

**We have realized a stable business model through a proprietary system that covers our value chain, and supply high-quality products with high added value, leveraging our massively superior procurement capabilities in Japan and around the world.**

**VERTICAL INTEGRATION SYSTEM**



We raise cattle, hogs, and chickens at Group-owned farms in Japan and overseas, producing safe and reliable fresh meats.

We ensure a swift and stable supply of fresh meats, efficiently carrying out all steps from packing and processing to shipment.

We implement thorough quality control, acquiring third-party certifications to deliver safe and delicious products.

**MAJOR INITIATIVES AND RELEVANT SDGs**

● Promotion of livestock industry in Japan



● Making effective use of inedible parts



● Reducing labor through automation



● Making safe and reliable food



● Reducing food loss



The NH Foods Group has a 20.5% share of domestic sales of fresh meats (according to an internal study). In order to deliver safe, reliable, high-quality fresh meats, we perform production, breeding, and processing at Group-owned farms and plants in Japan and overseas, and have built a proprietary vertical integration system that covers all steps up to consignment and distribution, while working actively to procure safe and reliable fresh meats from overseas, as the farming population in Japan shrinks. We also strive to create new food categories by using these raw materials to develop and manufacture high-quality processed products with high added value. We will continue to establish structures to secure the food of the future and contribute to fun and healthy lifestyles by deepening our vertical integration system, with a solid focus on the Bounty of Nature that is essential for human life.



We are building an efficient supply system that links packing and processing, manufacturing, and sales sites.

We propose products tailored to the changes in society, such as increasingly diverse lifestyles.

We offer a speedy and stable supply of products in demand.

- Using environmentally friendly vehicles



- Initiative to reduce delivery burden (Joint distribution and setup of relay points)



- Raising awareness of meat-eating culture

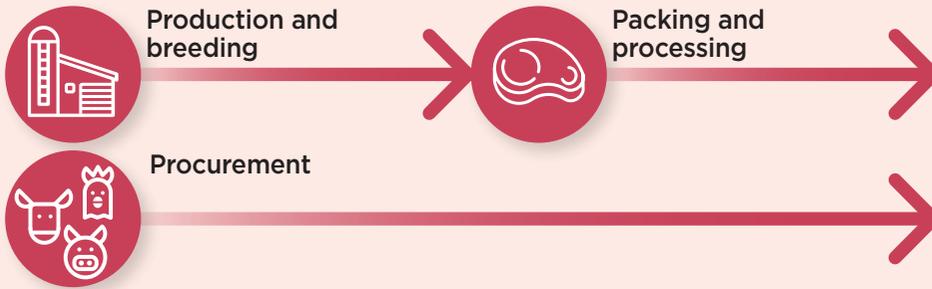


- Developing health-centric products



- Promoting food education





## FARM BUSINESS

Japan's self-sufficiency in fresh meats is below 60%\*.

We operate cattle, hog, and chicken farming businesses on approximately 500 farms in Japan and overseas to ensure a stable supply.

\* Source: Ministry of Agriculture, Forestry and Fisheries, "Food Balance Sheet"

The NH Foods Group fully entered the farming business in 1968. In 1973, we began building a fresh-meat integration system. This enabled us to obtain a stable supply of high-quality fresh meats with assured traceability. We now produce and breed three livestock species—cattle, hogs, and chickens—at approximately 500 sites in Japan, Australia, Uruguay, Turkey, and other countries (including consignment operations), and process and package fresh meats at 17 plants in Japan, and 5 overseas.

### Changes to the NH Foods Group's Markets

- Lack of successors on livestock farms
- Drop in food self-sufficiency ratio
- Increasing demand for safe and reliable fresh meats
- Support for halal

### CSR PROCUREMENT INITIATIVES

On April 1, 2017, we established the NH Foods Group CSR Procurement Policy with the goal of producing food that is safe and reliable.

