

February 1, 2022

# FY22/3 Third Quarter Presentation Material



(Stock code: 2871)

# 1. Consolidated Group Results

## Operating profit forecast revised downward, but revenue continues to increase overall

(Billions of yen)

### Exchange Rates

	Q3			Q3 (cumulative)				Full Year				
	Result	Y o Y		Result	Y o Y		Progress rate for full-year forecasts announced on November 2	Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>159.2</b>	5.2	3%	<b>453.8</b>	18.1	4%	76%	<b>600.0</b>	27.2	5%	600.0	0.0
Processed Foods	61.1	3.0	5%	181.9	11.1	7%	75%	243.0	17.5	8%	241.0	2.0
Marine Products	22.1	1.1	5%	53.7	3.5	7%	85%	64.0	0.9	1%	63.0	1.0
Meat and Poultry	21.4	-1.5	-7%	61.1	-3.0	-5%	73%	82.0	-2.1	-2%	84.0	-2.0
Logistics	58.4	3.3	6%	168.0	8.2	5%	75%	224.0	11.7	6%	224.0	0.0
Real Estate	1.1	-0.1	-5%	3.2	-0.3	-10%	73%	4.4	-0.2	-5%	4.4	0.0
Other	0.9	-0.4	-29%	2.9	-0.8	-21%	58%	4.0	-0.9	-18%	5.0	-1.0
Adjustment	-5.7	-0.2	—	-17.1	-0.6	—	—%	-21.4	0.4	—	-21.4	0.0
<b>Operating Profit</b>	<b>9.7</b>	-1.0	-9%	<b>25.7</b>	-1.7	-6%	78%	<b>32.0</b>	-0.9	-3%	33.0	-1.0
Processed Foods	4.0	-0.8	-16%	10.8	-2.6	-19%	71%	14.5	-2.7	-16%	15.2	-0.7
Marine Products	0.8	0.1	15%	1.4	0.8	114%	204%	1.1	0.6	111%	0.7	0.4
Meat and Poultry	0.4	-0.1	-23%	0.9	-0.1	-9%	59%	1.2	-0.1	-8%	1.6	-0.4
Logistics	4.4	-0.0	-1%	12.2	0.9	8%	83%	14.8	1.7	13%	14.8	0.0
Real Estate	0.4	-0.1	-16%	1.2	-0.4	-22%	69%	1.8	-0.2	-11%	1.8	0.0
Other	-0.2	0.0	—	-0.3	-0.1	—	—	-0.4	-0.1	—	-0.1	-0.3
Adjustment	-0.1	-0.1	—	-0.5	-0.3	—	—	-1.0	-0.2	—	-1.0	0.0
<b>Ordinary Profit</b>	<b>9.8</b>	-1.1	-10%	<b>26.0</b>	-1.9	-7%	78%	<b>32.3</b>	-1.2	-4%	33.5	-1.2
<b>Profit attributable to owners of parent</b>	<b>7.0</b>	1.0	16%	<b>18.2</b>	1.2	7%	81%	<b>22.5</b>	1.3	6%	22.5	0.0

	FY22/3 full year (forecast)	FY22/3 third quarter (actual)*	FY21/3 third quarter (actual)*
USD/JPY	110.00	108.50	107.60
EUR/JPY	130.00	129.82	120.91
THB/JPY	3.40	3.45	3.42

\* Exchange rate figure is the average for the January–September period.

### 1. Third Quarter (cumulative)

- (1) Net sales rose on steady gains in the mainstay Processed Foods and Logistics businesses.
- (2) Operating profit declined overall, as positive performance in the Logistics and Marine Products businesses was offset by the decline in Processed Foods.

### 2. Full Year (forecast)

Net sales remain firm, but the operating profit forecast has been revised downward in response to further cost increases in Processed Foods, and slow recovery in the Other (bioscience) segment. The Company expects to secure a year-on-year gain in net income.

## 2. Processed Foods Business

### Respond to cost increases and focus on restoring earnings

(Billions of yen)

