Minutes of the Institutional Investor/Analyst Briefing for the Year Ended March 31, 2015

NH Foods Ltd.

Date & Time:	May 13, 2015 (Wednesday) -- 10:00-11:30
Attendees:	President and Representative Director (President and CEO): *Juichi Suezawa* Vice President and Representative Director, General Manager of Corporate Management Division: *Yoshihide Hata* Representative Director and Senior Managing Executive Officer, General Manager of Processed Foods Business Division: *Koji Kawamura* Senior Managing Executive Officer, General Manager of Fresh Meats Business Division: *Katsumi Inoue* Executive Officer, General Manager of Affiliated Business Division: *Kazunori Shinohara*

[Supplement and Additional Matters to the Briefing Materials]

- Main factors for not achieving the initial forecast for operating income of the Processed Foods Business Division for the year ended March 31, 2015 (Initial forecast of ¥10.0 billion→Actual result of ¥2.1 billion)
  Increase in raw material costs: ¥(4.5) billion, Cost-cutting: ¥(2.8) billion (OEM businesses ¥(0.7) billion, Ibaraki Plant ¥(0.7) billion, Non-attainment of sales volume, etc. ¥(0.9) billion)
- Processed Foods Business New Medium-Term Management Plan Part 5 (3 years): Breakdown of forecast of ¥6.9 billion improvement in operating income
  (Increase in raw material costs: ¥(7.0) billion, Cost-cutting, increases in sales volume, etc.: ¥13.9 billion)
- Capital expenditures of ¥147.0 billion include approximately ¥20.0 billion in amounts carried over from the ongoing implementation of the Medium-Term Management Plan Part 4.
- (For the Year ended March 31, 2018) Expected ROE of 8% or above, Ratio of net income (attributable to NH Foods Ltd.) of 2.54 × total assets turnover of 1.69 times × leverage of 1.90 times

[Q&A]

Overall

Q) What improvements do you hope to achieve by introducing ROIC? Looking at the calculations, the invested capital turnover in three years time is forecasted to decline year by year.

A) We are seeking to improve capital efficiency by introducing ROIC, thereby aiming to raise the total assets turnover and ratio of net income (attributable to NH Foods Ltd.) of ROE. Additionally using ROIC as another performance indicator for business divisions, we will incorporate measures for raising ROIC into the strategies for business divisions. The New Medium-Term Management Plan Part 5 is a period for us to solidify a foothold for the long-term goal of the Group. Despite of increasing invested capital due to active capital expenditure as a growth strategy, we will promote measures for achieving ROIC of 6% or above.

Q) For which businesses will you raise ROIC in the New Medium-Term Management Plan Part 5 to raise it on a Group-wide basis?

A) ROIC for the Fresh Meats Business Division was quite high in the year ended March 31, 2015, so first we are aiming to maintain the current level. We are also working to raise ROIC for the Processed Foods Business Division and Affiliated Business Division through carrying out improvements as outlined in the Plan. We must achieve WACC at minimum (approx. 4%) or above for each Business Division.

Q) There is a substantial amount of money being used for capital expenditures; can you elaborate on your vision of growth for the Group?

A) We are looking to actively invest in overseas businesses, domestic fresh meats farm businesses, as well as processing businesses. For example, for overseas businesses, we will invest in the processing plant and in refrigeration facilities that has been a bottleneck in Australia. As for domestic farm businesses and processing businesses, we are aiming to raise the shipment volume of chickens and hogs by roughly 2% annually.

Q) In order to create a business model invulnerable to market prices, shouldn't there be capital expenditures in processed foods related facilities rather than in fresh meats related upstream businesses?

A) Although it can be called an investment in upstream businesses, we will focus our expenditures on profitable and branded fresh meats such as *Sakurahime*.

Q) What areas of overseas businesses are you looking to strengthen in the New Medium-Term Management Plan Part 5?

A) We believe the growth drivers to be the Americas and Australia in particular. In Australia, we currently sells beef to around 30 countries, so we can achieve further growth by increasing the number of cattle processed. As for the Americas, we opened an office in Seattle in the previous fiscal year; we plan to keep expanding our business going forward, by increasing sales of processed foods and marine products in the States.

Q) Will you review the businesses?

A) We will establish certain standards, and some businesses that do not meet these standards may be scrapped. We will also determine which products to keep or discontinue based on their profitability.

Fresh Meats Business

Q) What is the outlook for the Australian business?

A) Just looking at the forecast for the number of cattle livestock in Australia, we cannot expect any substantial growth in profits. (Purchasing costs for the year ending March 31, 2016 are forecasted to rise by 8-9%.)

Q) What areas are you focusing on for further growth in operating income of overseas fresh meats businesses, within the New Medium-Term Management Plan Part 5?

A) We are aiming for a total operating income of around ¥5.0 billion over three years as a result of our expansion into Turkey. (We forecast operating income of ¥3.0 billion in the final year of the Plan.)

Processed Foods Business

Q) Can we expect to see any profits pickup in OEM businesses?

A) In the first year of our expansion into OEM businesses, we cut back on the number of production and our deficit was larger than anticipated. We currently have plans for only two plants in the Kansai and Chubu regions, and we will have no plan for expansion until the deficit is eliminated. We will aim to improve by ¥0.5 billion for the year ending March 31, 2016, return to a slight deficit in the year ending March 31, 2017, and then finish in surplus for the final year of the New Medium-Term Management Plan Part 5.

Q) What is the reason for carrying on the OEM businesses?

A) The OEM businesses are a way of strengthening relations with partner companies, and also allow us to increase revenues and earnings by supplying food products from the entire Group.

Q) Can you elaborate on the cost-cutting in the Processed Foods Business?

A) In addition to the introduction of high-capacity lines at the Ibaraki Plant, we will aim to improve gross profit and optimize our product portfolio.

Q) Will you carry out reforms for raising the low operating income ratio in the Processed Foods Business?

A) First we need to raise the operation rate of the plants. To this end, we aim for an increase in sales volume using a market-in approach rather than a product-out one through linkage between production and sales, thus raising the operation rate. We also need to raise ROIC for the Processed Foods Business, but before that we must improve the absolute amount of profits; this will require brushing up our NB products and reducing costs through higher productivity.

Affiliated Business

Q) What is the outlook for the Affiliated Business?

A) The Affiliated Business currently has a low operating income ratio; we know it has potential, but we have come to realize that our approach is flawed. Enhancing our manufacturers' capabilities has been an ongoing issue for us, and so we should now focus on becoming the Affiliated Business as the third business pillar of the Group during the period of this Plan. We will also leverage the sales capabilities of the other Business Divisions and work on expanding sales.