Minutes of the Conference Call for the Third Quarter of the Fiscal Year Ending March 31, 2019 (Main Q&As)

Date & Time: February 1, 2019 (Friday) 14:00-15:00

○Q&A○

Q1.
How would you characterize the results of the Processed Foods Business in the April-December period and see its outlook for the full year?
A1.
• In the April-December period, profit increased owing to implementation of profit-oriented measures, despite decreased sales volume of gift products and commercial-use products.
• As for the outlook for the full year, we revised the projected amount of the cost reduction impact downward, estimating that the sales volume will continue to decrease in the fourth quarter. However, results may possibly outperform the plan if the introduction of new products yields good results early.

Q2.
What is the pricing policy of the Processed Foods Business?
A2.
• We do not plan to raise prices of mainstay consumer products for the time being, but we revised prices of gift products and commercial-use products as necessary in the third quarter.

Q3.
How do you view the prospects of the Fresh Meats Business?
A3.
• The challenging situation continues in the current fiscal year because of the struggle in the logistics business, the impact of the earthquake and the cost of the start-up of a new plant operation, in addition to a plummet in profit of the farming operations.
• Regarding profit for the next fiscal year onward, we will review the quantitative targets announced in the Medium-Term Management Plan 2020 in light of the change in the environment. However, we do not think that the profitability of the Fresh Meats Business itself has declined.

Q4.

How do you view the prospects of the Overseas Business?

• The Australian operations will see an improved livestock procurement environment in Uruguay, but the South American country is expected to continue facing the challenging sales circumstances caused by weaker currencies in neighboring rival countries.

• Regarding the Asia & Europe operations, the construction of a feed plant in Turkey expectedly leads to reduced costs. Although temporary expenses are expected to be incurred in Turkey in the fourth quarter, no such expenses will be incurred from the next fiscal year onward.

• Overall, we must carefully monitor the situations in Uruguay and Turkey and the processed foods operations in the U.S. However, we estimate no further increase in loss than the current fiscal year.

Q5.

What brought the struggles in the Affiliated Business in the current fiscal year and how do you view its prospects?

A5.

• The Affiliated Business's struggles in the current fiscal year attributes to sluggish sales of probiotic beverages centering on smoothies.

• We will introduce new products and implement thorough cost control in the yogurt and probiotic beverages operations, but a sharp recovery of the performance is not going to happen in the short term. Thus, the entire Affiliated Business is expected to go through a severe situation in the next fiscal year too.

Q6.

What is the current situation of the return to shareholders?

A6.

• We target a payout ratio of 30%, as disclosed. At this stage, we have made no revisions to the dividend forecast and the dividend policy announced at the beginning of the current fiscal year. However, we have made no final decision and are as yet unable to provide a definitive figure as to the dividend.

Q7.

Could you comment on eliminations, adjustments and others?

A7.

• A large amount of eliminations, adjustments and others is recorded to adjust the variance between segment income and operating income under IFRS.

• Regarding eliminations, adjustments and others from the next fiscal year onward, we will consider using a simpler method, such as adoption of a new profit item in the income statement.