

## **FY23/3 First Quarter Presentation Material**

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Nichirei Corporation

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I would like to present an overview of our first quarter results, with reference to the presentation material released today.

## Consolidated Group Results



### ■ Nihirei is taking action to counter increased costs, aiming to achieve full-year plan

(Billions of yen)

	Results	Q1			Forecast	Full Year			
		Y o Y	% Change	Progress rate for full-year forecasts		Y o Y	% Change	Previous forecast	Compared to previous forecast
		Variance				Variance			Variance
Processed Foods	65.8	7.0	12%	26%	273.0	28.8	12%	258.0	15.0
Marine Products	16.0	1.1	7%	30%	53.1	-14.6	-22%	53.1	0
Meat and Poultry	20.7	0.6	3%	24%	85.0	4.7	6%	85.0	0
Logistics	57.3	4.0	8%	24%	234.0	9.5	4%	234.0	0
Real Estate	1.1	0	2%	24%	4.6	0.3	7%	4.6	0
Other	1.0	-0	-3%	20%	4.9	0.7	17%	4.9	0
Adjustment	-5.8	-0.3	—	—	-21.6	1.0	—	-21.6	0
<b>Net Sales</b>	<b>156.1</b>	<b>12.4</b>	<b>9%</b>	<b>25%</b>	<b>633.0</b>	<b>30.3</b>	<b>5%</b>	<b>618.0</b>	<b>15.0</b>
Processed Foods	3.0	0.2	8%	21%	14.5	0.3	2%	14.5	0
Marine Products	0.1	-0.1	-56%	10%	1.0	0	4%	1.0	0
Meat and Poultry	0.2	-0.1	-35%	15%	1.6	0.4	37%	1.6	0
Logistics	3.4	-0.4	-9%	22%	15.3	0.7	5%	15.3	0
Real Estate	0.4	-0	-4%	23%	1.9	0.2	15%	1.9	0
Other	-0.0	0.1	—	—	-0.3	0	—	-0.3	0
Adjustment	-0.5	-0	—	—	-2.5	-1.6	—	-2.5	0
<b>Operating Profit</b>	<b>6.7</b>	<b>-0.4</b>	<b>-5%</b>	<b>21%</b>	<b>31.5</b>	<b>0.1</b>	<b>0%</b>	<b>31.5</b>	<b>0</b>
<b>Ordinary Profit</b>	<b>7.0</b>	<b>-0.3</b>	<b>-4%</b>	<b>22%</b>	<b>31.9</b>	<b>0.2</b>	<b>1%</b>	<b>31.9</b>	<b>0</b>
<b>Profit attributable to owners of parent</b>	<b>4.3</b>	<b>-0.1</b>	<b>-3%</b>	<b>20%</b>	<b>21.2</b>	<b>-2.2</b>	<b>-9%</b>	<b>21.2</b>	<b>0</b>

- Net sales rose on strong performance for mainstay Processed Foods and Logistics
- Operating profit was down 5% from the same period of the previous fiscal year on decreased earnings in Logistics
- Full-year net sales forecast has been revised upward based on progress during Q1

Exchange Rates (yen)

	FY 23/3 full year (forecast)	FY 23/3 first quarter (actual)*	FY 22/3 first quarter (actual)*
USD/JPY	129.00	116.21	105.90
EUR/JPY	139.00	130.40	127.68
THB/JPY	3.70	3.52	3.50

\* Exchange rate figures are the average for the January–March period.

For Nihirei Group as a whole, net sales amounted to ¥156.1 billion, an increase of ¥12.4 billion, or 9%, from the same period of the previous fiscal year.

The increase was concentrated mainly in Processed Foods, where sales of commercial-use items expanded, and in Logistics, which posted steady gains from the overseas business.

Operating profit was ¥6.7 billion, a decrease of ¥0.4 billion, or 5% from a year earlier. The main factors for the decline were an increase in electricity costs, and a falloff in earnings from Logistics. Net income was ¥4.3 billion, a decrease of ¥0.1 billion, or 3% from the previous fiscal year.

