

FY23/3 Third Quarter Presentation Material

February 7, 2023
Nichirei Corporation

Third Quarter Results

■ Measures implemented in response to higher costs yielded a turnaround in earnings with gains in Q3.

(Billions of yen)

	Q3			Q3 (cumulative)			
	Results	Y o Y		Results	Y o Y		Progress rate for full-year forecasts
		Variance	% Change		Variance	% Change	
Processed Foods	71.4	10.3	17%	206.7	24.9	14%	75%
Marine Products	22.3	0.2	1%	54.8	1.0	2%	83%
Meat and Poultry	23.5	2.1	10%	65.5	4.5	7%	77%
Logistics	64.8	6.4	11%	183.9	15.9	9%	75%
Real Estate	1.1	0.1	7%	3.4	0.2	5%	74%
Other	2.0	1.1	126%	4.4	1.5	52%	89%
Adjustment	-5.8	-0.1	—	-17.7	-0.6	—	—
Net Sales	179.3	20.1	13%	501.1	47.3	10%	76%
Processed Foods	4.2	0.2	5%	10.4	-0.4	-3%	76%
Marine Products	0.8	-0.1	-6%	0.9	-0.5	-37%	90%
Meat and Poultry	0.4	0	9%	0.9	-0	-2%	77%
Logistics	4.3	-0.1	-2%	11.5	-0.7	-6%	75%
Real Estate	0.5	0.1	17%	1.4	0.1	12%	72%
Other	0.4	0.6	—	0.6	1.0	—	—
Adjustment	-0	0.1	—	-0.5	0	—	—
Operating Profit	10.6	0.9	9%	25.3	-0.5	-2%	80%
Ordinary Profit	10.8	1.0	10%	25.8	-0.2	-1%	81%
Profit attributable to owners of parent	7.0	-0	-0%	16.8	-1.3	-7%	79%

- Net sales rose 10% from the same period of the previous fiscal year on continued steady performance in mainstay businesses, mainly overseas operations.
- Operating profit declined 2% for the nine-month period overall, but rose in the Q3 period, driven by improved profitability for Processed Foods and the Bioscience Business.
- Profit attributable to owners of parent was down 7%, due mainly to a decrease in gain on sales of investment securities.

■ Profit improvement measures steadily implemented, operating profit in line with plan.

(Billions of yen)

		Q3			Q3 (cumulative)			
		Results	Y o Y		Results	Y o Y		Progress rate for full-year plan
			Variance	% Change		Variance	% Change	
Processed Food	Net Sales	71.4	10.3	17%	206.7	24.9	14%	75%
	Household-use Prepared Foods	20.6	2.0	11%	59.9	2.9	5%	76%
	Commercial-use Prepared Foods	26.4	1.7	7%	76.9	8.5	12%	71%
	Processed Agricultural Products	5.6	0.6	12%	15.3	0	0%	76%
	Overseas	15.3	5.9	63%	42.6	12.7	43%	79%
	Other	3.4	0.1	2%	11.9	0.7	6%	82%
	Operating Profit	4.2	0.2	5%	10.4	-0.4	-3%	76%

Household-use Prepared Foods

- Revenue rose on recovery in sales volume for processed chicken, and sales of new items such as *Gokubuto Tsukemen* (Thick Dipping Noodles) and other single-serving noodle dishes.

Commercial-use Prepared Foods

- Sales to the restaurant and home meal replacement (HMR) markets continued to increase with the easing of social restrictions.
- Revenue was boosted by mainstay categories such as processed chicken, along with processed meat items including hamburger steak and pork cutlets, and *harumaki* (spring rolls).

Overseas

- U.S. subsidiary InnovAsianCuisine continued to record positive sales of household-use products.
- GFPT Nichirei (Thailand) contributed to revenue gains with expanded exports to Europe and domestic sales in Thailand.

Operating Profit

- Cost increases continued to have an impact, but price revisions and performance improvements at overseas subsidiaries yielded a gain in operating profit for the Q3 period.

- European business drove revenue gain, while operating profit declined as a result of higher costs in Japan and overseas.

