

Minutes of the Analyst Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2019

Date & Time: November 6, 2018 (Tuesday) 13:30-15:10

Venue: 503A, B, C, D 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*

Director and Managing Executive Officer,

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

Managing Executive Officer,

General Manager of Affiliated Business Division: *Kanji Bando*

Number of attendees: 98

○ **Medium-Term Management Plan 2020: Progress During the First Half of FY2019/3**

Reference: https://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2019/20181106.pdf

○ **Business Results for the First Half of FY2019/3**

Reference: https://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2019/20181031.pdf

[Supplementary explanation]

P10: Fresh Meats Business Division: Changes in income in the first half

(Breakdown of ¥(1.1) billion “Growth in Nippon Food Group”)

- Including ¥(0.5) billion for establishment of a distribution network in the logistics business and cost increase and ¥(0.2) billion for a loss on disaster of Nippon Food Group

P17: FY2019/3 Operating Income Forecasts (2)

- The amount of impact of a loss on disaster for the full year (filing on October 29):

Total amount (impact on profit before tax): ¥(3.2) billion

(of which impact on operating income: ¥(2.5) billion)

(Breakdown of impact on operating income)

- Eliminations, adjustments and others (corporate) ¥(1.4) billion:
 - Loss on disposal, write-down, etc. mainly of inventories
- Fresh Meats Business operating income ¥(1.0) billion:
 - Opportunity loss due to suspension of operation, etc.
- Processed Foods Business operating income ¥(0.05) billion:
 - Opportunity loss due to suspension of operation, etc.
- Eliminations, adjustments and others (contents of “others”): Including accounting treatment for biological assets, foreign exchange gains or losses, and research expenditure

○ Q&A

Q1.

What was the status of the Fresh Meats Business in the first half and what are the plans from now on?

A1.

The domestic production business recorded a great decrease in income, reflecting the fall in market prices of domestic chicken, which had remained at the high prices for the past few years, and rising feed costs in recent years. Income from imported fresh meats also decreased because of a backlash in the chicken market centering on Brazilian chicken whose prices soared in the previous year and the increase in the cost of imported beef and other reasons. Regarding Nippon Food Group, although income decreased owing to higher logistics costs and the impact of disasters in the first half, volume growth at food companies has recovered to 2-3% since October and we think it is possible to achieve a recovery in the second half.

The forecast for the full year was revised downward in view of several negative factors. However, given a normal fresh meats market environment, the Fresh Meats Business should be able to secure a certain level of income, although maybe not as much as in the previous year.

Q2.

What were the achievements of the Processed Foods Business in the first half and what are the issues?

A2.

The Processed Foods Business is tackling three basic themes: reinforcement of product development, structural reform, and a spirit of challenge. In particular, we reinforced product development by expediting the product development cycle to enable the vigorous introduction of new products. In order to cater to the trends toward eating alone and simple and easy dining, we have enabled the development of new products under our core brands, such as a microwaveable *SCHAU ESSEN* product. On the other hand, we were unable to curb the increases in labor costs and logistics costs and it remains an issue how to coordinate sales and the manufacturing plan. At certain plants, curbing of labor costs is underway through effective coordination of the volume, the number of days operating, and the personnel deployment system. We will apply best practices throughout the Company in the second half.

Q3.

What will the structural reform of the Processed Foods Business involve?

A3.

We will make extensive changes to the organizational structure of the Processed Foods Business effective April 1, 2019. Specifically, the Processed Foods Business will be consolidated into three organizations, one of which will be the administrative department, thereby eliminating duplications in both development and sales promotion while shifting to a streamlined organizational structure. In addition, the three sales companies covering Japan will be merged into one company to enhance the

sense of unity and improve organizational efficiency.

Q4.

What are the Company's medium- to long-term measures for addressing the theme of the Medium-Term Management Plan 2020, "Building systems that pave the way to the future"?

A4.

We are vigorously implementing measures, but since our objective is to achieve results over the medium to long term, the achievements in the last six months cannot be presented quantitatively. Pursuing improvement of the efficiency of existing businesses, we have expanded the optional retirement system with a view to correcting the current unbalanced composition of the workforce. Our intention is to transition toward the optimum personnel allocation throughout the Group, thus enhancing our competitiveness.

We are also working on organizational reform of the Processed Foods Business and collaboration among the Group's sales and marketing operations. Furthermore, we intend to greatly enhance the effectiveness of the Group's annual merchandise exhibition. Emphasizing creation of value through dialogue with consumers, the Lifestyle Research Office and business divisions will collaborate to drive product development and marketing. Our technological capability development is addressing labor shortages by saving labor and manpower as well as translating these efforts into cost reductions through trials and research onsite.

Q5.

How do you view the prospects of the Australian beef business (including Uruguay)?

A5.

In the current fiscal year, we are carrying out the Australian business reform project in order to make the business profitable. In Uruguay, an upturn in the beef business is expected in the second half owing to improvement in the procurement environment. However, for the current fiscal year, we expect a more challenging situation than that for the previous fiscal year in view of price competition with South American commodity products and also the impact of inventory disposal.

Q6.

Why are you building a new stadium?

A6.

From the viewpoint of strategic CSR to "support people's mental and physical well-being through food and sports," we aim to make the new stadium a venue where people will be thrilled and inspired. Moreover, we aim to achieve synergy with our core business. The operation of the baseball club, excluding advertising and other promotional activities, has been unprofitable and we would at least like to offset that loss. One consideration influencing our decision to execute this investment is our judgment that the new scheme will offer greater opportunities for us to achieve better results through a corporate effort compared with the conventional scheme. We are convinced this project will contribute to enhancement of corporate value in the medium to long term.