#### NH Foods Group CSR Procurement Policy

NH Foods Group is proceeding with initiatives on Corporate Social Responsibility (CSR) procurement activities, collaborating with business partners and creating relationships of trust based on the principles of coexistence and co-prosperity

**1. Comply with laws and social norms, and build a system for compliance**

We comply with laws and regulations and social norms. In addition, we build a system for such compliance.

**2. Securing the quality and safety of products and services**

We work to raise the safety and quality of products following the NH Foods Group Quality Assurance Policy.

**3. Fair and impartial transactions**

We judge quality, service, results, price, reliability, etc., in a comprehensive manner. Also, we establish fair and impartial opportunities for entry into the market.

**4. Respect for human rights**

We respect and give serious consideration to international standards and opinions regarding human rights.

**5. Occupational safety and health**

We make a safe environment where employees can work with peace of mind.

**6. Concern for the global environment**

We work to decrease the environmental impact of our supply chain following the NH Foods Group Environmental Policy as we head toward bringing about a sustainable society.

Farm Business: **Cattle**

We supply high-quality beef worldwide from overseas production sites boasting the number three share in Australia and the number one results of beef processing in Uruguay.

ANNUAL WHYALLA BEEF SHIPMENTS

Around **140,000** head

NUMBER PROCESSED IN AUSTRALIA

Around **430,000** head

NUMBER PROCESSED IN URUGUAY

Around **190,000** head  
(3/18 results)

**Producing Beef Suited to Worldwide Markets**

—Whyalla Feedlot (Australia)

Darling Downs in Queensland, blessed with a warm climate, is one of Australia's richest grain belts. It is here that we maintain the 6,000-hectare Whyalla Feedlot, which feeds cattle a diet centered on high-quality grains, raising mostly competitive branded beef. Cattle are fed in less stressful environments from between 100 and 200 days, managed by brand, with special care paid to the health of the cattle. Fattened cattle go through Group processing companies in Australia, and are then shipped mainly to Asia, Europe, and within Australia. Recently, we have focused operations on efficiency through efforts to consolidate brands, based on the market conditions in each country.



**Securing Sites in Uruguay Capable of Supplying High-quality Beef Worldwide—BPU (Uruguay)**

Beef exports are Uruguay's leading industry. Uruguay produces safe, reliable beef with high added value thanks to such factors as a thorough nationally-led traceability system of beef, and prohibition of use of growth hormones or antibiotics. Uruguay is also capable of providing a stable supply because it is one of the most politically and economically stable countries in South America, and suffers little impact from droughts or other climate disasters. BPU has the latest equipment and the top processing capacity of any individual plant in the country.



**Toward a Sustainable Society**

**E** Support for the environment

**S** Social initiatives

**S** Three Group plants\* have obtained halal accreditation (Australia)

The requirements for halal accreditation include a production system that processes in accordance with the teachings of Islam and the use of halal raw materials. We produce beef that Muslims, who account for about a quarter of the world's population, can eat with peace of mind.

\* The three companies are Oakey Beef Exports Pty. Ltd., Thomas Borthwick & Sons (Australia) Pty. Ltd., and Wingham Beef Exports Pty. Ltd.



**E S** Cyclical agriculture initiatives (Australia)

Whyalla Beef Pty. Ltd., which handles production, breeding, and processing of cattle, reuses the wastewater and manure produced at its facilities as fertilizer. We are advancing cyclical agriculture with low environmental impact by using it to grow the grains and pasture used as cattle feed.



**E** Reducing food loss (Australia)

Beef ordinarily expires after 60 days in the refrigerator. Our fresh meat processing plant at Oakey Beef Exports Pty. Ltd. helps to reduce food loss by pushing the expiration date to 100 days by establishing the world's top level of sanitary management structure.



## Farm Business: Hogs

We supply high-quality pork through R&D and human resource development.