	Q3			Q3 (cumulative)				Full Year				
	Result	Y o Y		Forecast	Y o Y		Progress rate for full-year forecasts announced on November 2	Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>61.1</b>	3.0	5%	<b>181.9</b>	11.1	7%	75%	<b>243.0</b>	17.5	8%	241.0	2.0
Household-use Prepared Foods	<b>18.6</b>	0.6	3%	<b>56.9</b>	4.6	9%	74%	<b>76.5</b>	6.2	9%	76.5	0.0
Commercial-use Prepared Foods	<b>24.7</b>	1.3	5%	<b>68.4</b>	2.3	3%	74%	<b>93.0</b>	6.2	7%	93.0	0.0
Processed Agricultural Products	<b>5.0</b>	-0.1	-1%	<b>15.3</b>	-0.1	-1%	75%	<b>20.5</b>	0.5	3%	20.5	0.0
Overseas	<b>9.4</b>	0.9	11%	<b>29.9</b>	3.9	15%	81%	<b>39.0</b>	4.2	12%	37.0	2.0
Other	<b>3.3</b>	0.2	8%	<b>11.3</b>	0.4	4%	81%	<b>14.0</b>	0.5	4%	14.0	0.0
<b>Operating Profit</b>	<b>4.0</b>	-0.8	-16%	<b>10.8</b>	-2.6	-19%	71%	<b>14.5</b>	-2.7	-16%	15.2	-0.7

#### 1. Third Quarter (cumulative)

- (1) Household-use Prepared Foods: Sales of processed chicken products declined temporarily in Q3 due to supply-side constraints, but revenue increased overall on positive performance for rice products and main dishes, along with steady sales of new items.
- (2) Commercial-use Prepared Foods: Revenue rose on growth in sales to the Home Meal Replacement (HMR) market for processed chicken, processed meats, and newly launched meal kit items, with sales to restaurants and meal services also up over the previous fiscal year.
- (3) Operating profit decreased as a result of a slowdown in operations at plants in Thailand due to a labor shortage stemming from the spread of Covid-19, as well as increases in food material and ocean freight costs.

#### 2. Full Year (forecast)

- (1) Revenue is expected to continue to increase on expanded sales of rice products and other mainstay items for both household and commercial use, along with growth in products to meet personal use demand, such as individual meals, self-assemble items, and meal kits.
- (2) Although price revisions have been implemented as scheduled, the Company has revised downward its full year forecast for operating profit in response to the weak yen, and further increases in food material and logistics costs.

### Production plants in Thailand expected to resume normal operations in March 2022

#### ■ Forecast for timing of operational recovery at GFPT Nichirei and Surapon Nichirei Foods

At End-Q2 (announced November 2)	Forecast at Q3
<ul style="list-style-type: none"> <li>• 2022 Q1 (January–March period) Restore production volume to a level on a par with the same period of the previous fiscal year (80% of normal capacity)</li> <li>• 2022 Second Half Restore normal operations</li> </ul>	<ul style="list-style-type: none"> <li>• Around March 2022 Restoration of normal operations anticipated</li> </ul>

#### ■ Progress of measures

Measure	Progress
Securing workers	<ul style="list-style-type: none"> <li>• Securing of workers has progressed better than initial expectations, and a recruitment structure for foreign workers has been put in place in anticipation of the lifting of entry restrictions into the country</li> <li>• Strict Covid-19 prevention procedures implemented, along with vaccine boosters and other additional measures to cope with new variants</li> </ul>
Labor savings and automation	<ul style="list-style-type: none"> <li>• Labor-saving machinery implemented as planned (investment of 600-700 million yen in the current fiscal year), with plans for the next fiscal year and beyond proceeding on schedule</li> </ul>
Utilization and equipping of alternative production facilities	<ul style="list-style-type: none"> <li>• Suppliers secured through alternative production (OEM) facilities in Thailand and China.</li> <li>• Revisions to product design and other measures being adopted to allow for flexible shift to production facilities in other countries during emergencies</li> </ul>

### 3. Logistics Business

## Steady results in Japan and overseas driving revenue and earnings gains

(Billions of yen)

	Q3			Q3 (cumulative)				Full Year				
	Result	Y o Y		Forecast	Y o Y		Progress rate for full-year forecasts announced on November 4	Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>58.4</b>	3.3	6%	<b>168.0</b>	8.2	5%	75%	<b>224.0</b>	11.7	6%	224.0	0.0
Japan Subtotal	<b>45.5</b>	0.3	1%	<b>133.2</b>	1.5	1%	76%	<b>175.0</b>	2.8	2%	176.0	-1.0
Logistics Network	<b>26.7</b>	-0.3	-1%	<b>78.2</b>	-0.1	-0%	76%	<b>103.0</b>	0.2	0%	103.0	0.0
Regional Storage	<b>18.9</b>	0.6	3%	<b>55.0</b>	1.6	3%	75%	<b>72.0</b>	2.6	4%	73.0	-1.0
Overseas	<b>11.9</b>	2.5	26%	<b>32.8</b>	5.9	22%	75%	<b>44.5</b>	8.0	22%	43.5	1.0
Other/Intersegment	<b>0.9</b>	0.5	104%	<b>2.1</b>	0.7	54%	46%	<b>4.5</b>	0.9	25%	4.5	0.0
<b>Operating Profit</b>	<b>4.4</b>	-0.0	-1%	<b>12.2</b>	0.9	8%	83%	<b>14.8</b>	1.7	13%	14.8	0.0
Japan Subtotal	<b>4.1</b>	-0.0	-0%	<b>11.5</b>	0.8	7%	85%	<b>13.5</b>	1.4	12%	13.5	0.0
Logistics Network	<b>1.5</b>	-0.1	-4%	<b>4.6</b>	0.2	5%	79%	<b>5.5</b>	0.4	7%	5.8	-0.3
Regional Storage	<b>2.5</b>	0.0	2%	<b>6.9</b>	0.6	9%	90%	<b>8.0</b>	1.0	15%	7.7	0.3
Overseas	<b>0.6</b>	0.1	22%	<b>1.4</b>	0.3	30%	75%	<b>1.8</b>	0.4	28%	1.8	0.0
Other/Intersegment	<b>-0.2</b>	-0.1	—	<b>-0.6</b>	-0.2	—	—	<b>-0.5</b>	-0.1	—	-0.5	0.0

