

FY19/3 Q2 Financial Results Briefing Summary of Q&A Session

(November 7, 2018, Tokyo)

Nichirei Group Overall

Q. What is the outlook for the EBITDA margin going forward?

The EBITDA margin for Processed Foods was around 4-6% during the period of the last medium-term business plan, but under the current plan it has been around 9%, and for Logistics it has held at a level above 10%. We aim to maintain an EBITDA margin in the double digits for the corporate group overall.

Q. Would you please comment on the operating profit margin in the next business plan?

Currently the operating profit margin is at the 5% level for the corporate group overall, but we are looking to raise this to greater than 6%.

Q. In the next medium-term business plan, will capital expenditures increase compared to the current plan, or will this be a period for recouping returns on investment up to now?

We are currently realizing returns on investment. Going forward, in addition to growth investments, we will need to continue making investments to strengthen the business base, so we anticipate a commensurate level of capital spending.

Processed Foods

Q. What is the content of the 10% increase in revenue for commercial-use prepared foods in the second half?

In the previous fiscal year, sales were skewed in the first half by an increase of around ¥7.0 billion, but during the current fiscal year revenue in the first and second halves has leveled out.

Compared with the same period of the previous fiscal year, the increase in sales in the second half is considerable, but we don't think this is such a high hurdle to overcome. Along with existing growth, we have secured contracts for the second half, so we expect to be able to meet our sales targets for the full fiscal year.

Q. Regarding the sharp decline in earnings at affiliated companies in Thailand, what measures are you taking to mitigate this volatility?

These companies sell chicken by-products domestically in Thailand, and were significantly affected by market fluctuations during the first half. We are taking steps to reduce the proportion of products subject to market prices, and working to develop products with a greater degree of processing.

Logistics

Q. In addition to the labor shortage and other changes in the business environment, cargo volume is expected to increase as a result of TPP 11 and the Japan-EU Economic Partnership Agreement (EPA). As a logistics group, are you saying that you expect the current measures to be adequate to cope with these changes for the next two to three years? Also, what changes do you anticipate for the low-temperature logistics industry overall?

Cargo volumes are expected to steadily increase, while at the same time the labor shortage will become more severe due in part to the tighter regulations from working-style reform laws that will come into effect from the next fiscal year. Over the next few years we will respond to these changes while efficiently utilizing warehouse capacity. In terms of profitability, personnel costs and electricity rates are rising, while we are also investing in automation and spending for facility renovation. We will need to change our mindset as an industry, including appealing to customers for appropriate pricing commensurate with these costs.

End

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