### DOMESTIC SHIPMENTS

Around **620,000** head

### DOMESTIC PROCESSING

Around **1,810,000** head  
(3/18 results)

### Surefire Initiatives to Raise Healthy Hogs

In our hog farming business, Interfarm Co., Ltd. oversees farming, while Nippon Food Packer Group manages processing.

Interfarm Co., Ltd. is the largest hog farmer in Japan, shipping around 620,000 head per year from around 70 farms nationwide (including consignment operations). The production process integrates everything from mating to fattening. We raise each hog with meticulous care, keeping hog houses clean at all times and paying close attention to temperature and humidity. Dedicated veterinary staff visit the farms regularly and track the hogs' health on a timely basis, enabling us to vaccinate hogs swiftly and appropriately if illness is detected, preventing the spread of infection. We operate an uncompromising disease-prevention program to prevent introducing illnesses into farms by thoroughly managing employees and relevant vehicles, and continually upgrading our facilities to the state of the art.

### Meister System

The Nippon Food Packer Group has adopted the Meister system, a technical certification system, to ensure that solid skills in fresh meat processing and packing are passed down.

Acquiring the Meister certification requires practical skills in fresh meat processing, as well as knowledge of livestock processing and management. Meisters who successfully pass the exam guide employees as seniors, and work daily to impart veteran skills to the next generation of employees.



## Toward a Sustainable Society

**E** Support for the environment

**S** Social initiatives

### **S** Hog health exams using the latest technology

The Research and Development Center performs health exams on hogs in collaboration with Interfarm Co., Ltd. In addition to the regular visits by Interfarm's dedicated veterinarians, the Research and Development Center supports healthy livestock production through management of hogs' health by detecting the presence or absence of diseases through genetic testing.



### **S** Wasting nothing from the Bounty of Nature

We make sure that we use bones, collagen, and as many other resources as possible from hog processing for supplements and extract seasoning for such items as noodle soups and sauces.



### **S** Developing the next generation of human resources

In December 2017, NH Foods Ltd. and Obihiro University of Agriculture and Veterinary Medicine signed a comprehensive collaboration agreement with the goals of revitalizing the agricultural livestock industry and developing the next generation of human resources. Prior to this agreement, the NH Foods Group was providing hands-on training to instructors and students from the university at its farms and plants, and initiatives under the comprehensive collaboration agreement will include a practical program for university students, training for livestock engineers to be active internationally, and information sharing to utilize research results in society.

## Farm Business: Chickens

# Developing *Sakurahime*® and other chicken brands produced at farms in Japan.

### DOMESTIC SHIPMENTS

Around **71** million chickens

### SHIPMENTS OF SAKURAHIME

Around **26.7** million chickens  
(3/18 results)

### Largest Chicken Farming Business in Japan

Nippon White Farm Co., Ltd. handles our chicken farming business. It ships about 64 million chickens per year from four sites nationwide. It is one of the largest chicken farmers in Japan, producing about 10% of all chickens in the country. It has an integrated production system from breeding, to fertilizing, hatching, and fattening young birds, to processing and packing chicken meat.

We prevent pathogens from becoming established at our farms by maintaining scrupulous sanitation at all farms using the all-in/all-out method. Temperature, humidity, feed and water, and airflow are controlled automatically by computer to enable the chickens to grow without stress. Farm employees also provide attentive care, depending on the status of each chicken and daily weather conditions.

After being raised with great care for about 48 days, the chickens are quickly processed and packed in only 70 minutes. During this process, each chicken is thoroughly checked, and only chickens that pass the inspection become products, and are delivered fresh to stores and our manufacturing division.



### Developing *Sakurahime*-packed Products where the Chicken is Processed

*Sakurahime* domestic chicken brand offerings are packed where the chicken is processed. The chickens are packed at sanitary food plants near where they are raised, and delivered sealed to customers, ensuring fresher products. The packs do not use trays, which makes them easier to dispose of in the home and leads to less waste, while reducing the work of in-store packing by our client stores.



\* See our website for details.

