

Segment data

Overseas Business Division



Building growth models for our overseas business

Nobuo Oda

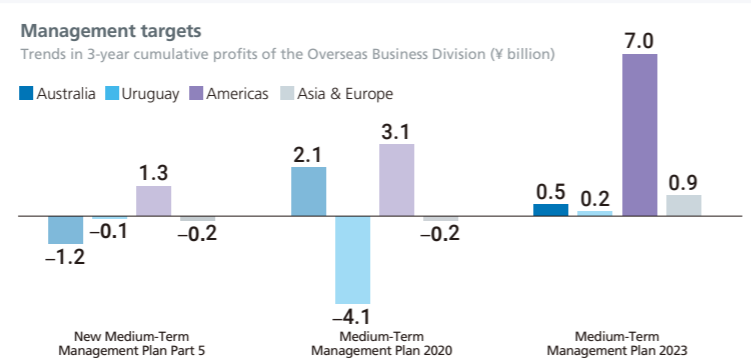
Managing Executive Officer,
General Manager of Overseas Business Division

Risks	Opportunities	Responses
<ul style="list-style-type: none"> Higher prices for grains used in raw feed Decline in the livestock farmer population due to a lack of successors Escalating competition for supplies due to epidemics Rising production costs due to aging facilities and more stringent quality measures Expanding demand for religious foods due to growth in the number of foreign workers and other factors Growing pressure to reduce the environmental footprint of the livestock industry 	<ul style="list-style-type: none"> Increased demand for meat due to global population growth Increased demand for Japanese foods due to heightened health consciousness Resurgence of new markets for processed foods in response to lifestyle changes [Tentative] Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements Increasing animal welfare demands 	<ul style="list-style-type: none"> Upgrade feed plants in Australia Provide workplace experiences and tours for local residents and students Develop future generations of farmers and manufacturing workers through worksite visits Strengthen disease prevention systems on farms and in production and breeding facilities Extend "best before" dates by enhancing production and preservation technologies Promote conservation-oriented agriculture

Overview of Medium-Term Management Plan 2023

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

1. Stabilize profit in existing businesses
2. Expand sales of processed food products in North America and the ASEAN region
3. Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas



Review of fiscal 2021

Stabilization of earnings from existing businesses through enhanced branding and production structure optimization

Our initiatives under Medium-Term Management Plan 2023 center on three themes: the stabilization of earnings from existing businesses, the expansion of sales of processed products in North America and ASEAN, and the development of income streams through the proposal and execution of growth strategies focused on high-potential areas.

Despite heightened uncertainty in the external environment, we made steady progress with these policies in fiscal 2021.

As in the previous fiscal year, we worked to stabilize earnings from existing businesses by reducing the vulnerability of our overseas business operations to the direct impact of fluctuations in the beef market. Our priority for the Australian business, which contributes around half of the net sales of the Overseas Business Division, was to make optimal use of our existing value chains through the expansion of branding and sales of added-value products. Australian beef has become very popular in the United States, and our efforts to expand sales of added-value products, such as Nature's Fresh and

Gran Carne, were reflected in improved earning performance. I believe that we are making steady progress toward the stabilization of earnings through the optimization of production structures based on collaboration with sales operations.

However, there are ongoing issues. The global outlook for selling prices has become uncertain, in part because of a downswing in consumer spending in China. We also face labor shortages in processing plants due to the impact of the COVID-19 pandemic. In addition, the number of cattle available for processing has not yet fully recovered.

Our efforts to expand sales of processed products in North America and ASEAN brought mixed results. Sales in ASEAN failed to reach the planned levels, partly because of the impact of the COVID-19 pandemic. However, we achieved steady growth in sales in North America, Thailand, and Taiwan. Chicken sales in Turkey and meat exports from the United Kingdom also expanded steadily.

These trends were reflected in net sales of ¥267.6 billion, a year on year increase of 19.7%. Business profit amounted to ¥2.4 billion, compared with a ¥100 million loss in the previous fiscal year.

