

FY20/3 Q3 Financial Results Briefing Summary of Q&A Session

(February 4, 2020, Tokyo)

Processed Foods

Q. The full-year forecast for overall operating income is unchanged, but in the Processed Foods segment, for Q4 Nichirei is projecting a decline of ¥1.1 billion from the same quarter of the previous fiscal year. What are the main reasons for this?

A. The main reasons are expected increases in depreciation and environmental costs, along with strategic expenditures for business expansion. Last year we scaled back advertising expenditures in Q4, but this year we are planning promotions to stimulate demand further and strengthen brands, so spending on advertising is also anticipated to increase.

Q. What are the reasons for the ¥0.3 billion upward revision to the full-year operating income forecast?

A. In our interim report we included a negative ¥0.7 billion from “Impact of results at affiliated companies.” However, productivity improvements in Thailand have moved forward ahead of plan, narrowing the decline. Also, depreciation is expected to be lower than originally forecast due to delays in capital investment. Accordingly, the forecast was revised upward.

Q. Net sales of household-use prepared foods rose 8% in Q3 compared to the same quarter of the previous fiscal year. What are the reasons for this?

A. Last year, the market for household-use frozen foods declined 0.5% in Q3, but this year the market recovered, with expansion of 3.5%. As a result of our continued efforts to strengthen sales in mainstay categories, sales of rice-based products rose 15.7% overall during Q3, with gains in *Honkaku-itame Cha-han* (authentic fried rice), and favorable reactions for *Guzai Tappuri Gomoku Cha-han* (hearty mixed fried rice), and *Chicken Rice*. Sales of processed chicken products were also steady, including the *Tokukara* series, as well as new products for diverse meal scenes including main dishes and snacks, such as *Tebakara* (deep-fried chicken wing tips) and *Chicken Tenders Sauce Cutlets*.

Q. The sales forecast for commercial-use prepared foods was revised downward. What are the circumstances behind this?

A. Sales have been steady and we have secured revenue gains, but compared to plan, new products that had been planned for launch were not finalized, and stock turnover for certain items was slightly behind plan, so we revised the forecast downward.

Q. How will the new coronavirus infection affect earnings?

A. We have set up an emergency response headquarters, and are taking steps with priority on ensuring the safety of employees. We are currently studying the impact. We have company-run production facilities and OEM partners in China, but the scale is not too large. We do not anticipate a major impact on sales in Japan.

Logistics

Q. What do you anticipate will be the impact from the Tokyo Olympics and Paralympics? Also, what is the status of price revisions?

- A. On average, inventory levels tend to decline in Q4, but this year inventory levels in the Tokyo port area have remained high in anticipation of the Tokyo Olympics and Paralympics. We have factored that impact into our full-year forecasts. In terms of collecting appropriate fees, we have already begun implementing measures, and during the medium-term business plan period we will be applying as planned the increase portions for vehicle procurement and warehouse operations 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.