In terms of full-year forecasts, the net sales forecast for Processed Foods has been revised upward by ¥15.0 billion based on progress during Q1, and revised to ¥633.0 billion for the corporate group as a whole.

## Processed Foods Business



### ■ Wide-ranging price revisions and cost controls implemented to achieve full-year earnings plan

(Billions of yen)

		Q1				Full Year				
		Results	Y o Y		Progress rate for full-year forecasts	Forecast	Y o Y		Compared to previous forecast	
			Variance	% Change			Variance	% Change	Previous forecast	Variance
Processed Food	Net Sales	65.8	7.0	12%	26%	273.0	28.8	12%	258.0	15.0
	Household-use Prepared Foods	19.3	0.5	3%	24%	80.4	3.6	5%	80.4	0
	Commercial-use Prepared Foods	25.0	3.3	15%	26%	105.1	12.5	13%	97.3	7.8
	Processed Agricultural Products	4.6	-0.4	-8%	22%	20.0	0	0%	20.8	-0.8
	Overseas	13.1	3.4	35%	29%	53.4	12.6	31%	45.4	8.0
	Other	3.7	0.2	6%	26%	14.1	0.1	1%	14.1	0
	Operating Profit	3.0	0.2	8%	21%	14.5	0.3	2%	14.5	0

Next, let's look at results by business segment.

In Processed Foods, net sales in Q1 amounted to ¥65.8 billion, an increase of ¥7.0 billion, or 12% from the same period of the previous fiscal year.

Sales of household-use prepared foods totaled ¥19.3 billion, an increase of ¥0.5 billion, or 3% from a year earlier.

In terms of market conditions, the market for household-use products expanded 0.6% overall.

Although the extraordinary bump in stay-at-home demand has now subsided due to recovery from the covid-19 crisis, growth continues, albeit at a more moderate pace.

For Nichirei, with demand holding at a high level since the sharp rise during the covid-19 crisis, sales of Imagawayaki cakes and other snack items rose 13% (compared to a 6% decline in the previous fiscal year). However, for mainstay rice products sales were on a par with the previous fiscal year (up 8% in the previous year), while for processed chicken sales were down 4% from a year earlier (up 15% in the previous year), due mainly to the lingering effects from the temporary suspension of sales.

Next, let's look at commercial-use prepared foods. Sales amounted to ¥25.0 billion, an increase of ¥3.3 billion, or 15% from the same period of the previous fiscal year.

In the commercial-use market, sales to restaurants have recovered with the resumption of economic activity. The sales channel for everyday household dishes also continued to expand steadily, even as sales in other food categories such as fresh foods were tight across the board. Nichirei's sales to restaurants recovered with the easing of restrictions, while the resumption of operations at our production plants in Thailand allowed us to increase sales volume of processed chicken to major users, resulting in a considerable increase in revenue from commercial-use products overall.

Sales of processed agricultural products were down on a falloff in trade volume for broccoli, which became difficult to procure due to the disruption in marine logistics.

Overseas sales amounted to ¥13.1 billion, an increase of ¥3.4 billion, or 35% from the same period of the previous fiscal year. Of note, quarterly results for the overseas business are from January through March. Our U.S. subsidiary InnovAsian Cuisine continued to record positive sales of household-use products such as chicken and rice items, mainly to large retailers, with revenue up ¥2.6 billion, or 53% from a year earlier. On a local currency basis, the increase in sales was 39%.

## First Quarter

### Household-use Prepared Foods

- Demand has remained at a high level since rising sharply during the covid-19 crisis, with positive sales for *Imagawayaki* cakes and other snack items

### Commercial-use Prepared Foods

- Sales to restaurants have recovered with the easing of restrictions, along with increased sales to the home meal replacement (HMR) market
- Sales were positive for mainstay products such as processed chicken and hamburg steaks

### Overseas

- Sales of household-use products from U.S. subsidiary InnovAsian Cuisine remained positive

### Operating Profit

- Along with the weak yen, higher food material costs and logistics expenses had a significant impact on earnings
- Nichirei responded with cost controls and price revisions, and received a boost from improved earnings at GFPT Nichirei (Thailand)