	Processed foods	Fresh meats	Trading	
ASEAN	NH Foods Vietnam Joint Stock Company / NHF Manufacturing (Malaysia) Sdn.Bhd. / PT NH Foods Diamond Indonesia / Shandong Rilong Foodstuffs Co., Ltd. / Pure Food Asia, Inc. / Thai Nippon Foods Co., Ltd. / Thai Nippon Cold Storage Co., Ltd.		Nippo Food Co., Ltd. / NH Foods (Thailand) Ltd. / NH Foods Singapore Pte. Ltd. / NH Foods Taiwan Ltd.	Local sales
Oceania		Whyalla Beef Pty. Ltd. / Thomas Borthwick & Sons Pty. Ltd. / Oakley Beef Exports Pty. Ltd. / Wingham Beef Exports Pty. Ltd.	NH Foods Australia Pty. Ltd. / Beef Producers Australia Pty. Ltd.	
Europe			NH Foods U.K. Ltd.	Exporting to Japan
North America	Redondo's	Day-Lee Foods, Inc.		
South and Central America		Breeders & Packers Uruguay S.A.	NH Foods Chile Y. Compania Limitada / NH Foods Mexicana S.A. DE C.V.	
Middle East		Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi		

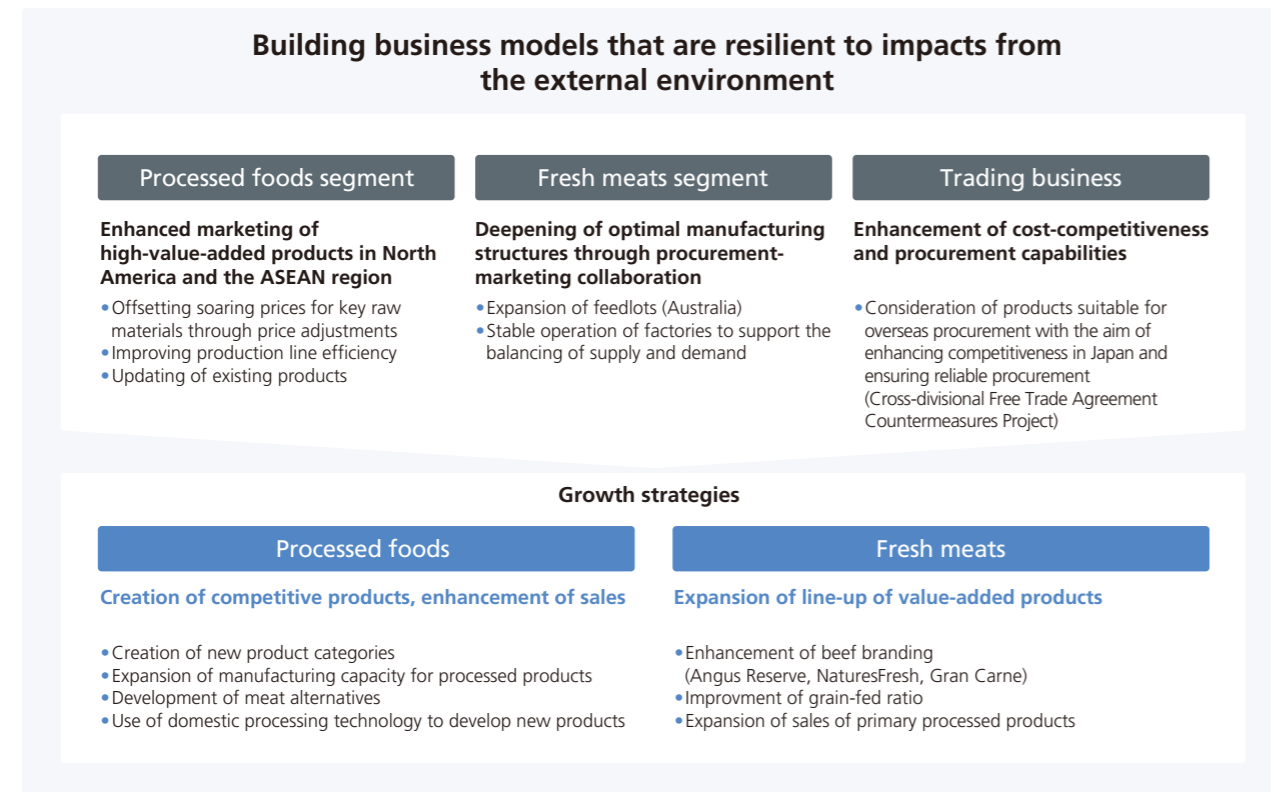
Results for fiscal 2021, initiatives going forward

Results	<ul style="list-style-type: none"> Expansion of processed food volumes in North America Expansion of branded fresh meat sales by the Australian business Securing of profits through collaboration between procurement and sales operations in the beef business
Future measures	<ul style="list-style-type: none"> Countermeasures against soaring raw material costs for processed chicken products Development of new products in ASEAN Initiatives to reduce livestock-related GHG emissions

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Future policies and plans

Business value improvement initiatives by the Overseas Business Division



Building a stronger stable earnings base to reduce the impact of fluctuations in the external environment on our business model

We will build growth models for our overseas business through further initiatives to stabilize earnings and optimize manufacturing structures.