#### 1. Third Quarter (cumulative)

- (1) Japan: Although intake of imports has been delayed, revenue and earnings rose on continued steady handling volume of household use cargo, and positive effects of operational improvements.
- (2) Overseas: Revenue and earnings in Europe increased on steady capturing of increased demand stemming from Brexit.

#### 2. Full Year (forecast)

- (1) Japan: Despite a rise in electricity rates and other cost increases, the Company is forecasting increases in revenue and earnings as a result of expanded cargo collections from integrated operations for storage and transport, and improved profitability at the Nagoya Minato Distribution Center, which started operations in the previous fiscal year.
- (2) Overseas: The Company expects to secure higher revenue and earnings by continuing to focus on expanded business volume in port areas of Europe.

## 4. Marine Products, Meat and Poultry Business

### Full year forecast revised upward for Marine Products, focus on improving profitability for Meat and Poultry

(Billions of yen)

		Q3			Q3 (cumulative)				Full Year				
		Result	Y o Y		Forecast	Y o Y		Progress rate for full-year forecasts announced on November 5	Forecast	Y o Y		Compared to Previous Forecast	
			Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	22.1	1.1	5%	53.7	3.5	7%	85%	64.0	0.9	1%	63.0	1.0
	Operating Profit	0.8	0.1	15%	1.4	0.8	114%	204%	1.1	0.6	111%	0.7	0.4
Meat and Poultry	Net Sales	21.4	-1.5	-7%	61.1	-3.0	-5%	73%	82.0	-2.1	-2%	84.0	-2.0
	Operating Profit	0.4	-0.1	-23%	0.9	-0.1	-9%	59%	1.2	-0.1	-8%	1.6	-0.4

#### 1. Marine Products

- (1) Revenue and earnings rose on positive overseas sales where demand has recovered, and expansion in sales of fish roe to restaurants and the HMR market.
- (2) Based on results through the third quarter period, full year forecasts for sales and operating profit have been revised upward. The Company will continue to focus on appropriate procurement based on sales status, and strict adherence to sales emphasizing profitability.

#### 2. Meat and Poultry

- (1) The Company focused on sales of processed foods to restaurants and the HMR market, but revenue and earnings declined as a result of a falloff in the handling volume for fresh domestic meats due to a cyclical downturn from the spike in home meal demand in the previous fiscal year.
- (2) Full year forecasts have been revised downward, but the Company will continue to focus on sales of processed foods for the HMR market during Q4, and work to improve profitability for domestic fresh meats and imported frozen foods.

