

FY23/3 Q1 Financial Results Briefing Summary of Q&A Session

Date and time: August 2, 2022, 16:00–16:55

Presenters: Kenji Suzuki, Director, Executive Officer

Yasunori Sato, General Manager of Business Management

Processed Foods

Q. Regarding the positive and negative factors for operating profit, for Q1 you cited a positive impact of ¥1.0 billion from price revisions. How does this compare with the business plan?

A. The price revisions that we have been implementing since the previous fiscal year are proceeding in line with plan on the whole.

Q. Regarding the current status of price revisions, has the resistance from retailers changed, and the revisions implemented smoothly?

A. The degree of difficulty varies by product, but we are implementing revisions in line with plan.

Q. Regarding the positive and negative factors for operating profit, what is the impact from earnings at affiliates?

A. The impact on operating profit from earnings at affiliates during Q1 was up ¥0.8 billion compared to the same period of the previous fiscal year. This reflected earnings at GFPT Nichirei and Surapon Nichirei Foods in Thailand, InnovAsian Cuisine in the U.S., and other subsidiaries.

Q. Regarding the current situation in Thailand, what was behind the improvement in earnings?

A. The operating rate at GFPT Nichirei in Thailand had declined in the previous fiscal year due to a shortage of workers. This situation has now improved, and production volume of products for Japan has recovered. Earnings also improved as a result of an increase in domestic sales within Thailand, and steady growth in sales to Europe, which offset higher costs for chicken and oil. The expansion in sales to Europe was due to a falloff in the supply of chicken to Europe from Ukraine, furthered by proactive sales efforts from Thailand. We expect this trend to continue for a while longer.

Surapon Nichirei Foods, on the other hand, has been unable to absorb the increase in

costs for chicken and oil, and is facing a difficult situation.

Q. Could you comment on the rise in food material and procurement costs from the second quarter, and the impact of price revisions?

A. We maintain our initial outlook that cost increases will be concentrated in the first half, with a trend toward recovery in the second half as the effects of price revisions in August and September become manifest.

Q. What is your view on the changes in the consumption environment, mainly the current market trends toward spending less and lower prices?

A. The commercial-use market has recovered as economic activity resumes and customers return, with sales to restaurants up more than 10% from the previous fiscal year, and steady growth in everyday household dishes. Nichirei's sales of commercial-use products were up 15% overall in the first quarter, due in part to the slow recovery in the previous fiscal year and an upturn in sales of processed chicken, exceeding the growth in the general market.

The household-use market expanded 0.6% during the first quarter. Considering the high rate of growth over the last two years, even though the rate has slowed a bit, growth remains firm. Nichirei's sales of rice products were on a par with the previous fiscal year. Sales of processed chicken were down due to delays in recovery on the sales side, but snack items such as *Imagawayaki* cakes reached double-digit growth.

It's true that consumers are being more frugal, but sales promotion costs have remained fixed, and we do not anticipate any major changes in the overall tone of the market in terms of figures.

Q. In household-use prepared foods, what is your view on the outlook for rice and processed chicken items?

A. Sales in the first quarter of the previous fiscal year were boosted by rising demand as people spent more time at home, but with the resumption of economic activity we expect growth for household-use prepared foods to slow. For rice products, we are anticipating growth for mainstay items, particularly *Honkaku Itame Cha-han* (authentic fried rice), but compared to the high rate of growth in the previous fiscal year, we are taking a more conservative stance this period. We will work to expand sales of processed chicken items.

Q. Is your sales plan premised on an expectation of lower sales volume due to price revisions? Or is the plan better understood as prioritizing price revisions over quantity?

A. We hope to avoid a falloff in sales volume, but as a worst-case scenario we have factored

in a certain degree of decline. Our priority is price revisions.

Logistics

Q. Even with the rise in electricity costs and the impact from the Shanghai lockdown, will you be able to meet your full-year targets?

A. We had initially factored in a negative impact of ¥0.7 billion from higher electricity costs for the full fiscal year, but now anticipate that this will increase by around ¥0.2-0.3 billion. We expect to begin receiving surcharges from the second half, and although the Shanghai lockdown has had a serious impact on performance during the first half, there are also offsetting factors, such as the boost from surcharges and operational improvements, recovery in handling volume of import cargo, and the fact that the slowdown in transfer volume in the transfer center (TC) business was less than expected. We will continue to make efforts to achieve our full-year operating profit target.

END

Note: This document is not a complete record of the Q&A session, and has been edited by Nichirei Corporation.