

Overseas Business Division

We will build a value chain and totally optimize global beef business to grow overseas sales and stabilize profits.



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Reflecting on the Previous Medium-Term Management Plan

The Overseas Business Division optimizes Group operations, acting as a supply source for Japan. At the same time, the division has focused on realizing management autonomy to foster the sustainable development and growth of Group companies operating in 19 countries and regions, leveraging appropriate governance management frameworks and strategic CSR efforts. To strengthen its business underpinnings, the division implemented steps that included divesting an unprofitable hog farming business in the United States. It also concluded partnerships with such companies as Breeders & Packers Uruguay S.A. for the beef business, and with Ege-Tav Ege Tarım Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi in Turkey and Lay Hong Berhad in Malaysia for the poultry business.

In the fiscal year ended March 31, 2018, the division's net sales rose to ¥253.8 billion. The division incurred an operating loss of ¥4.7 billion, however, reflecting changes in the Australian beef business climate, as well as market and currency factors.

Toward Sustainable Growth (Risks and Opportunities)

Today the world's population is growing largely in emerging nations, so global fresh meat consumption should increase. Another growth opportunity is that Japanese foods are increasingly popular overseas. At the same time, we need to factor in risks. These include price hikes from expanding global fresh meat demand, major fresh meat companies' expansions into Asia and the Middle East, and the price increase of grains and other raw material due to the impact of climate change. We believe that for the Group to grow sustainably it needs to build an integrated value chain for manufacturing and sales, develop human resources, and reinforce governance in each country and region in which it operates. It is not sufficient to merely use these locations as supply bases for Japan.

Medium-Term Management Plan 2020 Initiatives

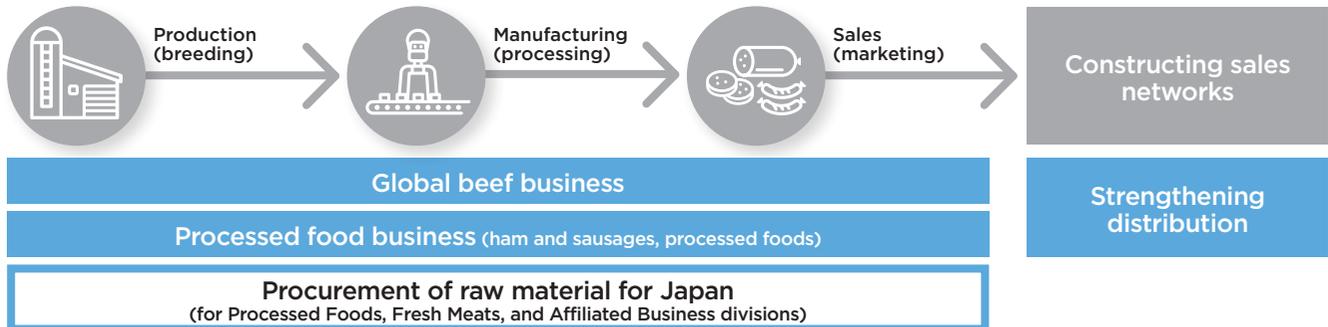
Under Medium-Term Management Plan 2020, with the theme of "expand sales and profits by building the value chain", we are accordingly pushing to totally optimize the global beef business, construct a value chain for overseas processing operations, develop human resources, reinforce governance, and improve corporate value through strategic CSR. The Group's business model in Japan succeeded by developing and producing high-value-added products against the backdrop of the well-regarded NH Foods brand name, supported by solid networks to distribute products around Japan. We are applying this successful system in our overseas processing operations. At the same time, we will undertake mergers and acquisitions as needed to reinforce the value chain and generate Group synergies.

● Optimizing the Global Beef Business

Global beef consumption is expected to grow roughly 20% over the next 10 years, driven mainly by emerging nation demand. For markets where demand is expanding, the Overseas Business Division is exploring an optimal structure that encompasses such elements as product categories and sales areas to drive growth over the

BUILDING A VALUE CHAIN

- Strategies for each channel: Exporting to Japan, domestic sales, and third country export sales
- Boosting research and development structure: A differentiated product strategy
- Reinforcing marketing (proposal capabilities)



medium and long terms.

In Australia, we are reviewing governance (operational and management systems) while reinforcing our production framework by optimizing production lines and pushing ahead with branding, cultivating new channels, and expanding areas for exports. While clarifying production and manufacturing companies' roles to reinforce our production framework, we are sharing information on cattle purchases as part of total optimization efforts. For branding, we are developing high-value-added products in collaboration between manufacturing and sales, such as for high-end export offerings and branded products for Australia.

In Uruguay, we are obtaining certifications to guarantee product safety while focusing on sales expansion by reinforcing integration and improving brand recognition to realize management for No. 1 quality. To reinforce integration, we are continuing to reinforce close relationships with farmers while cultivating businesses with new farmers to expand cattle purchase numbers. In addition, we will develop our own brands and enhance their recognition to expand the number of countries to which we export.

● Building a Processed Food Business Value Chain

In Hong Kong, for enhancing our distribution function, we invested about ¥1.0 billion (for a roughly 5% stake) in Tsit Wing International Holdings. This established our sales foundations for Hong Kong and southern China and opened a new distribution network for us. We will sell the processed foods from Group manufacturing bases in Southeast Asia and China and exported beef and other offerings from Australia and Uruguay.

In Indonesia, we established a processed foods manufacturing joint venture with an investment of about ¥1.1 billion (for a 51% stake) with PT Diamond Cold Storage to build an integrated platform for manufacturing and sales in that country.

● Sales Expansion

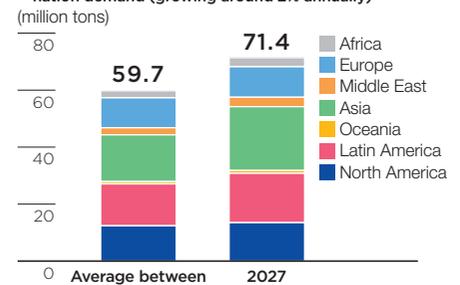
We need to accelerate understanding of culinary cultures and commercialization to expand sales in overseas markets. We will accordingly reinforce research and development and marketing to promote development and sales expansion for high-value-added products that match market environments in each country/area.

In our exporting business to Japan, we will expand volume by cultivating new country and business suppliers. Augmenting the division's existing collaboration with the Fresh Meats and Processed Foods business divisions, we will deepen collaboration in raw materials procurement, processing, and sales of the marine and dairy product businesses of the Affiliated Business Division. In the marine product business, in addition to raw materials procurements for tuna in Indonesia and South America, manufacturing of marine processed foods in Thailand, and salmon procurement in Europe and the Middle East, we will expand our marine products line in Chile. For the dairy business, we will expand raw materials sourcing in Europe and the Middle East.

BEEF CONSUMPTION PROJECTION

Looking to markets with demand potential.

- Consumption of beef worldwide should increase about 20% over the next 10 years, driven largely by emerging nation demand (growing around 2% annually)



Source: "World Food Supply and Demand Projection to 2027 (in Japanese)", Ministry of Agriculture, Forestry and Fisheries of Japan