(Billions of yen)

		Q3			Q3 (cumulative)			
		Results	Y o Y		Results	Y o		Progress rate for full-year plan
			Variance	% Change		Variance	% Change	
Logistics Business	Net Sales	64.8	6.4	11%	183.9	15.9	9%	75%
	Japan Subtotal	46.3	0.8	2%	135.3	2.1	2%	75%
	Logistics Network	27.3	0.6	2%	79.5	1.4	2%	75%
	Regional Storage	19.0	0.1	1%	55.7	0.7	1%	75%
	Overseas	18.0	6.1	51%	46.9	14.1	43%	78%
	Other/Intersegment	0.4	-0.5	-54%	1.8	-0.3	-13%	36%
	Operating Profit	4.3	-0.1	-2%	11.5	-0.7	-6%	75%
	Japan Subtotal	4.3	0.2	6%	11.2	-0.2	-2%	81%
	Logistics Network	1.7	0.2	15%	4.5	-0.1	-2%	80%
	Regional Storage	2.6	0	1%	6.7	-0.2	-2%	82%
	Overseas	0.3	-0.3	-48%	1.2	-0.2	-12%	57%
	Other/Intersegment	-0.3	-0.1	—	-0.9	-0.3	—	—

(Japan)

Logistics Network

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

Regional Storage

- Revenue rose steadily on robust storage demand, mainly in major metropolitan areas.

Operating Profit

- Earnings fell sharply as a result of rising electricity costs, outstripping the benefits from operational improvements, greater transport efficiency, and application of electricity and fuel surcharges.

(Overseas)

Europe

- Earnings were down as a result of higher electricity charges and other costs, offsetting the benefits from acquisitions completed in the previous fiscal year, and expansion of delivery services to retailers.

- Marine Products results were in line with plan, while earnings for Meat and Poultry fell on inability to fully absorb cost increases.

(Billions of yen)

		Q3			Q3 (cumulative)			
		Results	Y o Y		Results	Y o Y		Progress rate for full-year plan
			Variance	% Change		Variance	% Change	
Marine Products	Net Sales	22.3	0.2	1%	54.8	1.0	2%	83%
	Operating Profit	0.8	-0.1	-6%	0.9	-0.5	-37%	90%
Meat and Poultry	Net Sales	23.5	2.1	10%	65.5	4.5	7%	77%
	Operating Profit	0.4	0	9%	0.9	-0	-2%	77%

Marine Products

- Operating profit was in line with plan, as a rebound decline from the high handling volume for octopus in the previous fiscal year was offset by firm sales to the restaurant industry and price revisions.

Meat and Poultry

- Earnings declined as expanded sales of processed items and price revisions were insufficient to absorb higher animal feed prices and other costs.

Full-year Forecast

- Segment figures have been adjusted, but overall the forecast for net sales and operating profit is unchanged from previous plan.

(Billions of yen)

	Plan	Full Year			
		YoY		Compared to Previous Plan	
		Variance	% Change	Previous Plan	Variance
Processed Foods	275.0	30.8	13%	275.0	0
Marine Products	66.0	-1.7	-3%	66.0	0
Meat and Poultry	85.0	4.7	6%	85.0	0
Logistics	246.0	21.5	10%	246.0	0
Real Estate	4.6	0.3	7%	4.6	0
Other	6.1	1.9	46%	5.0	1.1
Adjustment	-22.7	-0.1	—	-21.6	-1.1
Net Sales	660.0	57.3	10%	660.0	0
Processed Foods	13.8	-0.4	-3%	13.8	0
Marine Products	1.0	0	4%	1.0	0
Meat and Poultry	1.0	-0.2	-14%	1.2	-0.2
Logistics	14.8	0.2	1%	15.3	-0.5
Real Estate	1.8	0.1	9%	1.9	-0.1
Other	0.8	1.1	—	0.3	0.5
Adjustment	-1.7	-0.8	—	-2.0	0.3
Operating Profit	31.5	0.1	0%	31.5	0
Ordinary Profit	31.9	0.2	1%	31.9	0
Profit attributable to owners of parent	21.2	-2.2	-9%	21.2	0

- Net sales: The steady increase is expected to continue as a result of price revisions in response to cost rises, and steady performance at overseas businesses.
- Operating profit: Despite a downward revision in the Logistics segment, the Bioscience Business is positive, and overall Nichirei expects to secure an increase to ¥31.5 billion in line with plan.
- Ordinary profit is expected to increase. Profit attributable to owners of parent is forecast to decline due to a decrease in gain on sale of investment securities, but remain in line with the previous plan at ¥21.2 billion.

