

FY21/3 Financial Results Briefing Summary of Q&A Session

Date & Time: May 12, 2021 (Wednesday), 15:00 – 16:00
Combined teleconference and online presentation

Presenters for Nichirei: Kenya Okushi, Representative Director, President
Takumi Taguchi, Director, Executive Officer

Q. Regarding the forecast increase in sales of household-use prepared foods, what are the reasons you're envisioning a considerable increase for a second year?

A. Sales growth is from mainstay rice products and processed chicken. In these categories, Nichirei has its own production function, which facilitates continued improvements in quality and provides a structure that allows us to respond to customer needs. We expect these two categories to drive results during the current fiscal year.

Q. Regarding commercial-use prepared foods, what opportunities do you see for Nichirei during the COVID-19 crisis? Also, when do you expect sales to return to FY20/3 levels?

A. Our biggest strength in commercial-use products is delicatessen, an area that did not expand greatly in the previous fiscal year. We plan to restore figures by offering products created under the supervision of well-known restaurants and health-conscious foods, as well as products with different forms, such as items that require less preparation. For convenience stores, we will continue various efforts from the previous fiscal year to offer items customers use as everyday meals and buy specifically. In terms of timeframe, we expect the results from these measures to start showing in figures from the second half, with performance back to around 95% of FY20/3 levels by the end of the period.

Q. Regarding the sales forecast for U.S. subsidiary InnovAsian Cuisine, a 3% increase seems low. What are the reasons for this?

A. We anticipate a certain volume of business in the U.S. to continue going forward, but the effects of extraordinary demand for household-use products were particularly large in the previous fiscal year. We expect recovery in the commercial-use market to be quicker than that in Japan, but are still forecasting a moderate 3% increase.

Q. For the Logistics Business, it seems that the demand structure has changed considerably as a result of the COVID-19 pandemic, with an increase in business opportunities. What are your thoughts on this? Also, for third-party logistics (3PL), has demand risen as a result of logistics efficiency and ESG factors?

A. We recognize that business opportunities in the Logistics business have increased significantly. The new logistics center in Nagoya was completed during the previous fiscal year. Considering the trends in labor regulations for drivers, we feel that we have been able to establish a business base that covers the major arteries of Tokyo, Nagoya, and Kansai, putting us on track to capture the growth opportunities in the Logistics Business.

In the 3PL business, we hope to maintain double-digit growth. The need for greater logistics efficiency is rising, including to address such issues as a shortage of labor capacity, storage facilities, and vehicles. We believe that Nichirei can serve as a central hub, coordinating an optimal logistics function.

Q. What are the main points of the next medium-term business plan, and the general image? Please comment quantitatively as much as possible.

A. We have begun formulating the next medium-term business plan. The situation with the COVID-19 has provided opportunities for growth in our mainstay businesses much sooner than we had initially thought, but at the same time, competition is likely to become more intense.

We expect the main story in our next business plan be about how we will capture growth opportunities in our mainstay businesses of Processed Foods and Logistics ahead of the competition and secure a competitive advantage. To achieve this, we will likely have to accelerate the pace of investment beyond our initial expectations. We will consider the amount and other details going forward, but we feel that we will need to invest about the same amount as in the current business plan, or perhaps more. We are still working on the specific figures, but we intend to secure an equivalent gain in earnings, and an increase in EBITDA on a par with the current plan. We plan to ensure that ROE remains at 10% or higher.

Q. Nichirei has set a long-term target for operating profit margin of 8% by 2030. Currently that indicator is still in the high 5% range. Will jumping to that level in the next business plan still be difficult? Or with the measures to provide added value, do you have an image of around 6% to 7%?

A. We are still figuring out the details, but since we will still need to make a fair amount of investment in the next medium-term business plan, a sharp jump will be difficult. However, we plan to increase profitability.

Q. What is the current status of efforts to revise businesses with low profitability?

A. In the Marine Products Business, we plan to allocate resources in areas with future growth potential. We will announce the details in the next medium-term business plan.

Q. Looking ahead to the next business plan, regarding the point about management conscious of capital cost, one approach is that rather than investing in areas with low profitability, allocating those resources to share buybacks and other types of shareholder returns would be more efficient. What are your thoughts on this?

A. Nichirei sets internal targets for capital cost by business, and will conduct business portfolio management in a way to permit external disclosure as a corporate group.

In terms of share buybacks, while the status of investment is a factor, we plan to disclose the clearly defined practice criteria.

END

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