**WEB** <https://www.nipponham.co.jp/sakurahime/package/>

## Toward a Sustainable Society

### **E** Using livestock manure for fuel

Nippon White Farm Co., Ltd. dries chicken manure and incinerates it in an on-site boiler, using the hot water for heating and cleaning poultry houses. The ash is used in phosphorus and other fertilizers.



### **S** Responding to increasing demand for chicken (Turkey)

We respond not only to fresh meat needs in Japan but also to rising needs for fresh meats in various other countries and regions. At major poultry producer Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi in Turkey, we supply chicken meat not only in Turkey but also in the wider Middle East.



### **S** Reducing labor through automation

We are reducing labor on production lines by introducing state-of-the-art chicken deboning machines. This enables us to process chickens much faster than using human labor while maintaining quality and productivity.



**E** Support for the environment

**S** Social initiatives



## MANUFACTURING

**We strive to manufacture safe and reliable food with low environmental impact, and create new food categories.**

The Group prides itself on its massive production scale in Japan and overseas. We have worked to expand our markets by creating new categories of food tailored to structural changes in society, including such hit products as *SCHAU ESSEN*®, *Chuka Meisai*®, and *Ishigama Kobo*®.

The factories and plants that undertake manufacturing for our processed food business manufacture safe, reliable, and high-quality foods, while also making their lines more efficient, advancing automation, and promoting the efficient use of water resources and energy to reduce environmental impact. They also practice thorough quality control, including acquiring such third-party certifications as FSSC22000 (a food safety management standard).

### Changes to the NH Foods Group's Markets

- Labor shortages
- Reducing environmental impact
- More children with allergies
- Heightened awareness of food safety and reliability
- Support for diverse lifestyles

**We build efficient manufacturing systems by investing in equipment and advancing automation to efficiently make products with higher added value.**

**NUMBER OF PROCESSED PRODUCT MANUFACTURING SITES IN JAPAN**

**34**

(As of April 1, 2018)

**Introduction of High-speed Production Line at Hyogo Plant**

In October 2016, Nipponham Factory Ltd. completed construction of a new plant building at its Hyogo Plant, which is the main plant of its Hams and Sausages business. The new plant building is equipped with the latest high-productivity continuous line, making it capable of efficiently manufacturing safe, reliable, and high-quality products. The company also aims to make the new plant building a vibrant workspace for all, regardless of age or gender, with an “employee-friendly” design concept that includes reducing operator workloads by introducing automated dolly loading machines.



**Strengthening Flagship Brands**

Nipponham Processed Foods Ltd., which is a key manufacturer of processed foods, introduced a high-productivity line at its Kanto Plant (Joso City, Ibaraki Prefecture) to increase the value of its mainline product, *Ishigama Kobo*® chilled pizza, in an initiative to reduce manufacturing costs and reinforce its product lineup through efficient intensive production.



It is also aiming to optimize its production system through more capital investment taking advantage of production sites nearby its largest consumption areas: the Tokyo metropolitan area, Kinki, and Chubu.

**Around 11,000 Visitors on Plant Tours (Fiscal 2017)**

As part of the “Open Quality” initiative to ensure transparent food production, we offer regular plant tours, educating visitors on our quality assurance system and communicating our commitment to the *monozukuri* ethos of craftsmanship.

\* See our website for details.

**WEB** <https://www.nipponham.co.jp/fun/factory/> (Japanese only)

**Toward a Sustainable Society**

**E** Support for the environment

**S** Social initiatives

**E Modal shift**

In addition to shipping freight by ferry, the Processed Foods Business Division is shifting from trucks to rail to transport freight between distant locations, such as when shipping from the Nipponham Delicatessen Ltd. Hokkaido Plant to Kyushu, or from the Isahaya Plant to Hokkaido, and it is continuing to shift transport from trucks to rail as appropriate.



