

Segment data

Overseas Business Division



Profit recovery through concentration on the North American market and reduction of volatility in Australia

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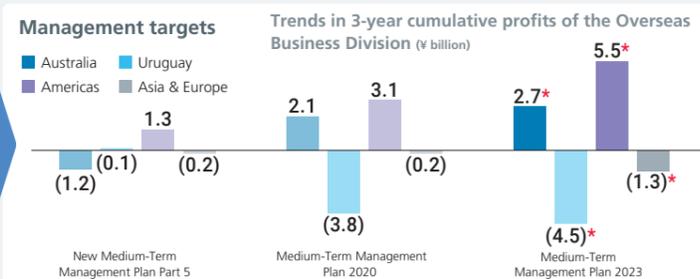
Managing Executive Officer,
General Manager of Overseas Business Division

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 Performance volatility Cost increases due to aging facilities Rising production costs due to 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 Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements Increasing animal welfare demands Brand development based on environmental appeal 	<ul style="list-style-type: none"> Upgrade feed plants in Australia. 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. Sell BPU beef business in Uruguay. Expand feedlots and strengthen branding in Australia. Expand processed food production in North America. Pursue GHG reduction initiatives in Australia (feed-related experiments). Provide workplace experiences and tours for local residents and students.

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.



*Adjusted in May 2023

Review of fiscal 2022, recognition of issues

In fiscal 2022, we worked toward the creation of a growth model for our overseas business through further stabilization of earnings and increased efforts to optimize production structures.

Earnings from the North American processed food business expanded. Despite price revisions, there was no downturn in sales, and earnings increased thanks to the expansion of production lines through subsequent capital expenditure.

In January 2023, we announced the sale of all shares in our consolidated subsidiary, Breeders & Packers Uruguay S.A. (BPU), to the Brazil-based company Minerva S.A., following a review of low-profit businesses. We also made steady progress on changes to our business models under

the Medium-Term Management Plan.

Rapid changes in the environments for our beef and chicken businesses in Australia and Turkey highlighted the impact of volatility on earnings from these operations. As a result, the overall result for the Overseas Business Division was an operating loss.

While processed foods will play a key role in our growth model, the scale of sales is still small, and this business area has not yet grown to a level at which it can contribute to the stabilization of overseas earnings. Our earnings in the ASEAN and Greater China markets declined due to adverse conditions affecting an initiative to produce commercial products in Thailand for the Japanese market.

Business structure centered on processed foods, fresh meats, and trading

	Processed foods <small>In addition to using some output to supply the Japanese market, we will also develop domestic sales in each location.</small>	Fresh meats <small>We will reduce volatility by concentrating our beef business capital in Australia. We will respond to demand growth, especially in Asia.</small>	Trading <small>We will maintain exports to the Japanese market, primarily through supplies to the Fresh Meats Business Division.</small>		
Business area	ASEAN <small>6 group companies Vietnam/Malaysia/Indonesia/China/Thailand</small>		4 group companies China/Thailand/Singapore/Taiwan	Local sales Exporting to third countries Exports to Japan	
	Oceania	4 group companies Australia	2 group companies Australia		
	Europe		1 group company United Kingdom		
	North America	1 group company United States	1 group company United States		
	South and Central America		1 group company Uruguay <small>* Business sold at the end of August 2023</small>		2 group companies Chile/Mexico
	Middle East		1 group company Turkey		

Results for fiscal 2022, initiatives going forward

Achievements and issues	<ul style="list-style-type: none"> Profit growth resulting from price increases and higher sales volumes made possible by the addition of more production lines for the North American processed foods business Expansion of trading in Chilean and Brazilian pork Emergence of volatility in the beef business
Future measures	<ul style="list-style-type: none"> Use of branding and other methods to increase added value and address the volatility of the beef business Optimization of our production structure in Australia Expansion of the processed foods business and development of new categories and sales channels Enhancement of the competitiveness of the trading business and improvement of our procurement capabilities

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Performance targets and policies for FY2023

Net sales ¥295.0 billion Business profit ¥1.7 billion

We aim to achieve a profit recovery by concentrating on the North American processed foods market and expanding sales, by reviewing low-profit businesses, and by reducing volatility in Australia.

