

February 2, 2021

# FY21/3 Third Quarter Presentation Material



(Stock code: 2871)

# 1. Consolidated Group Results

## Operating profit full-year forecast revised upward on growth in Logistics

(Billions of yen)

Exchange Rates

	Q3			Q3 (cumulative)				Full Year				
	Result	Y o Y		Result	Y o Y		Progress rate for full-year forecasts announced on November 4	Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>154.0</b>	-1.8	-1 %	<b>435.7</b>	-11.9	-3 %	76 %	<b>571.5</b>	-13.4	-2 %	571.5	0.0
Processed Foods	58.1	-2.6	-4 %	170.8	-8.5	-5 %	76 %	226.0	-8.8	-4 %	226.0	0.0
Marine Products	21.0	0.1	1 %	50.3	-3.5	-7 %	84 %	60.0	-5.8	-9 %	60.0	0.0
Meat and Poultry	22.9	-1.1	-5 %	64.1	-3.2	-5 %	75 %	85.0	-3.3	-4 %	86.0	-1.0
Logistics	55.2	2.4	4 %	159.9	4.4	3 %	76 %	212.0	5.5	3 %	210.0	2.0
Real Estate	1.1	-0.1	-6 %	3.6	-0.2	-5 %	76 %	4.7	-0.3	-5 %	4.7	0.0
Other	1.2	-0.4	-26 %	3.7	-0.5	-11 %	66 %	5.0	-0.7	-12 %	5.6	-0.6
Adjustment	-5.5	-0.0	—	-16.5	-0.4	—	— %	-21.2	-0.0	—	-20.8	-0.4
<b>Operating Profit</b>	<b>10.7</b>	-0.0	-0 %	<b>27.4</b>	1.7	7 %	86 %	<b>32.5</b>	1.5	5 %	32.0	0.5
Processed Foods	4.8	-0.7	-12 %	13.4	-0.5	-4 %	80 %	16.8	0.1	0 %	16.8	0.0
Marine Products	0.7	0.2	36 %	0.7	0.1	19 %	333 %	0.5	0.1	13 %	0.2	0.3
Meat and Poultry	0.5	0.2	83 %	1.0	0.3	45 %	80 %	1.3	0.4	44 %	1.3	0.0
Logistics	4.4	0.5	13 %	11.3	1.7	18 %	91 %	12.9	1.1	9 %	12.5	0.4
Real Estate	0.5	-0.1	-13 %	1.6	-0.1	-3 %	79 %	2.0	0.0	1 %	2.0	0.0
Other	-0.2	-0.3	—	-0.3	0.0	—	— %	-0.3	-0.0	—	0.0	-0.3
Adjustment	0.0	0.1	—	-0.3	0.1	—	— %	-0.7	-0.1	—	-0.8	0.1
<b>Ordinary Profit</b>	<b>10.9</b>	-0.1	-1 %	<b>27.9</b>	1.5	6 %	87 %	<b>32.7</b>	0.9	3 %	32.0	0.7
<b>Profit attributable to owners of parent</b>	<b>6.1</b>	-1.5	-19 %	<b>17.0</b>	-0.1	-1 %	85 %	<b>20.0</b>	0.4	2 %	20.0	0.0

	FY 21/3 full year (forecast)	FY 21/3 third quarter (actual)*	FY 20/3 third quarter (actual)*
USD/JPY	107.00	107.60	109.15
EUR/JPY	122.00	120.91	122.66
THB/JPY	3.40	3.42	3.49

\* Exchange rate figure is the average for the January–September period.

### 1. Third Quarter (cumulative)

- (1) Net sales decreased for Nichirei Group overall, as steady performance in the Logistics business was offset by sluggish sales to the restaurant sector.
- (2) Operating profit increased as a result of providing goods and services to meet stay-at-home demand, and strict cost management. Profit declined, owing mainly to recording of a goodwill impairment loss.

