

FY3/17 Financial Results Briefing Summary of Q&A Session

(May 10, 2017, Tokyo)

Nichirei Group Overall

Q. During regular discussions with investors, what interests and expectations do you think investors have toward Nichirei? Also, why did you decide to issue conservative forecasts?

A. As we have been emphasizing since the previous medium-term business plan (FY3/14—FY3/16), Nichirei's business comprises four main segments, of which Processed Foods and Logistics are the core businesses. The Marine Products, Meat and Poultry, and Bioscience businesses are small in scale, but by focusing on capital efficiency we have secured stable profit. The core businesses and other Group businesses are closely linked to consumers, and have an easily understood mission. In that sense, we think investors have considerable expectations.

Operating profit in the initial year of the current medium-term business plan (FY3/17—FY3/19) amounted to ¥29.3 billion, and we are forecasting ¥28.5 billion in the second year. Some people might think this is slightly conservative, but we want them to understand the position we want to achieve in FY3/19 through the plan.

There are three main components. The first two are earnings growth in our domestic business, and expanded scale for the overseas business. The third is that considering the future, this is a period to search for the seeds of our next business.

Looking at historical operating profit reveals turning points for the Nichirei Group's earnings growth. Specifically, in the FY3/11-FY3/13 business plan, earnings in the Real Estate business were ¥2.4 billion in the plan's second year, a significant decline from the level in the previous plan. Nevertheless, earnings in the Logistics business were stable at around ¥7-8 billion. At the same time, there was huge volatility in the Processed Foods business. Accordingly, we consider stable growth in Logistics and improved profitability in Processed Foods to be important for earnings growth in our domestic business. This has been the main feature of the FY3/14—FY3/16 business plan and FY3/17—FY3/19 plan, and we have allocated the necessary operating cash flow to capital investment to achieve it.

Q. So you're saying that earnings growth will be low this term because Nichirei will make investments to establish a foothold for future growth, rather than pure growth investments?

A. That's correct. Around 40% of the capital investment during the plan period is for growth investments, with the remaining 60% allocated to strengthening and establishing foundations, or maintenance. Strengthening foundations includes investments for CFC elimination and enhanced earthquake-resistance.

Processed Foods

Q. What is your reasoning behind the top line figure for domestic frozen foods? Nichirei conducted extensive advertising and promotions for household-use products in the previous fiscal year. Based on recent changes and other data, what was the effect?

A. Demand for household-use prepared foods is unchanged, particularly rice products. We ran an aggressive TV commercial campaign in March this year, and aim to increase sales during the current fiscal year. We are considering TV commercials this year as well, but since costs rise along with sales volume when we run commercials, we need to consider the cost effectiveness.

Q. Regarding Nichirei's Thailand affiliate, would you explain in more detail the reasons for the changes in the operating profit between last year and this year?

A. In the previous fiscal year, earnings rose substantially because growing demand for processed chicken products in Japan led to a high factory utilization rate throughout the period. The domestic poultry market in Thailand was also comparatively stable, and earnings were boosted by a weak baht.

This fiscal year, although we expect production volume to increase year on year, we anticipate lower earnings as a result of a sharp rise in the poultry market, and the effects of a strong baht in contrast to the previous fiscal year.

Q. What are your growth strategies for Processed Foods overseas? Will this be an extension of previous strategies? Will you implement more wide-ranging measures?

A. The U.S. Asian foods business is growing steadily, but competition has become more intense recently as major producers began handling Asian foods. However, the InnovAsian brand is still highly regarded in terms of healthiness, taste, and appearance. We are currently considering strategies for continued growth.

Logistics

Q. Facility capacity will increase once Tokyo Danchireizo resumes operations next spring. Until that time, is there a need for concern about factors other than cost, such competitiveness in cargo collection?

A. Regarding the concern about competitiveness in cargo collection, we faced a similar situation with Higashi-Ogishima. Facility costs have risen markedly, so we cannot maintain business at previously charged rates. To attract business for products consistent with the facility costs, we think it's necessary to offer a more comprehensive logistics service that includes additional services other than storage, such as transport and delivery, or defrosting. Nichirei has strengths in these areas, so we consider this an opportunity for business expansion.

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