

**Minutes of the Analyst Briefing
for the Fiscal Year Ended March 31, 2018**

Date & Time: May 15, 2018 (Tuesday) 10:00-11:40

Venue: 501A, B, S, STATION CONFERENCE TOKYO

Attendees from the Company:

President and Representative Director (President and CEO): *Yoshihide Hata*

Vice President and Representative Director,

General Manager of Fresh Meats Business Division: *Katsumi Inoue*

Director and Senior Managing Executive Officer,

General Manager of Overseas Business Division: *Hiroji Okoso*

Managing Executive Officer,

General Manager of Affiliated Business Division: *Kanji Bando*

Managing Executive Officer,

General Manager of Processed Foods Business Division: *Nobuhisa Ikawa*

Number of attendees: 108

○ **Business Results and Medium-Term Management Plan 2020 [supplementary explanation]**

Reference: “NH Foods Group Medium-Term Management Plan 2020: Building systems that pave the way to the future” dated May 15

○ **Business Results for the Year Ended March 31, 2018 [supplementary explanation]**

Reference: Document entitled above dated May 10

(Change in factors accounting for changes in the forecast for the Processed Foods Business: Plan for the fiscal year ending March 31, 2019)

Fiscal year		Fiscal year ended March 31, 2018		Fiscal year ending March 31, 2019
Change	Major item	Volume expansion Profit margin improvement	⇒	Existing businesses Developing businesses
	Breakdown	Product mix (product renewal) Improvement of production and sales operations	⇒	Improvement activities (Partly reclassified to developing businesses)

Improvement activities	Consolidation of improvement impacts in production and sales operations
Developing businesses	Vendor business, logistics business, and frozen processed foods business
Volume expansion	Reclassification from major item to internal factors of existing businesses

○ Q&A

Q1.

What are the factors accounting for the profit growth of the Fresh Meats Business over the past three years and what is your plan for the near future?

A1.

As the domestic fresh meat market remained at a high level, performance of the Fresh Meats Business was strong, centering on the production business. Under the current Medium-Term Management Plan, we do not expect a significant increase in profit because the domestic fresh meat market is already at a certain level and in view of upfront capital investment.

Q2.

How do you view the prospects of the Australian beef business?

A2.

We expect a certain degree of recovery for the fiscal year ending March 31, 2019. The Australian beef operations faced challenges in the fiscal year ended March 31, 2018 due mainly to rising livestock procurement costs and sluggish market prices. In the current fiscal year, in addition to improvement in the external environment, we expect to reduce costs through procurement and sales corresponding to market prices and improvement of productivity, aiming to improve revenue. We intend to tackle various improvement initiatives in the current year and will review the competitiveness of the Australian beef business.

Q3.

Why is profit of the Processed Foods Business low and what measures are being implemented to improve the situation?

A3.

We recognize that the low profit of the Processed Foods Business is an issue relevant to the entire company and will continue to address it as a corporate issue. We will shift the emphasis of our policy from volume and market share to profit in order to extricate ourselves from the current impasse. In view of our history of creating new categories and securing first-mover advantage, product development capabilities are important for regaining competitiveness. Cultivating opportunities and awareness to take up challenges, we will renew our commitment to category creation and product fostering over the medium to long term. Moreover, starting in the current fiscal year, we changed the organizational structure to make it more efficient so as to increase the speed of management and improve the profit margin.

Q4.

What are you doing to lower the production costs of the Processed Foods Business?

A4.

Under the current Medium-Term Management Plan, we intend to focus our efforts on deli and processed foods. Regarding the production system for deli and processed foods, so far we have

accorded priority to expansion of facilities to accommodate production of new products, and as a result, efficiency has been compromised. Under the current Medium-Term Management Plan, we are engaging in vigorous capital investment to solve this problem. The positive impact of capital investment has gradually become evident regarding hams and sausages, resulting in a trend toward improvement. The assumption of the rate of volume increase is around 102% year on year for both hams and sausages and deli and processed foods. The prerequisite is a shift to products with high productivity in line with the capital investment. Through these initiatives, our target is to achieve an operating income ratio of 5% for the Processed Foods Business during the period covered by the next Medium-Term Management Plan.

Q5.

What measures are underway to raise the top line of the Processed Foods Business (deli and processed foods)?

A5.

Our product strategy seeks to create new categories and foster new products while achieving growth of those existing brands that are highly profitable. As for the strategy by channel, we will strengthen approaches to convenience stores and drugstores as well as mass merchandisers. We aim to enable our sales system to respond flexibly without being constrained by preconceived notions.

Q6.

Please comment on structural reform expenses.

A6.

In order to optimize deployment of human resources throughout the Group, we aim to standardize labor costs for certain categories by sector. At the same time, we will promote work style reform and link it to human resources development and securing of human resources. To deal with rising labor costs, it is indispensable to implement measures to enhance efficiency, such as labor and manpower saving. Meanwhile, we would like to improve the quality of our human resources through HR development so as to enhance technological development and marketing capabilities, aiming to achieve benefits exceeding the costs.

Q7.

What does Group synergy under the Medium-Term Management Plan 2020 entail?

A7.

In addition to the strategy of each division, the three functional strategies are important. The newly established Group Sales Planning Department and Lifestyle Research Office will accelerate Group-wide cross-functional initiatives in order to meet the expectations of customers and consumers. In order to maximize the impact of development, collaboration among the divisions will be promoted for the global market.

Q8.

Please comment on the capital investment plan (210 billion yen for the three years).

A8.

The investment plan reflects the plan of each business. A final decision for each capital investment project is made, using the return on invested capital (ROIC) as an indicator, according to the timing of execution. We will continue to examine each investment project carefully. Capital investment will increase significantly compared with the previous Medium-Term Management Plan. Thus, we will emphasize outcomes in order to ensure that benefits appropriate for the investment are achieved and intend to establish a framework enabling us to achieve the Medium-Term Management Plan 2020.