

Minutes of the Analyst Briefing for the Fiscal Year Ended March 31, 2019

Date & Time: May 21, 2019 (Tuesday) 10:00-11:30

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 Managing Executive Officer,

General Manager of Overseas Business Division: *Tetsuhiro Kito*

Director and Managing Executive Officer,

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

Executive Officer,

General Manager of Affiliated Business Division: *Kazuhiro Mikuni*

Executive Officer,

In charge of Accounting & Finance Department and Public and Investor Relations

Department, Corporate Management Division: *Masahito Kataoka*

Number of attendees: 75

○ **Medium-Term Management Plan 2020: Progress at the End of FY2019/3**

Reference: https://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2019/20190521.pdf

○ **Business Results for the Year Ended March 31, 2019**

Reference: https://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2019/20190515.pdf

○ **Q&A**

Q1.

What are the priority issues in the second year of the Medium-Term Management Plan 2020?

A1.

- The priority issue for us is to strengthen the earnings capabilities of existing businesses and, for that purpose, among various tasks, it is essential that we overhaul the business structure.
- Regarding the income structure, while working to enhance productivity through efficient allocation of functions among manufacturing operations, marketing operations and the Lifestyle Research Office established in the previous fiscal year will promote product development from customers' viewpoints in pursuit of new possibilities of food, including development of new products and creation of new categories, which are important tasks for us as a manufacturer. By boosting our capabilities to make proposals to customers and our sales capabilities in this way, we would like to enhance our earnings capabilities.

Q2. How do you construct the optimal business portfolio?

A2.

- Pursuit of the optimal business portfolio is the key theme of the Medium-Term Management Plan 2020. Regarding businesses with low profitability for which there is room for improvement, we will implement initiatives, such as utilization of Group synergy, while clarifying our approach.

Q3. What are the impacts of African swine fever ?

A3.

- If domestic fresh meat prices increase from the previous year's level, factors affecting the fresh

meat market may have a greater impact than increases in prices of raw materials in the Processed Foods Business and the Affiliated Business. However, it is necessary to closely monitor U.S.-China trade negotiations.

Q4. How do you intend to develop the Overseas Business?

A4.

- Since the growth of the domestic market will slow over the medium to long term, it is essential to expand business in accordance with the “Change gears in overseas market deployment” business policy in the Medium-Term Management Plan. For the time being, our focus will be on securing stable earnings based on our existing assets. We will also aim to generate various business synergies to maximize income.

Q5. What is the growth driver of the Overseas Business in medium- and long-term?

A5.

- To achieve sustainable growth, we would like to expand business in the U.S. and Asia centering on processed meat products, such as processed chicken products.
- Regarding the beef business, in view of the increasing demand for beef worldwide, Australia and Uruguay are important supply bases, considering that the U.S., Australia, and South America are the only sources of supply. We will rebuild Uruguay operations, which struggled in the previous fiscal year, through internal improvement, with the aim of stabilizing earnings.

Q6. How do you view the prospects of the Processed Foods Business, in view of rising costs?

A6.

- We will continue our initiatives to increase unit prices and reduce manufacturing costs in the first half. Furthermore, we will secure shelf space at customers through timely introduction of new products. Initiatives to reduce manufacturing costs will be horizontally deployed from ham and sausage factories to deli and processed food factories to augment the impact.
- We view the increase in logistics costs as a major issue. We will promote measures to reduce costs centering on efficient operation of logistics centers and improvement of distribution efficiency.
- Regarding consumer products, we will implement price revisions along with revisions of the product mix, as necessary, through introduction of new products. We intend to consider various options, however, while closely monitoring the situation concerning raw materials.

Q7. What volume expansion measures are you pursuing in the Fresh Meats Business?

A7.

- In the previous year, we strategically curbed procurement because of rising procurement costs of imported fresh meat. In the current year, we aim to achieve a 5% increase on a volume basis through stable supply by strengthening procurement centering on imported fresh meat.
- We will continue our efforts to strengthen sales of branded fresh meats so as to reduce the volatility associated with market price fluctuations.
- Regarding domestic chicken production, we intend to increase volume not only by in-house production but also through tie-ups with other major companies.