- Full-year targets to be achieved through further price revisions and improved performance of overseas subsidiaries.

(Billions of yen)

		Full Year				
		Plan	YoY		Compared to Previous Plan	
			Variance	% Change	Previous Plan	Variance
Processed Food	Net Sales	275.0	30.8	13%	275.0	0
	Household-use Prepared Foods	81.4	4.6	6%	78.9	2.5
	Commercial-use Prepared Foods	103.1	10.5	11%	107.6	-4.5
	Processed Agricultural Products	20.0	0	0%	20.0	0
	Overseas	55.9	15.1	37%	53.9	2.0
	Other	14.6	0.6	5%	14.6	0
	Operating Profit	13.8	-0.4	-3%	13.8	0

Household-use Prepared Foods

- Expand sales of mainstay rice products and processed chicken, and launch new value-added items such as *Curry Udon Using Only Microwave*.

Commercial-use Prepared Foods

- Continue to focus on expanding business to major users, mainly for processed chicken.
- Continue to strengthen sales of assemblable products to cope with kitchen personnel shortages, as well as new products to meet demand for single-serving meals.

Overseas

- U.S.: Launch new items in mainstay categories, and strengthen promotions to expand business volume.
- Thailand: Focus on exports to markets other than Japan, as well as domestic sales of byproducts as material for pet food.

Operating Profit

- Forecast unchanged from ¥13.8 billion in line with the previous plan in consideration of price revisions implemented in February and improved results at overseas subsidiaries.

Factors for Increase/Decrease in Operating Profit

(Billions of yen)

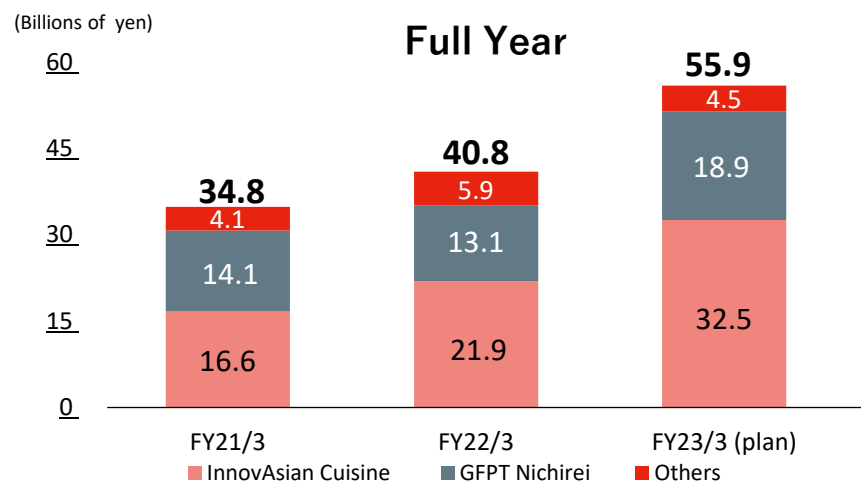
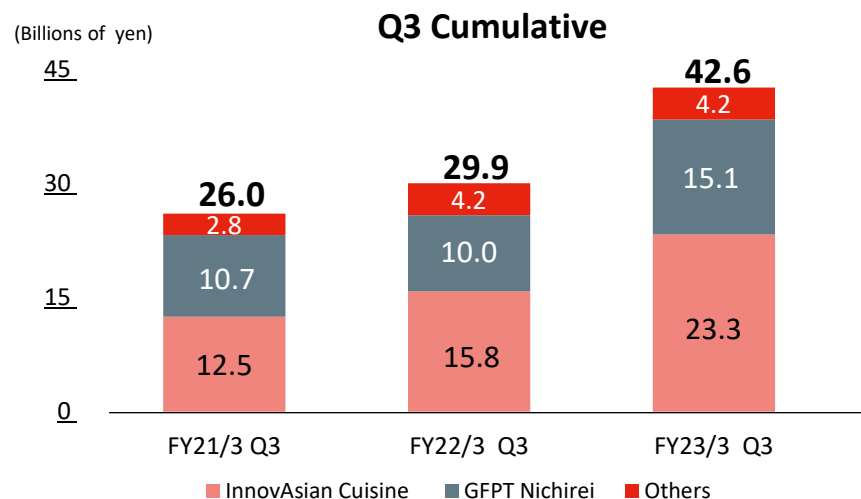
	Q3 Results (cumulative)	Full-year Plan	Compared to Previous Plan
FY22/3 Operating Profit	10.8	14.2	—
Factors for increase	9.7	14.7	0.1
Impact of selling price adjustments	6.7	11.1	0
Increased revenue	1.0	1.0	-0.6
Impact of results at affiliated companies	1.7	2.3	0.7
Improved productivity	0.3	0.3	0
Factors for decrease	-10.1	-15.1	-0.1
Increase/decrease in food material/procurement cost	-4.8	-6.8	-0.4
Increase in raw material and purchasing costs due to yen depreciation	-3.3	-4.5	0.9
Increase/decrease in logistics costs	-0.8	-1.3	-0.1
Increase/decrease in advertising and sale promotion expenses	0.3	-0.1	-0.1
Increase in depreciation expense	-0.5	-0.6	0
Increase/decrease in power and fuel costs	-0.9	-1.6	-0.2
Other	-0.1	-0.2	-0.2
FY23/3 Operating Profit	10.4	13.8	0