**E Wastewater treatment**

Nipponham Southwest Ltd. is working to increase its wastewater treatment capacity by installing micro-nano bubble generators. Hydrogen sulfide concentrations were reduced from a yearly average of 5.3 ppm before adoption to 2.4 ppm after, thus reducing odors.

The company had previously been contracting the treatment of blood in butchery wastewater, but is now able to purify it using its wastewater treatment facilities. (45 tons/month)

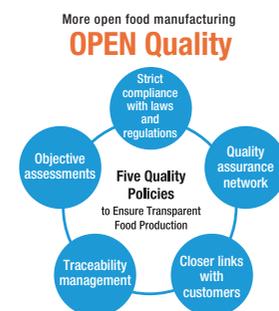


**S Quality assurance system**

We are raising the level of our quality assurance by performing traceability management on each process in our vertical integration system.

\* See our website for details.

**WEB** <https://www.nipponham.co.jp/eng/group/quality/index.html>





Consignment and  
distribution



## CONSIGNMENT AND DISTRIBUTION OPERATIONS

**We are increasing our presence in the low-temperature distribution industry, working to solve challenges through innovations in logistics that create network synergy in our Group with Japan's largest warehouses.**

Our distribution operations consist of Nippon Logistics Center, Inc. and Nippon Chilled Logistics, Inc., which handle products from our fresh meats operations, and Nippon Daily Net Co., Ltd. and Nippon Route Service Co., Ltd., which handle products from our processing operations. Products are sent from production sites to centers, then from each center to sales sites or to volume retailers and other customers. Meanwhile, the recent chronic shortage of drivers and other labor has required us to solve a variety of issues in the logistics divisions, and more efficient operations have become essential. We are further strengthening our business foundation and improving the efficiency of the Group as well as that of the industry and our business partners by sharing holding assets and utilizing mutual strengths.

### Changes to the NH Foods Group's Markets

- Labor shortages
- Reducing environmental impact
- Energy efficiency

NUMBER OF DOMESTIC STORAGE AND DISTRIBUTION FACILITIES

**24** sites  
(As of April 1, 2018)

We maintain high logistics quality through efficient operation, as we endeavor to solve a variety of challenges such as driver shortages.

**Building Refrigeration Warehouses and Delivery Network to Respond to a Growing Share of the Fresh Meat Market**

Nippon Logistics Center, Inc. handles the storage of foreign and domestic cargo in refrigeration and freezing warehouses for our fresh meat operations. It operates two sites: one facility in Tokyo and another in the Kansai region. Of these, the Tokyo site (located in Kawasaki), which is on the opposite shore from Haneda Airport, is the largest in Japan; and the two sites combined handle an annual total of 1 million tons. Nippon Chilled Logistics, Inc. dispatches 500 trucks per day, delivering directly to sales offices and volume retailers in every corner of the country. These two companies' networks are a major advantage for expanding our share of the fresh meat sales market.



**Supporting the Diverse Needs of Customers with Our Proprietary Logistics Management System**

Nippon Daily Net Co., Ltd. handles storage, shipment, and delivery of hams and sausages and processed foods. It delivers products to around 2,200 distribution centers for volume retailers and convenience stores nationwide from 14 logistics centers. It also provides attentive support in its ancillary warehouse operations, including picking, itemizing, and changing temperature zones. We offer safe and secure logistics services that maintain high quality both inside and outside the Group, by means of thorough employee education and our in-house developed LINQS warehouse management system. Additionally, Nippon Route Service Co., Ltd. which handles deliveries, has built 24/7/365 operational readiness, and operates a nationwide network of more than 250 company vehicles to meet our customers' needs, including simultaneous distribution of foods with multiple temperature needs.



**Toward a Sustainable Society**

**E** Support for the environment

**S** Social initiatives

**E S** Joint deliveries with other companies

Nippon Daily Net Co., Ltd. is advancing joint delivery, storage, and warehousing operations with other companies, under the concept of competing on product development and sales, and collaborating on logistics. The expected benefits include improving logistics costs within the industry, as well as reducing environmental impact and dealing with the shortage of drivers.



