

FY3/18 Q1 Financial Results Briefing Summary of Q&A Session

(August 1, 2017, Tokyo)

Nichirei Group Overall

Q. What is the status of planned capital investment as of 1Q?

A. Investment during 1Q amounted to ¥3.1 billion, which would seem to be behind plan for the full fiscal year, but we had originally expected the majority of investment to be during the second half, so there is no major change in the plan. In terms of individual projects, the fifth production line at GFPT Nichirei in Thailand is on schedule, and will be operational from August. The plan to build a new refrigerated warehouse at Rotterdam in The Netherlands is also proceeding on schedule.

Processed Foods

Q. What were the factors affecting 1Q operating profit? Also, what was the degree of influence for each factor compared to your initial expectations?

A. We have not conducted a detailed analysis of each factor for 1Q, so unfortunately we cannot comment on specific figures. Sales have risen steadily, with a considerable increase in revenue. Operating profit, however, has remained mostly in line with plan. The revenue gain did provide a boost, but due to rising food material prices in Japan, and higher market prices for chicken in Thailand, the earnings gain stayed at around ¥100 million. An increase in logistics costs and temporary fixed expenses also had an impact.

Q. What was the extent of the earnings decrease at your Thai affiliates during 1Q?

A. For the two companies together, we had initially anticipated a decline of around ¥1.0 billion, and the effect was mostly in line with our expectations for the duration of the period. The main business of both companies is producing products for export to Japan, and positive sales of products for Japan led to an increase in volume. However, rising prices for chicken in Thailand affected earnings. We will closely watch these trends going forward.

Q. Revenue from commercial-use prepared foods rose significantly, up 19% year on year to ¥4.2 billion. What are the reasons for this increase?

A. With the strong demand for processed chicken products to the home meal replacement (HMR) channel, revenue rose mainly as a result of expanded sales of existing products, successful development of products to meet customer needs, and the launch of new products.

Q. Sales of commercial-use prepared foods have been favorable mainly through the HMR route, while sales of household-use prepared foods also rose 8% year on year. Do you expect to sustain this level from 2Q and beyond?

A. We cannot comment on the figures themselves, but the household-use market is growing steadily, and we think we can achieve steady gains under such conditions.

Q. What is the status of advertising and promotional expenses during 1Q?

A. We had no expenditures for product TV commercials during 1Q. We began airing a commercial for *Yaki-onigiri* (Grilled Rice Ball) in July.

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