Main Measures

- Impact of selling price adjustments
Steady implementation of additional price revisions from February.
- Increased revenue
Revised downward as sales of commercial-use prepared foods are expected to be below previous plan.
- Impact of results at affiliated companies
Increased ¥0.7 billion on better-than-expected U.S. sales and upturn at GFPT Nichirei (Thailand).
- Increase in raw material and purchasing costs due to yen depreciation
Forecast improvement of ¥0.9 billion due to turnaround to stronger yen from December.

Overseas Business

Net Sales



InnovAsian Cuisine (U.S.) Net Sales and Operating Profit

FY23/3 Q3 Cumulative

		Q3 Cumulative		
		Results	YoY	
			Variance	% Change
Net Sales	Reporting currency (JPY bn)	23.3	7.5	48%
	Local currency (USD mn)	181	36.0	25%
Operating Profit	Reporting currency (JPY bn)	1.1	-0	-1%
	Local currency (USD mn)	8.5	-1.6	-16%

Full Year

		FY19/3	FY20/3	FY21/3	FY22/3	FY23/3		
		Results	Results	Results	Results	Plan	YoY	
							Variance	% Change
Net Sales	Reporting currency (JPY bn)	13.0	14.6	16.6	21.9	32.5	10.6	48%
	Local currency (USD mn)	118	133	155	199	246	47	23%
Operating Profit	Reporting currency (JPY bn)	0.5	0.6	1.4	1.4	1.8	0.4	25%
	Local currency (USD mn)	4.2	5.2	13.3	12.8	13.4	0.6	5%

■ Full-year operating profit forecast revised downward, while still focused on securing earnings gain.

(Billions of yen)

		Full Year				
		Plan	YoY		Compared to Previous Plan	
			Variance	% Change	Previous Plan	Variance
Logistics Business	Net Sales	246.0	21.5	10%	246.0	0
	Japan Subtotal	177.6	3.2	2%	181.0	-3.4
	Logistics Network	105.1	2.2	2%	106.5	-1.4
	Regional Storage	72.5	1.1	2%	74.5	-2.0
	Overseas	63.4	17.5	38%	60.0	3.4
	Other/Intersegment	5.0	0.7	17%	5.0	0
	Operating Profit	14.8	0.2	1%	15.3	-0.5
	Japan Subtotal	13.4	-0	-0%	13.8	-0.4
	Logistics Network	5.4	-0.1	-2%	5.6	-0.2
	Regional Storage	8.0	0.1	1%	8.2	-0.2
	Overseas	2.1	0	1%	2.1	0
	Other/Intersegment	-0.7	0.2	—	-0.6	-0.1

(Japan)

Logistics Network

- Expand frozen foods distribution platform, transportation and delivery.

Regional Storage

- Focus on cargo collections for imports while utilizing assets of other companies, and expand business volume.

Operating Profit

- Focus on securing earnings gains from revenue boost and greater operational efficiency.
- Lessen impact from rising energy costs by applying electricity and fuel surcharges.

(Overseas)

Europe

- Revise fees in response to cost increases, and secure operating profit on a par with the previous fiscal year.

