

FY19/3 Q3 Financial Results Briefing Summary of Q&A Session

(February 6, 2019, Tokyo)

Processed Foods

Q. What is the current status and outlook for the household-use frozen foods market?

Overall the market is somewhat stagnant, as extremely strong growth in the Q3 of the previous fiscal year presented a high hurdle for the subject period. For Nichirei, sales of seasonal products fell short of plan due to this market stagnation and the warm winter, but sales of mainstay products such as fried rice, pilaf, and processed chicken rose steadily, and overall we managed to exceed the figures from the previous fiscal year. Demand for frozen foods remains firm, so during Q4 we anticipate a recovery in market trends, and will pursue expanded sales of mainstay products and new items.

Q. What will be the main drivers for increased earnings in Q4?

We expect increased revenue focused on prepared foods and contributions from improvements to the product mix, along with continued cost reductions. We also anticipate improvement in earnings at overseas affiliates, in line with plan.

Q. What is the anticipated effect from revisions to prices of household-use and commercial-use prepared foods?

For household-use products, the price changes will apply to five mainstay rice products, but since this is in conjunction with quality improvements, we are thinking of the price change as covering the higher costs for rice, so that alone will not boost profits. For commercial-use products, we are dealing with higher prices for food materials such as meat and flour, as well as rising personnel and logistics costs both in Japan and overseas, which we are seeking to absorb through in-house measures and these price revisions. In any case, the revised prices will apply to products shipped from March, so the impact on this fiscal year's earnings will be minimal. At this point we are unable to comment on the impact on earnings in the next fiscal year.

Logistics

Q. To what extent will interim factors affect earnings in the subject fiscal year? Also, do you expect profitability to improve in the next fiscal year?

Transitory factors include an annualized impact from natural disasters of 200 million yen, and deterioration in the balance of revenue and expenditure from re-storage in the Tokyo waterfront district. In terms of profitability in the next fiscal year and beyond, our main measures to increase margins will be pursuing appropriate fees and greater efficiency through operational innovations, but we will also need to continue making investments for growth and to strengthen our business base. This is a business with a heavy depreciation cost, so it's best to look at the results together with EBITDA.

Marine Products

Q. The Marine Products segment has been the main factor for downward revisions for two consecutive periods, in the previous fiscal year and again the subject period. I understand that these are products subject to market conditions, but what measures are you taking to minimize business risk?

The most recent downward revision of 400 million yen is in response to changes in the market prices of certain fish species. We will continue to expand our lineup of products processed to meet customer needs, and work to secure stable earnings.

End

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