## Full-year Forecast

### Household-use Prepared Foods

- Sales increase anticipated for processed chicken products from Thailand as production returns to normal, as well as for single-serving meals such as *Gokubuto Tsukemen* (extra thick noodles with dipping sauce), a new product for fall

### Commercial-use Prepared Foods

- Nichirei will continue to concentrate on expanding sales volume to major users, focusing mainly on processed chicken items
- Net sales forecast revised upward in anticipation of continued increases in demand

### Overseas

- Steady sales in the U.S. expected to continue, along with an increase in sales in Thailand to meet firm demand in Europe.

### Operating Profit

- Impact of cost increases to become increasingly manifest from the second half of the fiscal year.
- Nichirei expects to secure earnings gains from continued cost controls, and wide-ranging price increases to be implemented in the second half.

In terms of earnings, operating profit amounted to ¥3.0 billion, an increase of ¥0.2 billion, or 8% from the same period of the previous fiscal year.

Along with the weakening of the yen, earnings were severely impacted by higher costs for food material and logistics. However, we managed to secure earnings gains from cost controls, and price revisions implemented in the previous fiscal year, along with a boost from the improved results from GFPT Nichirei in Thailand. GFPT Nichirei focused on securing foreign workers following the lifting of immigration restrictions, and has now restored operations to nearly the same level as prior to the covid-19 crisis. Sales to Japan and Europe have been positive.

Looking at the factors affecting operating profit, positive factors totaled ¥2.6 billion, comprising ¥1.0 billion in price revisions, ¥0.8 billion in results from affiliates, ¥0.5 billion from the increase in revenue, ¥0.2 billion from a decrease in advertising and promotional expenditures, and ¥0.1 billion in productivity improvements. Negative factors totaled ¥2.3 billion, comprising ¥1.0 billion from increases in food material and procurement costs (including cost reductions), ¥0.9 billion in higher procurement costs due to the weak yen, ¥0.2 billion in higher costs for logistics, and ¥0.2 billion from an increase in depreciation expense.

Next, our forecasts for Processed Foods for the full fiscal year. For net sales, based on the results from the first quarter, Nichirei has revised upward its sales forecast for commercial-use prepared foods by ¥7.8 billion, and the overseas business by ¥8.0 billion, while lowering its forecast for processed agricultural products by ¥0.8 billion, for an overall upward revision of ¥15.0 billion. For commercial-use prepared foods, the upward revision reflects our expectation of expansion in business volume to major users from the second half, particularly for processed chicken. The forecast for operating profit is unchanged.

Of note, of the “Factors for Increase/Decrease in Operating Profit (FY23/3)” in the results presentation material released on May 10, the figures will be:

- Increase of ¥4.0 billion in “Food material/procurement costs” due to the sharp weakening of the yen since March; and
- Increase of ¥4.0 billion in “Impact of selling price adjustments” resulting from price adjustments implemented in August and September.

Although we expect the impact from cost increases to become even more widespread in the second half, we aim to secure earnings gains through cost controls, and a strict adherence to price revisions for commercial-use items in September.

■ Despite the impact from cost increases, Nichirei is steadily implementing measures for revenue and earnings gains

(Billions of yen)

		Q1				Full Year				
		Results	Y o Y		Progress rate for full-year forecasts	Forecast	Y o Y		Compared to previous forecast	
			Variance	% Change			Variance	% Change	Previous forecast	Variance
Logistics	Net Sales	57.3	4.0	8%	24%	234.0	9.5	4%	234.0	0
	Japan Subtotal	43.7	0.6	1%	24%	180.0	5.6	3%	180.0	0
	Logistics Network	25.8	0.4	1%	24%	106.0	3.1	3%	106.0	0
	Regional Storage	17.9	0.2	1%	24%	74.0	2.6	4%	74.0	0
	Overseas	12.8	3.3	35%	26%	49.6	3.7	8%	49.6	0
	Other/Intersegment	0.7	0.1	18%	17%	4.4	0.1	3%	4.4	0
	Operating Profit	3.4	-0.4	-9%	22%	15.3	0.7	5%	15.3	0
	Japan Subtotal	3.4	-0.2	-7%	24%	14.0	0.6	4%	14.0	0
	Logistics Network	1.3	-0.2	-13%	23%	5.7	0.2	3%	5.7	0
	Regional Storage	2.0	-0	-2%	25%	8.3	0.4	5%	8.3	0
	Overseas	0.4	0.1	26%	15%	2.3	0.2	11%	2.3	0
	Other/Intersegment	-0.3	-0.2	—	—	-1.0	-0.1	—	-1.0	0