Factors for Increase/Decrease in Operating Profit

(Billions of yen)

	Q3 Results (cumulative)	Full-year Plan	Compared to Previous Plan
FY22/3 Operating Profit	12.2	14.6	—
Factors for increase	1.4	2.1	-0.3
Effect on results from increase in cargo collection costs (including cross docking)	0.9	1.3	-0.3
Operational improvements	0.3	0.4	0
Streamlining of transport business	0.3	0.4	0
Effect on overseas business	-0.2	0	0
Factors for decrease	-2.0	-1.9	-0.2
Increase in electricity charges (net)	-1.5	-1.6	-0.1
Increase in transport and delivery costs (net)	-0.3	-0.4	0
Increase in work outsourcing costs (net)	0	-0.1	0
Other	-0.2	0.2	-0.1
FY23/3 Operating Profit	11.5	14.8	-0.5

Main Measures

- Effect on results from increase in cargo collection costs
Revised downward, as while cargo collections are firm, restorage costs have risen as movement of goods has been slower than expected.
- Increase in electricity charges (net)
Application of electricity fee surcharges proceeding as planned.
- Other
Expected decrease in policy expenditures in Q4.

- Marine Products results expected to be in line with plan, while operating profit forecast for Meat and Poultry revised downward.

(Billions of yen)

		Full Year				
		Plan	YoY		Compared to Previous Plan	
			Variance	% Change	Previous Plan	Variance
Marine Products	Net Sales	66.0	-1.7	-3%	66.0	0
	Operating Profit	1.0	0	4%	1.0	0
Meat and Poultry	Net Sales	85.0	4.7	6%	85.0	0
	Operating Profit	1.0	-0.2	-14%	1.2	-0.2

Marine Products

- Nichirei expects to meet plan targets through expanded sales of mainstay items, and expansion in overseas sales.

Meat and Poultry

- Earnings from domestic products has improved, but operating profit forecast has been revised downward on deterioration in market conditions for imported frozen foods.