### 2. Full Year (forecast)

The operating profit forecast has been revised upward based on performance through Q3, including results in the Logistics business that exceeded plan, and improvement in Marine Products. The profit forecast is unchanged.

## 2. Processed Foods Business

### On track to secure earnings on a par with the previous fiscal year, on expanded sales of household-use products and cost reductions

(Billions of yen)

	Q3			Q3 (cumulative)				Full Year				
	Result	YoY		Forecast	YoY		Progress rate for full-year forecasts announced on November 4	Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>58.1</b>	-2.6	-4 %	<b>170.8</b>	-8.5	-5 %	76%	<b>226.0</b>	-8.8	-4 %	226.0	0.0
Household-use Prepared Foods	17.9	1.2	7 %	52.3	4.5	9 %	73%	71.5	6.7	10 %	71.5	0.0
Commercial-use Prepared Foods	23.5	-3.3	-12 %	66.1	-10.8	-14 %	78%	86.0	-13.5	-14 %	85.0	1.0
Processed Agricultural Products	5.2	0.1	2 %	15.5	0.2	1 %	77%	20.2	0.4	2 %	20.2	0.0
Overseas	8.5	-0.1	-1 %	26.0	-0.4	-1 %	72%	35.3	0.5	1 %	36.3	-1.0
Other	3.1	-0.6	-16 %	10.9	-2.1	-16 %	84%	13.0	-2.8	-18 %	13.0	0.0
<b>Operating Profit</b>	<b>4.8</b>	-0.7	-12 %	<b>13.4</b>	-0.5	-4 %	80%	<b>16.8</b>	0.1	0%	16.8	0.0

#### 1. Third Quarter (cumulative)

- (1) Household-use Prepared Foods: Revenue increased on positive sales of mainstay items *Honkaku Itame Cha-han* (authentic fried rice) and *Tokukara* fried chicken, for which production capacity has been increased, as well as *Prime Pork Cutlets*.
- (2) Commercial-use Prepared Foods: Revenue was down as the business environment remained harsh, but the Company continued to strengthen items for delicatessen and introduce new products for major users.
- (3) Overseas: U.S. subsidiary InnovAsian Cuisine continued to post steady sales growth. \* See Page 6 for a breakdown.

- (4) Operating profit declined on slow recovery in commercial-use products, but was in line with plan overall, supported by positive sales of household-use products and results from overseas subsidiaries.

#### 2. Full Year (forecast)

- (1) Operating profit is expected to be on a par with the previous fiscal year, mainly as a result of expanded sales of household-use products in Q4, and controls on advertising and other expenses.
- (2) The Company will focus on increasing sales of mainstay products to sectors with growing demand, and new products launched in spring, in order to drive recovery in sales.

## Full-year forecasts revised upward on continued steady growth for Transfer Centers (TC).

(Billions of yen)

	Q3			Q3 (cumulative)				Full Year				
	Result	Y o Y		Forecast	Y o Y		Progress rate for full-year forecasts announced on November 4	Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>55.2</b>	2.4	4 %	<b>159.9</b>	4.4	3 %	76 %	<b>212.0</b>	5.5	3 %	210.0	2.0
Japan Subtotal	<b>45.3</b>	2.4	6 %	<b>131.7</b>	6.5	5 %	76 %	<b>174.4</b>	9.0	5 %	173.4	1.0
Logistics Network	<b>26.9</b>	1.1	4 %	<b>78.2</b>	2.6	3 %	76 %	<b>104.2</b>	3.3	3 %	103.2	1.0
Regional Storage	<b>18.3</b>	1.3	7 %	<b>53.4</b>	3.9	8 %	76 %	<b>70.2</b>	5.7	9 %	70.2	0.0
Overseas	<b>9.4</b>	-0.1	-1 %	<b>26.9</b>	-1.3	-5 %	79 %	<b>34.9</b>	-2.7	-7 %	33.9	1.0
Other/Intersegment	<b>0.5</b>	0.1	25 %	<b>1.3</b>	-0.8	-37 %	50 %	<b>2.7</b>	-0.9	-24 %	2.7	0.0
<b>Operating Profit</b>	<b>4.4</b>	0.5	13 %	<b>11.3</b>	1.7	18 %	91 %	<b>12.9</b>	1.1	9 %	12.5	0.4
Japan Subtotal	<b>4.1</b>	0.4	10 %	<b>10.7</b>	1.6	18 %	89 %	<b>12.3</b>	1.4	13 %	12.1	0.2
Logistics Network	<b>1.6</b>	0.3	22 %	<b>4.3</b>	1.0	29 %	84 %	<b>5.4</b>	1.2	29 %	5.2	0.2
Regional Storage	<b>2.5</b>	0.1	3 %	<b>6.3</b>	0.6	11 %	92 %	<b>6.9</b>	0.2	3 %	6.9	0.0
Overseas	<b>0.5</b>	0.1	32 %	<b>1.0</b>	0.1	15 %	116 %	<b>1.1</b>	-0.1	-11 %	0.9	0.2
Other/Intersegment	<b>-0.1</b>	0.0	—	<b>-0.4</b>	-0.0	—	—	<b>-0.5</b>	-0.2	—	-0.5	0.0