**E** Helping customers work more efficiently with proprietary thawing technology

In 2014, Nippon Logistics Center, Inc. introduced proprietary high-frequency thawing machines. These machines can thaw frozen meat in as little as 40 minutes, minimizing loss of quality while helping reduce our customers' workload by shortening thawing times.



**S** Reducing burden on drivers

Nippon Chilled Logistics, Inc. has reviewed the setup of relay points of logistics and delivery schedules to resolve such driver issues as labor shortages and long working hours. It is also holding workshops to increase employees' safety awareness.





Marketing and Sales



Volume Retailers and Restaurants

## MARKETING AND SALES, VOLUME RETAILERS AND RESTAURANTS

**We offer comprehensive proposals tailored to heightened health consciousness and changes in society.**

Expanding product sales entails presenting proposals that boost the sales and profits of supermarkets, butcher shops, and other retailers. The Group develops products that incorporate customer feedback, proposes menus and designs for product displays, and provides information about new products to customers. In 2017, NH Foods Ltd. announced the “Consumer-oriented Voluntary Declaration,” following a communication cycle of “listening, knowing, and using” to increase customer satisfaction and improve products and services. We will maximize the synergy of our group, utilizing the strengths of each department to be the manufacturer of choice for our customers.

### Changes to the NH Foods Group’s Markets

- Energy and resource conservation
- Support for diverse lifestyles
- Labor shortages

NUMBER OF TOTAL INQUIRIES TO  
CUSTOMER SUPPORT DESKS OF  
NH FOODS GROUP (FISCAL 2017)

Around **143,000**



We support healthy lives by continually offering inspiration that exceeds our customers' expectations through new food discoveries and proposals.

**Creating Value through Dialog with Consumers**

- Until now, our Fresh Meats business has mainly followed a B2B model, but in order to raise our level as a B2C service, we will study and analyze consumption trends to raise awareness of our branded fresh meats, improve our raising methods, ratings, and certifications, and develop attractive products and brands. We will also increase the association of NH Foods with meat via active promotion, and offer products with added value.
- This fiscal year, our Processed Food business created a Marketing Promotion Department, establishing a system to lead all stages from planning to sales promotion of our flagship products, which until now had been conducted by separate divisions. This has made it possible to develop our brands with a medium to long-term perspective and promote market-in operations.

We will also further strengthen structures that can increase product value by linking information from sales divisions (feedback from consumers, customers, and worksites) with the Consumer Delegate Committee and consumer surveys.



**Maximizing Group Synergy by Promoting Group Sales**

We newly created the Group Sales Planning Department to maximize group synergy in sales beyond the boundaries of business divisions. Until now, each business division and Group company has expanded sales through their individual strengths in our broad business domains, but lately it has become essential to leverage the assets of the Group as a whole when approaching areas and channels. We will work actively to propose and promote comprehensive sales strategies to further advance Group sales.

**Toward a Sustainable Society**

**E** Support for the environment

**S** Social initiatives

**S Food education that teaches the importance of food**

We promote hands-on food education, including seminars, workshops, and cooking classes. Through these activities, we teach people to eat correctly, enjoy eating, and value food.



**S Initiatives to utilize customer feedback in product development**

The Consumer Delegate Committee was created in 1969 as an initiative to gather customer feedback. We have utilized proposals from the Consumer Delegate Committee in a variety of products, such as the *Entier* twin pack, which reduces food loss and improves ease of use.



**S Communicating Japanese culinary culture internationally**

We exhibited at the Anuga 2017 international food trade fair. Our goals included the penetration of the "NH Foods" brand and increasing overseas sales. We provided information about Japanese culinary culture, including a showcase of Japanese *wagyu* beef and proposals for processed chicken products, and our booth was bustling with visitors. (This was our third time exhibiting at the international food trade fair.)