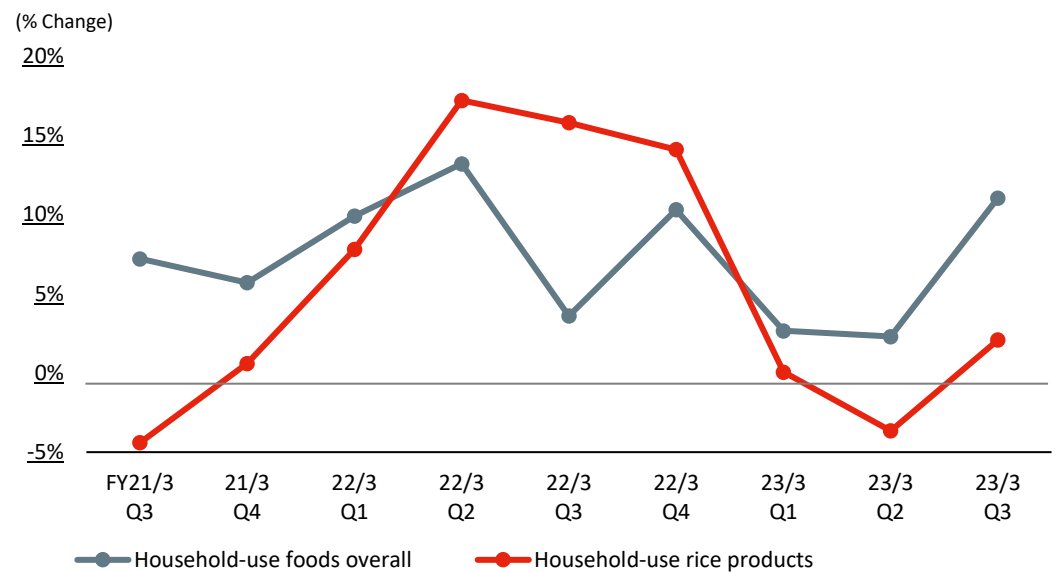
Appendix

Non-operating Income and Expenses / Extraordinary Income and Loss

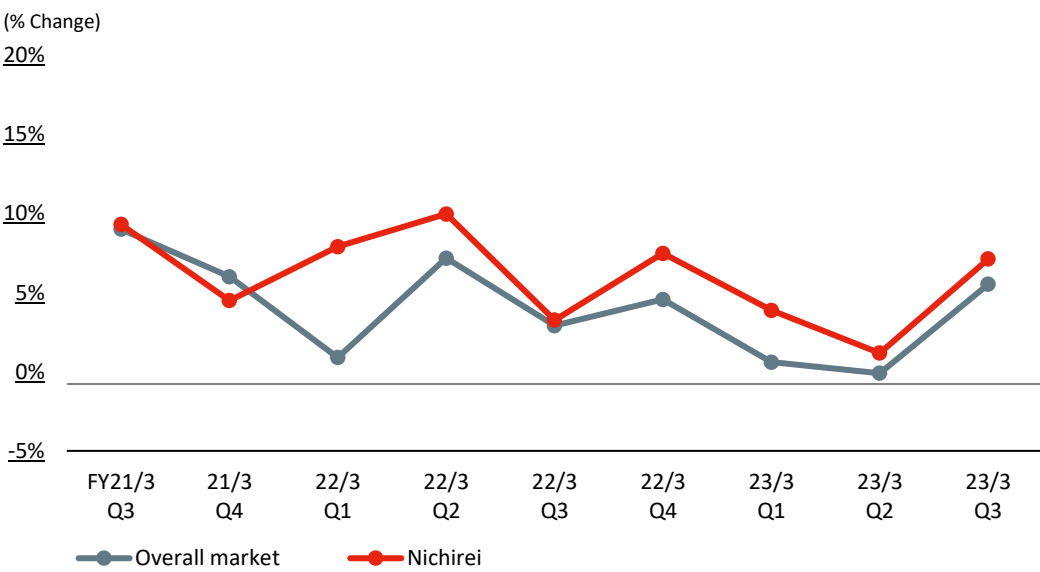
(Billions of yen)

	FY23/3 Q3 (Cumulative)		Full Year	
	Results	Variance	Plan	Variance
Non-operating Income and Expenses	0.4	0.2	0.3	0
Main items				
Financial account balance	0.3	-0	0.2	0
Share of profit of entities accounted for using equity method	0.2	0.1	0.3	0.1
Extraordinary Income and Loss	-0.1	-1.5	-0.3	-3.8
Main items				
Gain on sales of non-current assets	0	0	0	0
Gain on sales of investment securities	0.5	-0.7	0.6	-3.2
Gain on bargain purchase	0.5	0.5	0.5	0.5
Compensation for expropriation	0	-1.2	0	-1.2
Loss on sales and retirement of non-current assets	-0.6	0.2	-0.7	0.4
Impairment loss	-0.4	-0.3	-0.5	-0.3