Note: Certain facilities are being shifted from Logistics Network to Regional Storage.

### Effect on sales due to the shift

(Billions of Yen)

	FY21/3
Logistics Network	-6.0
Regional Storage	+6.0

Note: A portion of the regional storage business was transferred to the logistics network business.

### 1. Third Quarter (cumulative)

- Japan: Revenue increased on expanded handling volume at TCs. Operating profit also increased on the revenue gain and improved work efficiency, boosted by strict cost controls.
- Overseas: In Europe, operating profit was on a par with the previous fiscal year. Transport volume for restaurants declined, but was offset by an increase in cargo volume to volume retailers.

### 2. Full Year (forecast)

Earnings in Q4 are projected to decline as a result of the introduction of equipment to enhance warehouse operations efficiency, and one-time expenditures for the startup of the new distribution center (rebuilding). However, full-year forecasts for net sales and operating profit have been revised upward on continued steady growth for TCs, and indications of recovery in cargo movement.

## 4. Marine Products, Meat and Poultry Business

### Full-year operating profit forecast revised upward for Marine Products; Meat and Poultry results in line with plan

(Billions of yen)

		Q3			Q3 (cumulative)				Full Year				
		Result	YoY		Forecast	YoY		Progress rate for full-year forecasts announced on November 4	Forecast	YoY		Compared to Previous Forecast	
			Variance	% Change		Variance	% Change			Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	21.0	0.1	1 %	50.3	-3.5	-7 %	84 %	60.0	-5.8	-9 %	60.0	0.0
	Operating Profit	0.7	0.2	36 %	0.7	0.1	19 %	333 %	0.5	0.1	13 %	0.2	0.3
Meat and Poultry	Net Sales	22.9	-1.1	-5 %	64.1	-3.2	-5 %	75 %	85.0	-3.3	-4 %	86.0	-1.0
	Operating Profit	0.5	0.2	83 %	1.0	0.3	45 %	80 %	1.3	0.4	44 %	1.3	0.0

#### 1. Marine Products

- Revenue declined owing to sluggish sales to restaurants and overseas, but earning rose on growth in sales of octopus and fish roe for home meals, and cost reduction efforts.
- Considering performance through Q3, the full-year forecast for operating profit has been revised upward. The Company will continue efforts to strengthen sales for at-home consumption, and pursue strict cost management.

