

Minutes of the Analyst Briefing for the First Quarter of the Fiscal Year Ending March 31, 2018

Date & Time: August 3, 2017 (Thursday) 10:00-11:00

Venue: 605, STATION CONFERENCE TOKYO

Attendees from the Company:

Vice President and Representative Director: *Yoshihide Hata*

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

Masahito Kataoka

Number of attendees: 84

○Q&A

Q1

How would you rate your potential to achieve production improvement targets in the processed foods business from 2Q onward?

A1

In hams and sausages, we will deliver improvement through a recovery in volumes of the *Irodori Kitchen Series*, the promotion of products focused on health, and the effect of investment in new high-speed lines, while in deli and processed foods, we will do so through sales enhancement of consumer products.

Q2

What is the progress of reform in the processed foods business?

A2

We are considering initiatives to effectively utilize the group assets and enhance productivity. We would like to consider measures regarding production bases, taking into consideration future trends in consumption.

Q3

What is the status of expansion in the sausage market?

A3

Sales of *Hojun* have grown in line with initial targets, following its launch in February this year. There is no effect on *SCHAU ESSEN* because it is in a different retail price range. The wiener market is growing in terms of the industry as a whole, and there is ample room for growth in volumes.

Q4

What is the status of expansion in the frozen processed food market?

A4

We are strengthening our initiatives in the frozen processed food market as we aim for net sales of ¥30.0 billion four years from now. There is an increasing focus on convenience owing to changes in social trends, and we intend to skillfully utilize this for product development.

Q5

What is the basis for targets for the fresh meats business in the second half?

A5

Although there is a possibility that chicken prices will trend around a certain level, there is a strong sense of uncertainty regarding the market trends, mainly for pork. With regard to the import environment also, prices in the countries of production are relatively high, and as safeguards have been activated for frozen beef since August, we have maintained our targets for the second half at this time.

Q6

What are your structural strengths in the fresh meats business?

A6

We aim to enhance our strengths of “supply capability” and “procurement capability,” and thus expand our market share. Our target is to increase our share of domestic sales to 25% in four years (21.3% in the fiscal year ended March 31, 2017). In order to do so, we believe it will be necessary to increase domestic production, in addition to further increasing the use of imported fresh meats.

Q7

What is your view on future sales, taking into consideration changes in consumption trends?

A7

In order to enhance the marketing function in product development, we think it is essential that we strengthen coordination between business divisions. Furthermore, in accordance with the “Consumer-oriented Voluntary Declaration” announced in January this year, we will promote our initiatives with a consumer’s perspective. From a long-term perspective, we also aim to expand into areas that utilize the results of research by the Research and Development Center.

Q8

What is your response to increasing labor costs and logistics expenses?

A8

In addition to capital expenditure thus far, we will further promote labor-saving measures. We will consider future measures, including a fundamental review of the organizational structure.

Q9

Why have inventories increased?

A9

Some are attributable to seasonal and market factors, however, we believe it is within the scope of the normal cycle accompanying an expansion in sales.