

FY20/3 Q1 Financial Results Briefing Summary of Q&A Session

(July 30, 2019, Tokyo)

Processed Foods

Q. What is the current situation in the household-use frozen food market, and Nichirei's position?

A. Overall, market growth is returning compared to the second half of last year, with expansion in 1Q of around 1% compared to the same period of the previous fiscal year. Nichirei's sales in the rice products category, such as the new and improved fried rice and pilaf products, continued the strong growth of Q 1 in the previous fiscal year, rising 11.5% year on year. The market is steady, and we are expanding sales of mainstay rice and processed chicken products, keeping us on track to meet the full-year plan of a 5% increase in revenue.

Q. What are the reasons for the revenue decline in commercial-use prepared foods, and the accuracy of future forecasts?

A. Sales of mainstay processed chicken have been steady, mainly to the home meal replacement (HMR) market. Revenue declined overall due to a rebound decline in sales of hamburg steak following expansion last year, and sluggish sales of spring rolls. However, results were mostly in line with plan. We have orders for new products for the HMR market, and are expanding sales of existing products and switching to substitute items, so we expect to meet our target of a 4% gain in sales for the full-year period.

Q. What is the current status of Nichirei's Thailand affiliate?

A. Sales prices for chicken by-products, which had been depressed through the first half of the previous year, are recovering, and earnings in Thailand are improving. The price of broilers is rising, but demand for chicken by-products is also high, so we don't consider this to be a wholly negative factor for Nichirei. The exchange rate for the baht is high, up around 2% from the same time last year, but since the level is high, we think the potential for further rises is limited. The future direction of market prices is unclear, but we have already factored in higher material procurement costs for the second half, so as long as the increase remains within the current range, we expect full-year earnings to be in line with plan.

Logistics

Q. Regarding your pricing strategy for the logistics network and regional storage businesses, have there been any changes from the initial plan?

A. There have been no major changes, and we are receiving appropriate fees in line with plan.

Marine Products

Q. What is the current situation with octopus, which was the reason for the earnings decline?

A. The market price for octopus continues to decline, and sales prices in Japan have fallen further. The impact from that was felt in Q1, resulting in an operating loss, but inventory replenishment is continuing. Going forward, we will continue to focus on sales to the restaurant and HMR markets, and expect to achieve our full-year plan.

Other

Q. What are the reasons for the earnings decline in the Other segment?

A. This is due mainly to temporary expenses in the bioscience business, including acquisition-related expenses in the U.S., and start-up costs for a new R&D center.

End

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