#### 2. Meat and Poultry

- Revenue declined on slow sales of imported frozen foods, but operating profit was in line with plan as a result of capturing home meal and HMR demand.
- The Company anticipates an increase in full-year operating profit from a continued focus on sales of products for supermarket meat sections and processed items, as well as operational improvements at process centers (PCs).\*

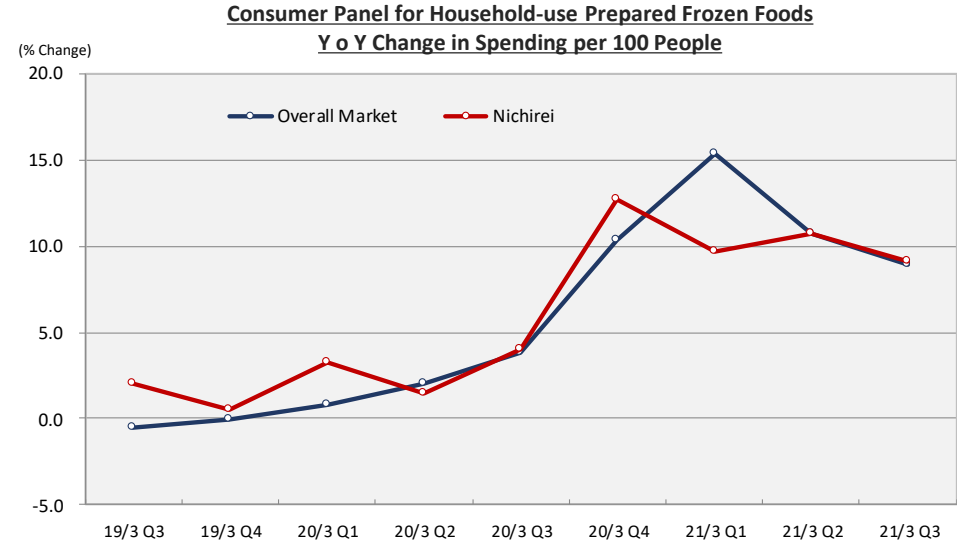
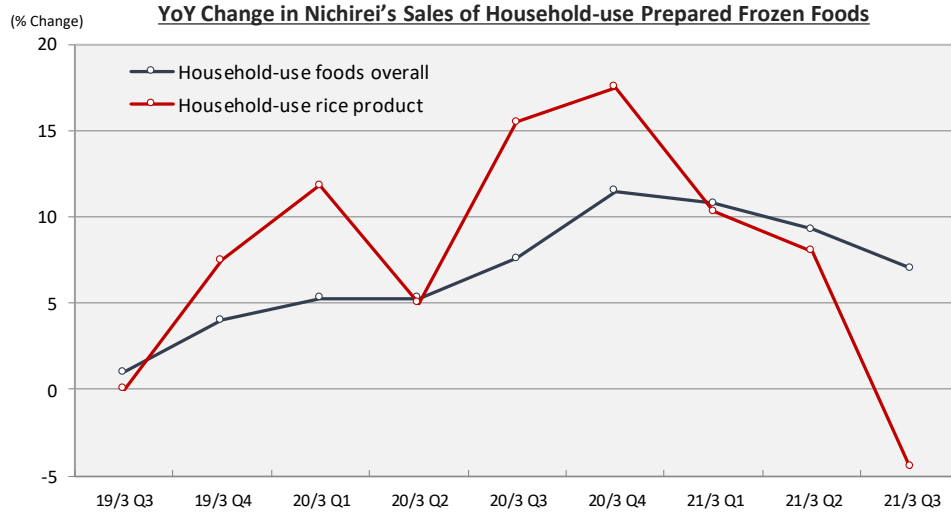
Note: Process Centers (PCs) provide central management of the processing, packaging, and shipping processes of fresh meats to supermarkets. The Company operates two PCs in Japan.