Next, the Logistics business.

Net sales amounted to ¥57.3 billion, and increase of ¥4.0 billion, or 8% from the same period of the previous fiscal year. Operating profit was ¥3.4 billion, a decrease of ¥0.4 billion, or 9% from a year earlier.

Looking at the Japanese market, gains in the regional storage business were led by steady growth in household-use goods, along with recovery in movement for commercial-use goods, and in the third-party logistics (3PL) business by an increase in handling volume to restaurants, and expanded joint delivery services for frozen foods.

Intake volume for imports was slow, but since this is expected to recover from the second half, we will focus on expanding cargo collections, mainly in major metropolitan areas.

Operating profit declined as a result of a decrease in volume in the transfer center (TC) business to supermarkets following the easing of restrictions on activity, as well as the impact from electricity costs, which rose more than expected.

Overseas, revenue and earnings increased as a result of the boost from the acquisition of U.K. firm Norish in the previous fiscal year, as well as expansion in delivery services to major retailers.

### First Quarter

#### (Japan)

##### Logistics Network

- Third-party logistics (3PL) business increased trading volume to restaurants, and expanded joint delivery services for frozen foods

##### Regional Storage

- Business grew steadily for household-use goods, with recovery in movement for commercial-use goods

##### Operating Profit

- Earnings declined with the conclusion of special procurements handled by the transfer center (TC) business, and the impact from rising electricity costs

#### (Overseas)

##### Europe

- The increase in electricity costs and other expenses has become manifest
- Revenue and earnings rose on the boost from acquisitions in the previous fiscal year, and expansion of delivery services to major volume retailers

### Full-year Forecast

#### (Japan)

##### Logistics Network

- Nichirei will expand the logistics platform for frozen foods and trunk transport

##### Regional Storage

- Along with household-use and commercial-use goods, the Company will focus on cargo collections for imports, which are forecast to recover

##### Operating Profit

- While electricity costs are expected to increase further, Nichirei will pursue greater operational efficiency, and receipts of electricity rate surcharges

#### (Overseas)

- Nichirei will expand the storage business in its mainstay markets of the Netherlands and Germany, as well as the U.K., while also implementing measures to counter cost increases
- Business in China has been impacted by the Shanghai lockdown, but the Company will focus on a rapid recovery

Next, our full year forecasts for the Logistics business.

In Japan, while electricity costs are anticipated to rise further, we will pursue greater operational efficiency, and receipts of electricity rate surcharges planned from the second half.

Overseas, for the European market, we will increase cargo handling volume in port areas, and focus on further expanding business in the U.K. by strengthening coordination between existing customs clearance and defrosting functions, and the storage functions owned by Norish. As for the Chinese market, the impact from the lockdowns in the Shanghai region in April are expected to be reflected in second quarter results. Currently, all our logistics centers are operating, and we will focus on restoring business to normal as quickly as possible.

The business environment remains severe both in Japan and overseas as a result of rising electricity costs and other factors, but we will aim to meet our full-year targets by steadily implementing measures.