YoY Change in Nichirei's Sales of Household-use Prepared Frozen Foods

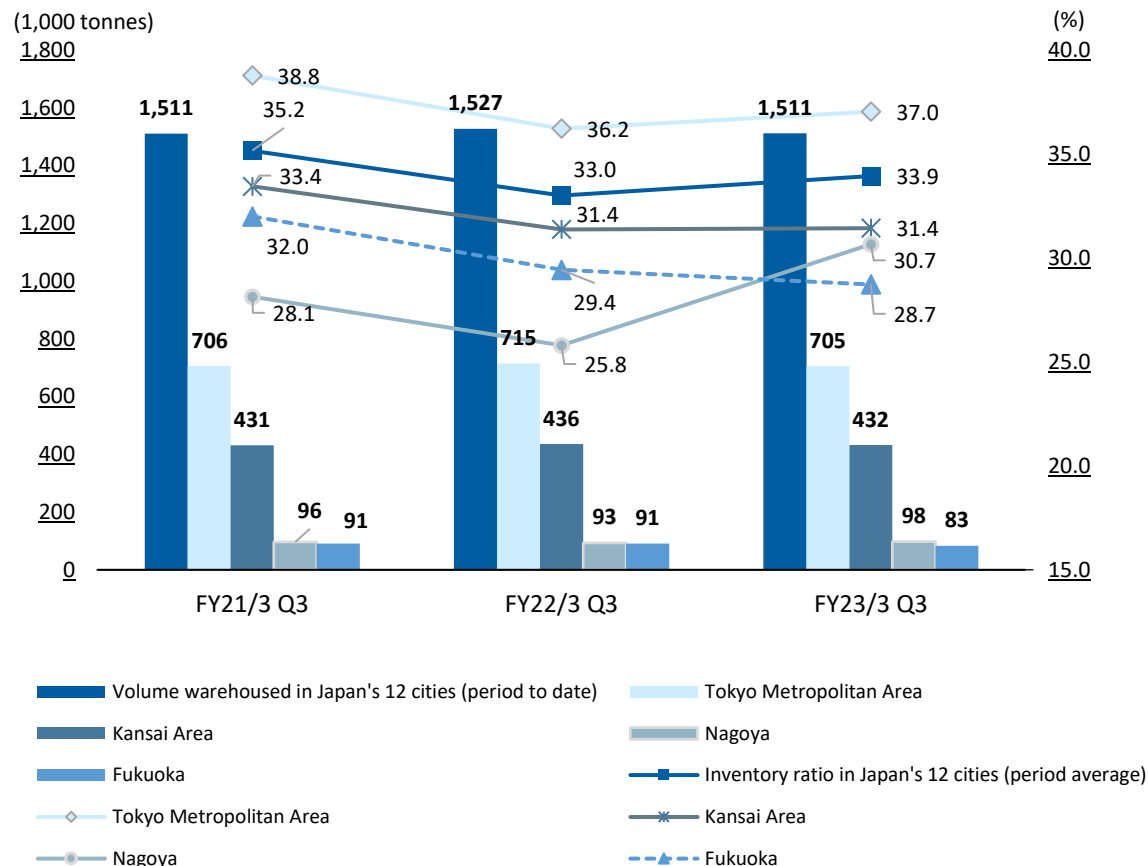


Consumer Panel for Household-use Prepared Frozen Foods Y o Y Change in Spending per 100 People

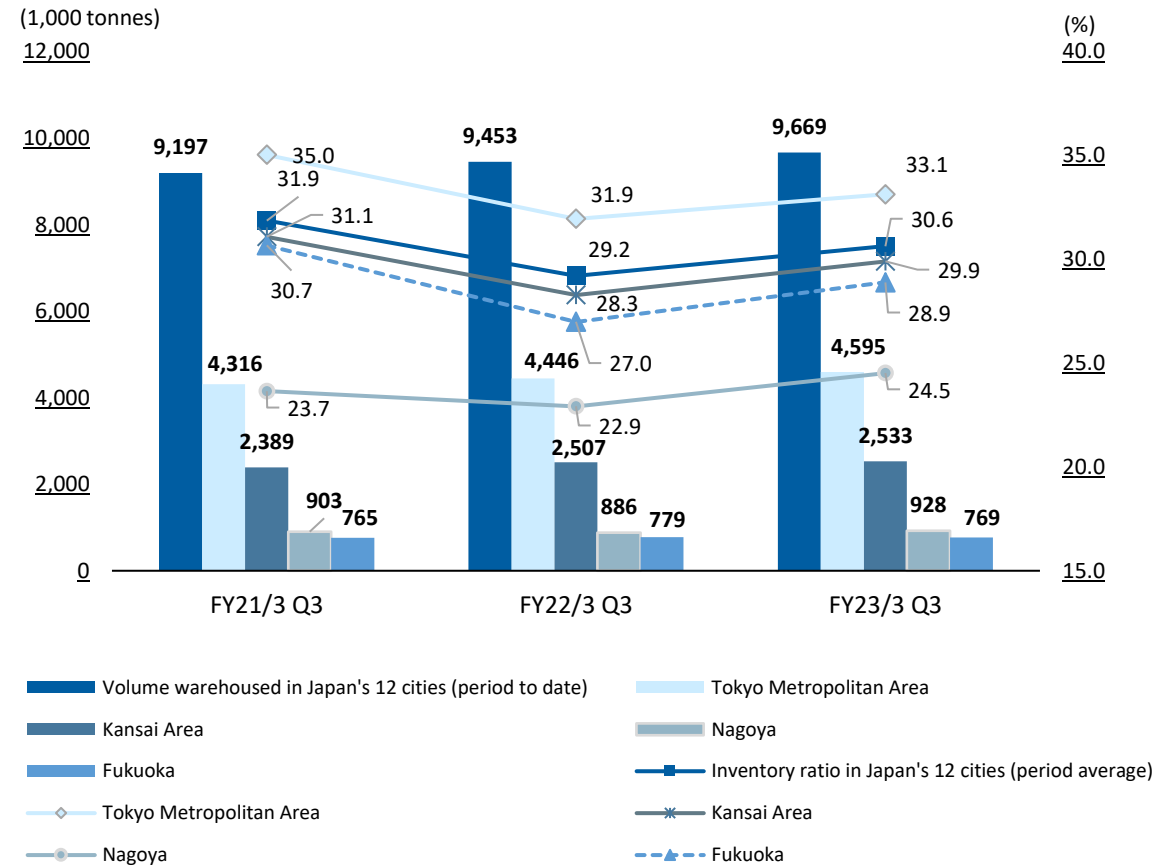


Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Includes purchases through consumer cooperatives.)

