Board of Directors meeting held on May 11, 2020, the Company has adopted the "Trust-type Employee Shareholding Incentive Plan" (the "Plan") for the purpose of providing incentives to employees of the Group to improve the Company's corporate value over the medium and long term. Under the Plan, the Company establishes the "NH Foods Group Employee Shareholding Association Trust" (the "Shareholding Trust") at a trust bank. The Shareholding Trust acquires the Company's shares in advance for an amount expected to be

(TRANSLATION)

acquired by the Shareholding Association over a certain period of time after the establishment.

Thereafter, the Shareholding Trust makes sales of the Company's shares to the Shareholding Association on a continuous basis. Upon the conclusion of the trust, if there are any accumulated gains on sales of shares within the Shareholding Trust, such gains on sales of shares will be allocated as residual assets to employees who meet eligibility requirements as beneficiaries.

Further, since the Company guarantees loans undertaken by the Shareholding Trust to acquire the Company's shares, if there are any accumulated loss on sales of shares within the Shareholding Trust due to the decline of the Company's share price and there are any remaining loan amounts equivalent to the loss on sales of shares as of the conclusion of the trust, the Company will repay such loans.

(2) Treasury stock remaining in the Shareholding Trust

The Company's shares remaining in the Shareholding Trust are recorded at the carrying amount in the Shareholding Trust as treasury stock in net assets in the non-consolidated balance sheet. The carrying amount and the number of shares of the treasury stock were ¥1,399 million and 313,400 shares, respectively, for the fiscal year ended March 31, 2023.

(3) Carrying amount of loans recorded by the application of the gross method

¥1,421 million for the fiscal year ended March 31, 2023

(Note) Figures are given by rounding fractions of a half or more of one million yen upward and the rest downward with the exception of per share amounts.