

February 27, 2017

**Minutes of Q&A at the Analyst Briefing for  
the Third Quarter of the Fiscal Year Ending March 31, 2017**

Date & Time: February 3, 2017 13:30-14:30

Venue: Room 601AB, STATION CONFERENCE TOKYO

Number of attendees: 104

Attendees from the Company:

Vice President and Representative Director:

*Yoshihide Hata*

Executive Officer and General Manager of Public and Investor Relations Department:

*Masahito Kataoka*

[Q&A]

Q1

You mentioned that you strived to expand the volume in the processed foods business. How do you intend to increase the sales amount in the next fiscal year? How much cost reduction effects do you foresee in the next fiscal year?

A1

In this fiscal year we strived to expand our share by increasing the product volume of our mainstay brands and introducing products exclusively sold by distributors to increase sales volume, using part of funds obtained from reduction in principal raw materials prices. We will absorb the expected increase in raw materials prices from the second half of the next fiscal year and secure income by increasing volume with the introduction of new products, etc. Commercial-use products have performed strongly and standard product launches are progressing, so we believe that this will underpin volume growth.

As for cost reduction, we saw a temporary increase in expenses due to the completion of our new plant this fiscal year requiring rearrangements in allotment of manufacturing lines between other plants. However, we are currently working on reducing manufacturing costs and believe that the completion of the new plant will bring positive effects.

Q2

Regarding the Australia operations, public forecast projects recovery in the number of cattle in Australia to occur next fiscal year. Does this affect the outlook for next year? Will the procurement cost be reduced?

A2

According to the MLA announcement, the number of livestock raised will recover in 2017, and the number of livestock processed will improve from the current state in 2018. The feeder cattle prices have settled down somewhat, so we feel MLA figures make sense. We believe that the situation in Australia has entered a recovery phase.

Q3

Nippon Food Group's performance has shown strong growth so far, but if we focus only on the third quarter, despite volume growth, income decreased. What is the cause of this?

A3

Extremely strong performance in the third quarter of the previous fiscal year raised the bar. We were able to expand overall sales volume, but restaurant channels did not reach the level of last year. As for the development of restaurant channels, we will promote delivery with mini-vehicles responding to the parking and road situation in the Tokyo metropolitan and Kinki area, and also meet individual needs meticulously by measures tailored to the restaurant trade such as providing cut products.

Q4

It seems the tide is changing for the fresh meat market in 2017. How do you see this?

A4

For imported beef, although production has increased in the U.S., shipments are also growing, so we expect prices to rise moderately.

For imported pork, production in the U.S. is strong. Export shipments have also increased, so we expect a steady market.

For imported chicken, production has unexpectedly struggled in Brazil, and there is also the impact of negative factors such as diseases, so we expect that prices will rise.

Q5

The new products share the same price range as competitors' mainstay wiener products. How do you intend to differentiate from them?

A5

They do share the same price range as competitors' mainstay brands, but we will differentiate from them with quality.

Q6

You are set to change the company name of your commercial frozen food distributor. What are the ongoing challenges for the frozen foods division?

A6

We will enrich items that take advantage of the strengths of the Nipponham Group. We will also work on optimizing our production system.

Q7

What is your view on market trends in the processed foods business?

A7

Sales of hams and sausages were on a shrinking trend affected by negative WHO reports the year before last, but have showed a gradual recovery since the end of last year.

Q8

How will you absorb the rising prices of raw materials expected in the next fiscal year?

A8

We will work to optimize our manufacturing system. We will implement capital expenditures, etc. and aim to improve the cost structure.