Nichirei Corporation

FY3/18 Q2 Financial Results Briefing Summary of Q&A Session

（November 1, 2017, Tokyo）

Nichirei Group Overall

Q. In the initial medium-term management plan, total planned capital investment (including leases) over three years was ¥86.8 billion. However, just looking at capital investment through the current term gives the impression that the plan is significantly behind schedule. What are the main reasons for that? Also, what should we expect for the next fiscal year?

A. The main reasons are that investments for maintenance were less than our initial expectations, while certain projects have been delayed and will be pushed back to the next business plan. We are currently revising our plan for the next fiscal year, and expect to announce it in May 2018.

Q. What is the general outline of your capital investment plan in the next fiscal year? Do you expect to reach the recovery phase for investments made under the current plan? Or will you continue to invest at the same level?

A. FY3/19 will be the final year for the current business plan. At this point we feel that we have acquired the capacity for over ¥30 billion in operating income, and so plan to maintain profit at the current level. The recent earnings improvement is the result of capital investments in core businesses made with a long-term perspective. The next business plan will also include investments to enhance the earnings capacity of core businesses, based on a careful consideration of which projects are the most important. We cannot provide specific figures at this time.

Processed Foods

Q. Year-on-year sales growth for commercial-use prepared foods was 16% in the first half, but 7% in the second. Why is the growth rate slowing, even if it's still positive?

A. During the first half, the launch of new special sale items had a major impact. These items were no longer available in the second half so the revenue growth rate appears to have slowed, but it's still up 7% from the previous fiscal year. As a general trend we consider sales to be steadily increasing.

Q. What are the main components of food material costs?

A. The foods materials increasing in cost are mainly chicken and rice.

Q. **You've noted the strength of processed chicken and rice products, but what level of top-line growth do you anticipate for household-use prepared foods in the next fiscal year?**

A. As of October, the market has continued to steadily expand, and we anticipate growth to continue into the next fiscal year.

Logistics

Q. **Looking at the factors for increase/decrease in operating income (P15), the figure for "Effect on results from increase in cargo collection" compared to previous forecast seems extremely favorable. What's the reasoning behind this? Also, what is your forecast for the next fiscal year?**

A. One of the distinctive features of the current fiscal year is that while inventory levels have not been as high as in previous fiscal years due in part to the effect of exchange rates, cargo pickups for products with comparatively high turnover has been extremely positive. We expect this to continue going forward. At the same time, in terms of the mainstay product of meat, safeguards have been imposed for frozen U.S. beef and there is a possibility this will be expanded to include chilled U.S. beef, we need to watch future trends closely.

In the Tokyo metropolitan area, as we await the resumption of operations at Tokyo Danchireizo, we have been utilizing assets of other companies and collecting cargo beyond the capacity of our facilities. Going forward, we plan to make full use of our cooperative relationship with partner companies, and further expand cargo pickups.

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