

Investment in Meat and Livestock Business in China

Mitsubishi Corporation (MC), ITOHAM FOODS INC. (ITOHAM) and YONEKYU CORPORATION (YONEKYU) have decided to make an investment in the business of livestock and poultry breeding, slaughtering, processing, selling and importing the meat products engaged by COFCO Limited (COFCO) in China.

1. Investment scheme and Project outline

MC, ITOHAM and YONEKYU will, through MIY Corporation (MIY), an investment vehicle jointly established by them, subscribe the shares issued by COFCO's subsidiary which is a holding company (Holding Company) of COFCO's meat business representing 33% shares of the Holding Company by around July 2011.

COFCO, MC, ITOHAM and YONEKYU will expand meat products and processed foods business in China by spending a total of 10 billion Chinese Yuan (approximately 125 billion Japanese Yen) by 2017.

With regard to meat products business, there are plans to open 7 new plants, giving a combined total of 12 plants, which will increase slaughter capacity from 50 million to 300 million birds for poultry and from 0.5 to 5 million heads for pork per year.

As for processed foods (including processed pork and poultry products), the number of plants will be increased from 4 to 11, which in turn will lead to an increase in production capacity from 20,000 tons to 210,000 tons. When combined with meats, such as beef, pork and chicken, imported from overseas, annual sales will increase to 18.1 billion Chinese Yuan (approximately 226.3 billion Japanese Yen) from 2.3 billion Chinese Yuan (approximately 28.8 billion Japanese Yen).

MIY will subscribe for the capital increase needed for business expansion of the Holding Company in proportion to its shareholdings to maintain its 33% shareholding ratio and then MIY's total investment is expected to be approximately 3.3 billion Chinese Yuan (approximately 41.3 billion Japanese Yen) by 2017.

2. Objective

Consumption for meat products and processed foods in China has increased following China's economic expansion and is expected to continue to increase for the foreseeable future. Despite the fact that the Chinese livestock and meat market is one of the biggest in the world, that industry is currently operated by small and medium sized players. With growing demand for stable supplies of high quality and safe products COFCO's mission, as a corporation owned by State-owned Assets Supervision and Administration Commission of the State Council (SASAC), is to establish a system to ensure supply of more high quality meat products and processed foods.

Under a Business Alliance Agreement formulated in 2009, MC, ITOHAM and YONEKYU have been investigating opportunities to jointly strengthen their respective businesses. In particular there have been many discussions focusing on the participation of COFCO's meat business in China.

MC, ITOHAM, YONEKYU and COFCO have agreed to work together to achieve each company's objective and to establish a stable supply of high quality and safe meat products and processed foods in China. In order to achieve this, MC, ITOHAM, and YONEKYU will look to combine the skills and know-how that they have developed in these industries with COFCO's strong business foundations in China.

We hope this project will effectively promote each company's growth strategy while also contributing to the development of China's meat industry and the stable supply of food products.

In July 2010 MC released its Midterm Corporate Strategy 2012 in which it designates China as one of its strategic regions for investment. MC and COFCO have enjoyed a strategic alliance since 2004 and will look to strengthen their ties through the forthcoming project. MC will also be looking for opportunities both to expand its business in the rapidly growing Chinese market and to develop new businesses in food-related and other fields.

'To be one of the most reliable meat processors in Asia' is the key vision on ITOHAM's midterm corporate strategy, CNV2015, which was announced in January 2011. One of ITOHAM's growth strategies is to expand sales in growing Asian markets. The forthcoming project in China is an example of this strategy being put into action.

One of the key growth strategies of YONEKYU's fifth midterm corporate strategy which was announced in April 2011 is re-entering the overseas market. Following this project, YONEKYU will seek opportunities to expand business in other regions.

3. Overview of COFCO

- (1) Company name : COFCO Limited
- (2) Representative : President & C.E.O. Mr. Ning Gaoning
- (3) Headquarters : Beijing, China
- (4) Established : Year of 1949
- (5) Business : National food business conglomerate

4. Outline of MC, ITOHAM and YONEKYU

(Mitsubishi Corporation)

- (1) Established : April, 1950
- (2) Headquarters : 2-3-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
- (3) Representatives : President & C.E.O. Ken Kobayashi
- (4) Capital : 203.3 billion yen (Fiscal year ended March 2011)

- (5) Sales : 19,233.4 billion yen (Fiscal year ended March 2011)
- (6) Number of employees : 58,470 (consolidated as of end of March 2011)
- (7) Business : General trading company (sogo shosha) with over 200 bases of operations in approximately 80 countries worldwide who has long been engaged in business with customers around the world in virtually every industry, including energy, metals, machinery, chemicals, food and general merchandise, and environmental business.

(ITO HAM FOODS INC.)

- (1) Established : June, 1948
- (2) Headquarters : 4-27, Takahata-Cho, Nishinomiya-City, Hyogo, Japan
- (3) Representatives : President & C.E.O. Mamoru Horio
- (4) Capital : 28.4 billion yen (Fiscal year ended March 2011)
- (5) Sales : 455.9 billion yen (Fiscal year ended March 2011)
- (6) Number of employees : 5,871 (consolidated as of end of March 2011)
- (7) Business : Manufacture and sale of processed meat products and processed and precooked food products. Manufacture and sale of processed/precooked food products.

(YONEKYU CORPORATION)

- (1) Established : February, 1969
- (2) Headquarters : 1259, Okamiya-terabayashi, Numazu, Shizuoka, Japan
- (3) Representatives : President & C.E.O. Akira Fujii
- (4) Capital : 8.6 billion yen (Fiscal year ended February 2011)
- (5) Sales : 136.0 billion yen (Fiscal year ended February 2011)
- (6) Number of employees : 1,719 (consolidated as of end of February 2011)
- (7) Business : Production and sales of meat (beef, pork, poultry, etc.), variety of processed foods (including ham, sausages and deli food) and other food merchandise.

5. Structure of investment