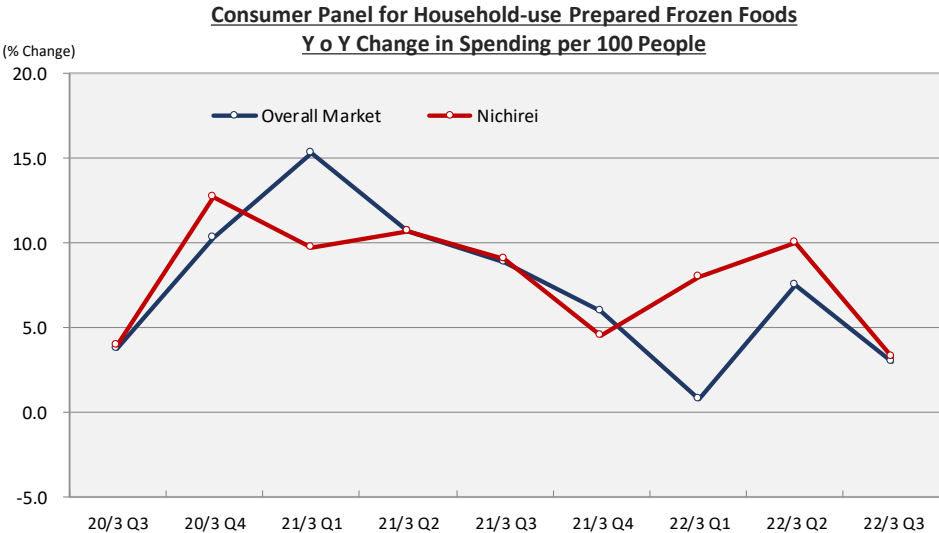
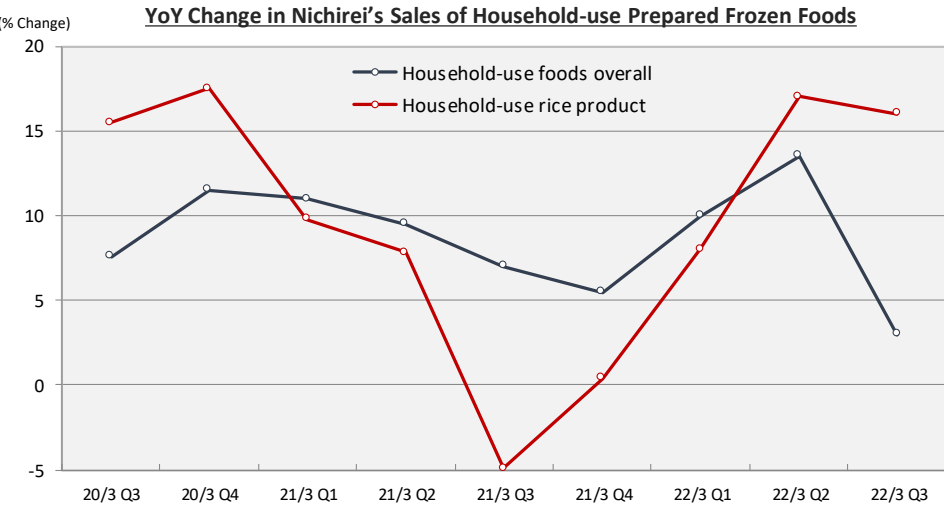
## **Reference Material**

## Non-operating Income and Expenses / Extraordinary Income and Loss

(Billions of Yen)

	FY21/3 Q3 (Cumulative)	FY22/3 Q3 (Cumulative)	Variance	FY21/3 Full year	FY22/3 Full year forecast	Variance
<b>Non-operating Income and Expenses</b>	0.5	0.2	-0.2	0.5	0.3	-0.2
(Main items)						
Financial account balance	0.1	0.3	0.1	0.1	0.2	0.0
Share of loss (profit) of entities accounted for using equity method	0.3	0.1	-0.2	0.3	0.1	-0.2
<b>Extraordinary Income and Loss</b>	-1.8	1.3	3.2	-1.9	0.9	2.8
(Main items)						
Gain on sales of non-current assets	0.0	0.0	-0.0	0.0	0.0	-0.0
Gain on sales of investment securities	0.0	1.2	1.2	0.1	1.2	1.1
Loss on sales and retirement of non-current assets	-0.7	-0.8	-0.0	-1.3	-1.3	0.0
Impairment loss	-1.1	-0.1	1.0	-1.2	-0.1	1.1
Compensation for expropriation	—	1.2	1.2	0.5	1.2	0.6





Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Includes purchases through consumer cooperatives.)

## Forward-Looking Statements

Aside from historical facts, Nichirei's present plans, forecasts and strategies as outlined in this publication consist of forward-looking statements about future business performance. These forecasts of future business performance and explanations of future business activities may or may not include words such as "believe," "expect," "plan," "strategy," "estimate," "anticipate" or other similar expressions. These statements are based on the information available to Nichirei management at the time of publication. Actual results may differ significantly from these forecasts for a variety of reasons, and readers are therefore advised to refrain from making investment decisions based solely on these forward-looking statements. Nichirei will not necessarily revise its forward-looking statements in accordance with new information, future events, and other results. Risks and uncertainties that could affect Nichirei's actual business results include, but are not limited to:

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- (2) Foreign exchange rate risks, especially as regards the US dollar and the euro.

- (3) Risks associated with the practicability of maintaining quality controls throughout the process from product development, procurement of raw materials, production, and sale.
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- (5) Risks associated with the practicability of growth strategies and implementation of low-cost systems.
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- (7) Contingency risks.

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