Expanding sales of added-value products in North America and the ASEAN region

Our overseas processing operations are still being affected by major changes in the external environment, including the prospect of continuing increases in the prices of raw materials and fuel. We have already addressed these changes through price revision, but we will also continue our efforts to curb cost ratios by reducing production and processing costs through the further improvements in the efficiency of our production lines. Other goals include the improvement of production yields, and the reduction of labor content through mechanization and the optimal deployment of personnel to each line.

At the same time, we will enhance the competitiveness of our products by updating existing items. Our priorities also include the creation of new product categories, the expansion of manufacturing capacity for processed products,

the development of meat substitutes, and the use of Japanese processing technologies to develop new products.

Initiatives to create competitive products include the establishment of an R&D unit in Day-Lee Foods, Inc., which is engaged in business operations in North America. In fiscal 2021, Day-Lee pursued product-related initiatives and marketing using their existing production lines for fried products. In fiscal 2022, the company will also strengthen its sales capabilities by enhancing brand strategies and marketing functions. In addition, it has addressed the stagnation of sales volumes due to capacity limitations by investing in plant and facilities, including the start-up of new fry-lines.

Thai Nippon Foods Co., Ltd., which is active in ASEAN markets, plans to develop production lines for new products, including processed pork items. It will also use technologies from Japan to develop new products for sales through convenience stores, bakeries, and other vendors. In the past its product lineup has been dominated by chicken-based items. Going forward, it will also develop products based on other ingredients, such as plant-based meats. This shift is expected to result in the creation of a wide range of processed foods, allowing Thai Nippon Foods to develop new business partners and sales channels.

Further optimization of manufacturing structures through procurement-sales collaboration

In the overseas fresh meats segment, we will continue to optimize our manufacturing structures through collaboration between procurement and sales operations.

Further expansion of our lineup of added-value products is seen as a priority for the overseas fresh meats segment. As in the previous fiscal year, we are continuing our efforts to enhance the branding of beef products. We will also expand our feedlots with the aim of increasing sales of premium grass-fed and organic beef.

Strengthening cost-competitiveness and procurement capabilities

For our trading business between other countries and Japan, we have started to consider products for which overseas procurement will be advantageous based on changes in tariff rates. This work is being carried out in conjunction with the Cross-divisional Free Trade Agreement Countermeasure Project. We are also working to enhance competitiveness and ensure stable procurement in Japan by selecting products that can be sourced overseas. We have already started to handle some types of pork and beef products.

Business-based materiality initiatives

One of the Five Materialities identified by the NH Foods Group is contribution to a sustainable environment. We are making preparations for the disclosure of environmental load data from our various companies. We have also adopted targets, including the reduction of fossil fuel-derived CO₂ emissions by at least 24% and water consumption by 5% compared with the fiscal 2021 levels.

Another of the Five Materialities is the stable procurement and supply of proteins. We are building strong relationships with suppliers by informing them about the NH Foods Group's procurement policies.

The Five Materialities of the NH Foods Group also include diversity and health. We are expanding our range of foods to meet diverse cultural and religious needs, including halal and kosher products that conform with Islamic and Jewish dietary rules. In addition, we plan to launch food allergy kits and next-generation protein products onto the market.

Our goal in relation to employee development and respect for diversity is to ensure that our factories provide good working conditions for employees, including the development of safe working environments in which people can work with confidence. We will also promote diversity and inclusion.

Products handled by region

B Beef P Pork C Chicken Pr Processed meats M Marine products

Europe

B P C Pr



ASEAN region

B P C Pr M



North and Central America

B P C Pr M



Australia

B



South America

B P M



External customers

Sales in Japan, local sales, and exports to third countries

Segment focus

Maximizing our profit contribution through selection and concentration in growth areas

In fiscal 2022 there is a continuing need to adapt to uncertainty and change in the external environment, including rising raw material and energy costs and a decline in consumer spending. By continuing to develop and supply safe, dependable products and services, and by complying with laws and regulations and respecting the cultures, practices, and histories of each country and region, we will help people everywhere to experience the joy of food in their lives.