# **Reference Material**

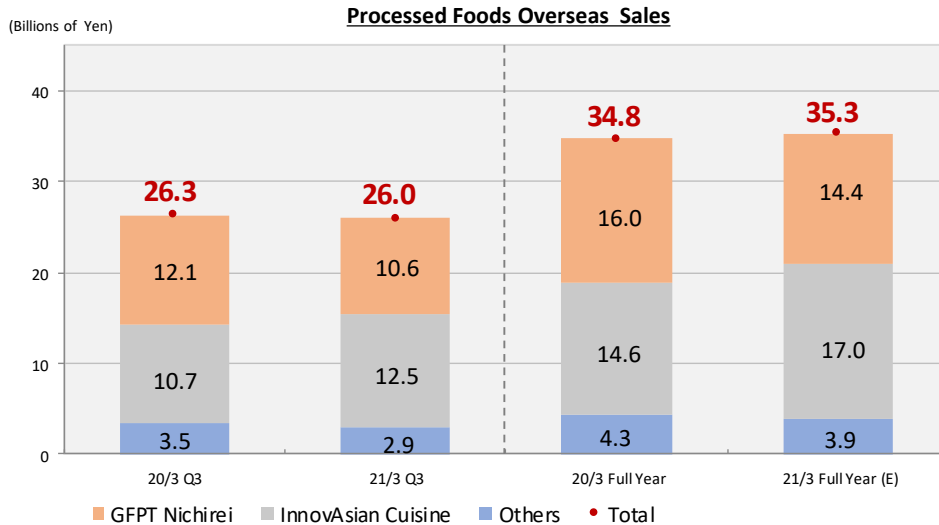
## Non-operating Income and Expenses / Extraordinary Income and Loss

(Billions of Yen)

	FY20/3 Q3 (Cumulative)	FY21/3 Q3 (Cumulative)	Variance	FY20/3 Full year	FY21/3 Full-year forecast	Variance
<b>Non-operating Income and Expenses</b>	0.6	0.5	-0.1	0.7	0.2	-0.5
(Main items)						
Financial account balance	0.1	0.1	0.0	0.1	0.0	-0.0
Share of loss (profit) of entities accounted for using equity method	0.3	0.3	0.0	0.3	0.2	-0.1
<b>Extraordinary Income and Loss</b>	-0.7	-1.8	-1.1	-1.9	-1.7	0.2
(Main items)						
Gain on sales of non-current assets	0.0	0.0	-0.0	0.0	0.0	-0.0
Gain on sales of investment securities	0.4	0.0	-0.3	0.4	0.0	-0.3
Loss on sales and retirement of non-current assets	-0.9	-0.7	0.2	-1.6	-1.0	0.5
Impairment loss	-0.0	-1.1	-1.0	-0.4	-1.1	-0.6



Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Includes purchases through consumer cooperatives.)



Notes: GFPT Nichirei's sales are the total of sales to Europe, domestically within Thailand and other Asian area.



## Forward-Looking Statements

Aside from historical facts, Nichirei's present plans, forecasts and strategies as outlined in this publication consist of forward-looking statements about future business performance. These forecasts of future business performance and explanations of future business activities may or may not include words such as "believe," "expect," "plan," "strategy," "estimate," "anticipate" or other similar expressions. These statements are based on the information available to Nichirei management at the time of publication. Actual results may differ significantly from these forecasts for a variety of reasons, and readers are therefore advised to refrain from making investment decisions based solely on these forward-looking statements. Nichirei will not necessarily revise its forward-looking statements in accordance with new information, future events, and other results. Risks and uncertainties that could affect Nichirei's actual business results include, but are not limited to:

- (1) Changes in the economic conditions and business environment that may affect the Nichirei Group's business activities.
- (2) Foreign exchange rate risks, especially as regards the US dollar and the euro.

- (3) Risks associated with the practicability of maintaining quality controls throughout the process from product development, procurement of raw materials, production, and sale.
- (4) Risks associated with the practicability of development of new products and services.
- (5) Risks associated with the practicability of growth strategies and implementation of low-cost systems.
- (6) Risks associated with the practicability of achieving benefits through alliances with outside companies.
- (7) Contingency risks.

However, factors that may affect the performance of the Nichirei Group are not limited to those listed above. Further, risks and uncertainties include the possibility of future events that may have a serious and unpredictable impact on the Group. This publication is provided for the sole purpose of enhancing the reader's understanding of the Nichirei Group, and should not be taken as a recommendation regarding investment decisions.

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