## ■ Measures to offset increased costs implemented in both the Marine Products and Meat and Poultry businesses to secure earnings

(Billions of yen)

		Q1				Full Year				
		Results	Y o Y		Progress rate for full-year forecasts	Forecast	Y o Y		Compared to Previous Forecast	
			Variance	% Change			Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	16.0	1.1	7%	30%	53.1	-14.6	-22%	53.1	0
	Operating Profit	0.1	-0.1	-56%	10%	1.0	0	4%	1.0	0
Meat and Poultry	Net Sales	20.7	0.6	3%	24%	85.0	4.7	6%	85.0	0
	Operating Profit	0.2	-0.1	-35%	15%	1.6	0.4	37%	1.6	0

### First Quarter

#### Marine Products

- Sales positive for shrimp to restaurants, and shellfish for overseas markets
- Earnings declined as a result of inability to absorb higher procurement costs due to the weak yen

#### Meat and Poultry

- Sales to volume retailers declined, but sales to restaurants recovered
- Earnings declined on rise in procurement costs for imports and higher feed prices

### Full-year Forecast

#### Marine Products

- Nichirei will concentrate resources on strong-selling items and continue expanding sales
- The Company will reflect the higher procurement cost in the sales price, and aim to achieve full-year business plan

#### Meat and Poultry

- Focus on expanding sales of select ingredients
- Implement price revisions to secure earnings

Next is the Marine Products and Meat and Poultry businesses.

In Marine Products, net sales rose 7% from the same period of the previous fiscal year, with operating profit down ¥0.1 billion. Revenue increased on firm sales of shrimp to the restaurant channel, and shellfish to overseas markets.

Earnings declined, however, as we were unable to absorb higher procurement costs resulting from the weak yen.

In Meat and Poultry, net sales rose 3%, with operating profit down ¥0.1 billion. Sales volume to major retailers declined, but revenue increased overall on recovery in business to restaurants. Earnings declined as a result of a rise in procurement costs for imported products and higher feed prices.

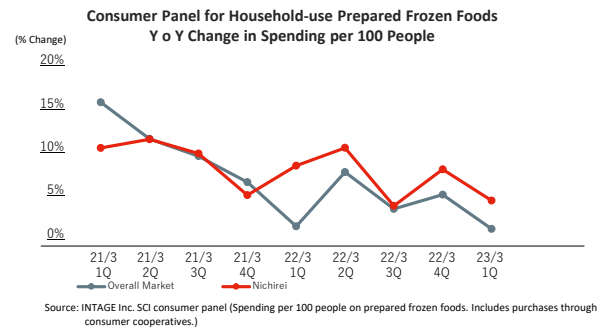
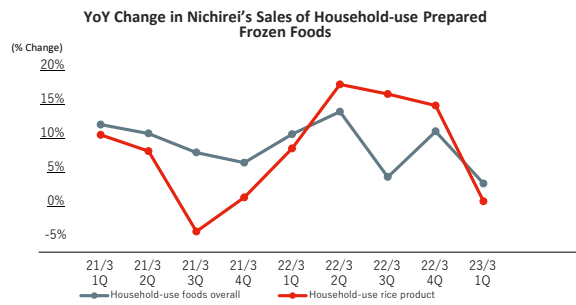
Next, our full year forecasts for the Marine Products and Meat and Poultry businesses.

For Marine Products, Nichirei will work to secure earnings through steady efforts to reflect higher procurement costs in sales prices. In addition, as included in the measures for our new medium-term business plan, we will concentrate management resources on competitive products and food materials, and scale back offerings in low-profit categories, in order to reduce employed capital and enhance capital efficiency.

For Meat and Poultry, Nichirei will continue to focus on expanding sales of differentiated products using select ingredients, and work to improve earnings by implementing price revisions in response to higher procurement costs.

That concludes this presentation.

# Appendix



## 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:

- (1) Changes in the economic conditions and business environment that may affect the Nichirei Group's business activities.
- (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.

- (4) Risks associated with the practicability of development of new products and services.
- (5) Risks associated with the practicability of growth strategies and implementation of low-cost systems.
- (6) Risks associated with the practicability of achieving benefits through alliances with outside companies.
- (7) Contingency risks.

However, factors that may affect the performance of the Nichirei Group are not limited to those listed above. Further, risks and uncertainties include the possibility of future events that may have a serious and unpredictable impact on the Group.

This publication is provided for the sole purpose of enhancing the reader's understanding of the Nichirei Group, and should not be taken as a recommendation regarding investment decisions.