

Minutes and the Supplementary "Business Results and Progress in the Medium-Term Management plan" of the Institutional Investor/Analyst Briefing for the First Half of the Fiscal Year Ending March 31, 2014

Nippon Meat Packers, Inc.

Date & Time: November 5, 2013 (Tuesday) - 10:00-11:30

Attendees: President and Representative Director:
Noboru Takezoe

Director and Senior Managing Executive Officer,
General Manager of Processed Foods Business Division:
Koji Uchida

Director and Managing Executive Officer, General
Manager of Corporate Management Division, in charge of
Accounting and Finance Department and IT Strategy
Department:
Yoshihide Hata

Director and Managing Executive Officer, General
Manager of Fresh Meats Business Division:
Juichi Suezawa

Director and Executive Officer, General Manager of
Affiliated Business Division:
Koji Kawamura

[The Supplementary "Business Results and Progress in the Medium-Term Management plan"]

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In the final fiscal year of the current medium-term management plan, the Company is striving to achieve operating income 43.0 billion yen and net income of 22.0 billion yen. With operating income presently around 3.0 billion yen, achieving this target appears to be difficult. Nevertheless, an improvement in the effective tax rate is expected to have a positive impact on net income. (The effective tax rate in the first half was 30% and is expected to reach 37% during the plan's final fiscal year.)

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- The Company is implementing measures to promote its capital strategy, taking into account ROIC (return on invested capital) as a management indicator.

[Q&A]

Overall

- Q1) Please provide details about policies that emphasize net income.
- A1) During parts II and III of the new medium-term management plan, we recorded significant restructuring costs. However, we currently do not foresee any factors that could significantly change other operating income and loss during the current plan. Under these circumstances, our policies emphasize net income from the standpoints of ROE management and dividend resources.
- Q2) What is the status of the Company's measures to build a system that is unaffected by fresh meat market conditions?
- A2) We are working toward strengthening measures in the areas of proposal-based marketing (including boosting beef-related sales negotiations) and product development capability (branded fresh meats, locally packing meats).
- Q3) What is the status in the second quarter of the accounts settlement adjustment that occurred in the first quarter?
- A3) In the second quarter this has increased by approx. 500 million yen (by approx. -2.0 billion yen in the first half).
- Q4) What is your view of the current situation involving the Trans-Pacific Partnership (TPP)?
- A4) Although we cannot make any definitive statements as negotiations are still ongoing, in the event that tariffs are abolished in the Processed Foods Business Division, imported raw material prices will decrease while there may be an increase in the number of overseas products on the market. In the Fresh Meats Business Division, we foresee a minor drop in the price of imported products. The impact of this on farming operations in Japan is a cause for concern.
- Q5) What is the situation regarding the redemption of convertible bonds?
- A5) Despite a maximum of around 23 million shares that will be granted at the time of conversion in March 2014, almost no conversions are taking place at this time. We are examining converted share as a capital strategy that includes acquisition of treasury stock, taking into consideration the promotion of ROE as a management target indicator.
- Q6) What were the outcomes of the Group fairs?
- A6) The fairs strengthened relationships among counterparts in each business division, enabling the Group to work in unison to expand its initiatives. Nevertheless, there appears to be a lack of coordination and insufficient preparation within the Group. We are fully aware that these will be issues that need to be addressed in the next fiscal year.

Fresh Meats Business

Q7) What is behind the significant growth of the Australian businesses? Also, what are your projections for the second half and the next fiscal year onward?

A7) In the first half, sales volume increased while income rose noticeable thanks mainly to foreign exchange rates. In the second half, we project 1.2 billion yen in income (third quarter: a 1.1 billion yen improvement). Looking ahead, we believe that Australia's market presence will increase further primarily due to higher supply and demand in each of the world's four main producing countries—Brazil, the United States of America, Australia and India—and a decrease in live cattle following breeding stock selection being undertaken in the United States of America. On the other hand, we will continue to strengthen sales, improve productivity and take other measures to boost Australian businesses in light of a rebound in cattle supply in the United States of America projected to take place around 2016.

◆ Reasons for Sales Volume Increases

Major sales country	2013/03 1st half results	2014/03 1st half results	
	Share by volume	Share by volume	Volume change year-on-year
Japan	29%	21%	96%
U.S.A.	15%	18%	159%
South Korea	9%	11%	158%
China	3%	10%	495%
Taiwan	6%	5%	106%
Australia (domestic)	28%	24%	117%
Sales volume increase			134%
Unit price (Australian dollars)			104%
Unit price (yen)			120%

◆ Trade Revenue, Foreign Exchange

	Trade revenue	Foreign exchange
1Q	1.1 billion yen	0.2 billion yen
2Q	1.4 billion yen	1.1 billion yen
Total	3.8 billion yen	

Q8) Please provide your forecasts for Nippon Food companies.

A8) Total first half profitability grew compared with last year despite refraining from selling domestic beef, imported chicken, and imported frozen pork. Moving forward, we will implement profit-oriented initiatives based on the assumption that market share will increase.

- Q9) Please explain market price trends for domestic pork and chicken in the second half.
- A9) Market price results and trends in the current fiscal year are as follows.

Livestock type	2013/03 1st half results	2013/03 Full-year results	2014/03 1st half results	2014/03 Full-year forecasts
Domestic pork (Average price of three markets "Tokyo, Saitama, Yokohama" Excellent Grade, tax excluded)	438 yen/kg	412 yen/kg	478 yen/kg	445 to 450 yen/kg
Domestic chicken (Nikkei/weighted average)	378 yen/kg	399 yen/kg	412 yen/kg	430 to 435 yen/kg

- Q10) What measures are being taken regarding U.S. beef?
- A10) U.S. beef is currently experiencing a decrease in live cattle and an increase in prices due to changes in supply and demand trends. We expect this movement to continue until around 2016. In light of current circumstances, however, we will continue measures that include enhancing the trusting relationships we have built with U.S. meat packers, maintaining sales volume, and developing product plans (standards that make it easier to sell products in Japan).

Processed Foods Business

- Q11) What measures are being taken to ensure profitability in the fourth quarter?
- A11) We are taking measures intended to boost sales of brand products (including the 30th-anniversary sales promotion of "SCHAU ESSEN" sausages, and new product releases); enhance sales by revising the prices of consumer products; cost-cutting (including product category elimination/consolidation and productivity increases); and improve earnings for commercial-use products.
- Q12) What is the full-year outlook for raw materials?
- A12) Due to the rise of raw material prices, we expect income will fall 4.0 billion yen year to year in the second half and decline 2.5 billion yen in the next fiscal year.
- Q13) What measures are being implemented regarding commercial-use product sales volumes?
- A13) We will take measures that include developing competitive products and proposing attractive menus.
- Q14) How effective are sales promotion expenditures?
- A14) Remaining cognizant of total overall expenditures, television commercials and other effective sales promotion activities will continue to be implemented.