Profit recovery	Concentration on growth areas	<p>Expansion of processed foods business</p> <ul style="list-style-type: none"> Expansion of sales by North American processed foods business Expansion of marketing of processed foods in the ASEAN region <p>Recovery of profitability of the beef business</p> <ul style="list-style-type: none"> Alignment of manufacturing operations with improvement in the external environment and the supply-demand balance Enhanced branding of Australian beef Expansion of sales of channels in the North American market with the aim of expanding supply chains
	Reducing volatility	<p>Review of low-profit businesses</p> <ul style="list-style-type: none"> Improvement of these businesses through selection and concentration measures at all sites.
	Strengthening procurement	<p>Trading</p> <ul style="list-style-type: none"> Continuation of initiatives to ensure reliable procurement for the Japanese market

Overseas processed food businesses

The high volatility affecting the Australia beef business has given us a renewed awareness of the importance of processed food businesses as a stable source of earnings in North America, Thailand, and other markets.

One of our growth areas is the North American processed food business. We have made progress toward the expansion of our supply capacity, which was a key priority for this business. Key factors include the expansion of our production lines, which we have already completed. While strengthening our collaboration with local category leaders in the distribution sector, we also plan to expand our main business areas to include the East Coast as well as the West Coast. Demand for frozen foods in the United States remains strong and is expected to stay on an expansionary trend. We will create a growth strategy that aligns with the expansion of distribution businesses.

In the ASEAN region, we will reconsider Thai Nippon Foods' reliance on exports of processed chicken products to Japan. We are expanding processed pork production lines and taking steps to expand our sales of processed products locally and in other areas.

As a processed food manufacturer in the NH Foods Group, Thai Nippon Foods has built an advantage in terms of taste and quality. Its business opportunities are likely to expand if sales channels can be established. We see major opportunities in the markets of Singapore and Hong Kong, which are readily accessible from Thailand. We will expand sales and restore profits by concentrating our resources into markets with growth potential.

We are continuing to review low-profit businesses. Our goal is to build a stable earnings structure for the entire Overseas Business Division.



Day-Lee Foods, Inc. (U.S.A.)

Overseas production and breeding business

Earnings from the Australian beef business fell short of the projected level due to the previous year's lockdowns in China and higher cattle prices. As a result, profit was significantly lower. We expect the Australian beef business to recover in 2023, thanks to lower cattle prices, reduced beef production in the United States, and other factors. Our top priority going forward is to enhance the performance of the Australian beef business, which yields substantial profits, by further strengthening branding and fine-tuning our production structures in step with the supply-demand balance.

Overseas trading business

We will continue to improve our capacity to procure and supply fresh meat products and processed foods reliably for the Japanese market. We will also establish policies, including the development and expansion of sales channels outside of Japan, and the expansion of business partnerships with OEMs*. At the same time, we will work to clarify the roles of our business operations and enhance their competitiveness and procurement capabilities.

* Original equipment manufacturers (OEMs) manufacture products under other companies' brands.

Main brands sold in overseas markets



Priorities for sustainable growth

Priority measures	Targets for FY2030	Situation
Reduction of fossil fuel-derived CO ₂ emissions	CO ₂ emissions: Reduction by 24% or more (compared with FY2021)	<ul style="list-style-type: none"> Implementation of internal environmental survey (energy-conservation survey) Consideration of environmental load reduction measures (fuel conversion, installation of biogas facilities)
Reduction of water use	5% reduction (compared with FY2021)	<ul style="list-style-type: none"> Consideration of environmental load reduction measures (e.g., proposal of water use improvements, including water recycling) Addressing environmental accident risks
Responding to dietary diversification	Development and sale of products to meet diverse needs in terms of culture and religion, etc.	<ul style="list-style-type: none"> Addressing demand for halal and kosher products