Nichirei Group's Cold Storage Capacity Utilization



Industry-wide Cold Storage Capacity Utilization



Source: Compiled by Nichirei based on Japan Association of Refrigerated Warehouses documents.

Major Exchange Rates

Exchange Rates

(Yen)

	FY 23/3 Q3 (Forecast)	FY 23/3 Q3 (Actual)*	FY 22/3 Q3 (Actual))*
USD/JPY	132.00	128.05	108.50
EUR/JPY	138.00	135.95	129.82
THB/JPY	3.80	3.70	3.45

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

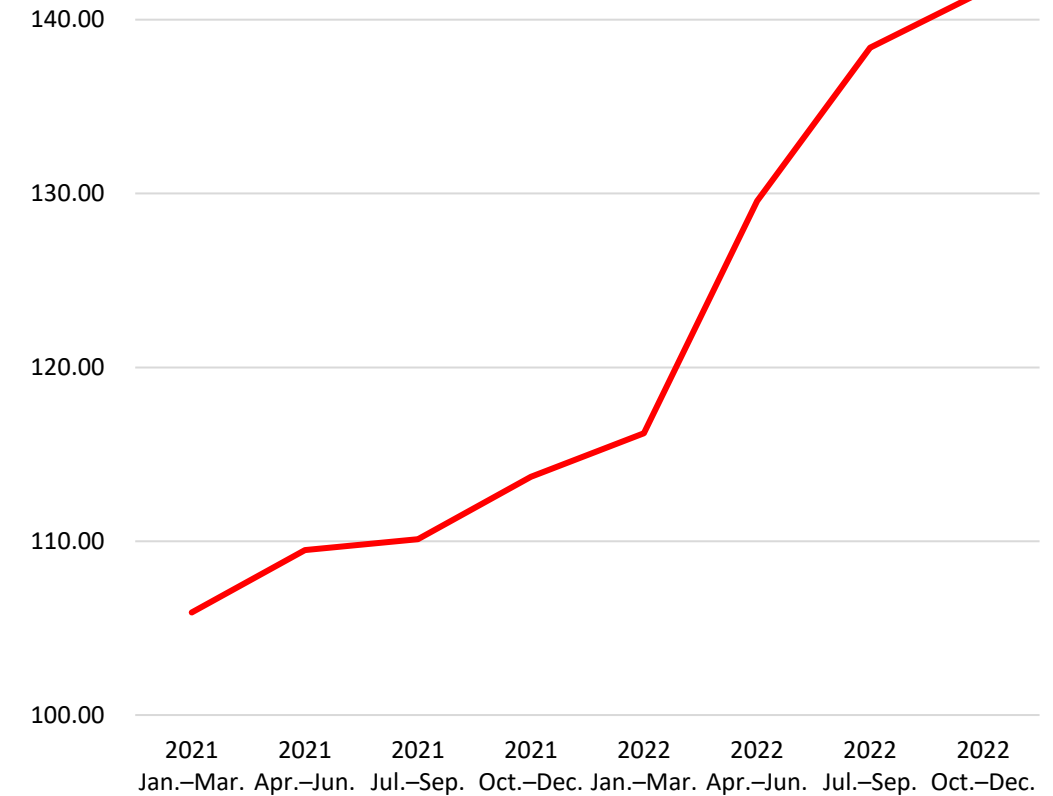
Average Exchange Rates

(Yen)

	2021 Jan.–Mar.	2021 Apr.–Jun.	2021 Jul.–Sep.	2021 Oct.–Dec.	2022 Jan.–Mar.	2022 Apr.–Jun.	2022 Jul.–Sep.	2022 Oct.–Dec.
USD/JPY	105.90	109.49	110.11	113.71	116.21	129.57	138.38	141.64
EUR/JPY	127.68	131.95	129.83	130.07	130.40	138.10	139.34	144.35
THB/JPY	3.50	3.50	3.35	3.41	3.52	3.77	3.80	3.89

Average Exchange Rates (USD/JPY)

(Yen)



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.

- (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.

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