Nichirei Corporation

FY25/3 Q3 Financial Results Conference Call (Analyst Meeting) Q&A Session

Date and time: Wednesday, February 5, 2025, 16:00-16:50 (Online/Conference Call)
Presenters: Kenji Suzuki, Director, Senior Executive Officer, Chief Financial Officer
Yasushi Miyakoshi, General Manager, Public Relations & Investor Relations

Performance drivers for the next fiscal year

Q. Please explain the drivers for next year's performance in the Processed Foods and Temperature-controlled Logistics businesses.

A. The Processed Foods business will likely continue to be driven by strategic categories such as processed chicken products, rice products, and snacks, for which facility enhancements have been made over the past several years. We will also continue to focus on developing products that are both healthy and delicious, as well as commercial-use products that address the serious labor shortage in backrooms. Furthermore, in preparation for the integration of the Processed Foods business and the Marine, meat, and poultry products business scheduled for April 2026, we will continue to undertake possible initiatives in FY26/3. On the other hand, we will carefully assess and consider the impact of raw material and other cost increases on each product, and respond accordingly by implementing measures including price revisions.

In the Temperature-controlled Logistics business, we expect the domestic transportation and delivery business as well as the storage business to remain strong. Overseas, we have been aggressively expanding our facilities, including two in France (Lyon and Le Havre) from FY22/3 to FY23/3, one in the Netherlands (Maasvlakte) in FY23/3, and two in Poland (Żnin and Warsaw*) in FY25/3, and we will make a solid return on these investments in the next fiscal year and beyond.

*Warsaw: Capital investment has been made from FY25/3, with full operation scheduled in FY26/3.

Processed Foods business

Q. The full-year operating profit for the business in North America is expected to decrease by 1 billion yen compared to the same period last year. Please analyze and explain the factors behind the decrease along with the recovery measures.

A. The two main reasons for the decrease in profit are the rise in the purchase cost of chicken products and the sales promotion expenses (initial introduction cost) of the newly developed Latin-inspired brand. The sales promotion expenses (initial introduction cost) for the Latin-inspired brand will be smaller next fiscal year compared to that of the current fiscal year. Meanwhile, looking at the current market conditions in North America, the trend toward selecting

lower-priced commodities and food products continues due to the on-going inflation, reflecting the importance of implementing cost reduction measures. Therefore, we will negotiate purchase terms with suppliers for chicken product purchases, which were significantly affected this fiscal year, in light of the recent softening market conditions.

Q. Please tell us about your new measures for the next fiscal year in North America.

A. Since the current sales composition ratio of our business in North America is higher for household use than for commercial use, we will focus on also expanding products for commercial use in the future. In addition, as in Japan, we would like to expand into fields where we have not been able to make sales proposals until now, such as accommodating the needs of retailers in response to labor shortages, expanding sales to food service businesses, and strengthening sales to convenience stores and membership stores, not only for commercial use but also for household use. The operating income margin for the current fiscal year is expected to be 3.8%, below the 4% level for the full year, but will recover in the next fiscal year.

Q. Has the inauguration of the Trump administration had any impact on your company?

A. Since most of the raw materials for the products we handle in our business in North America are procured from within the U.S., the additional tariffs have little impact. In addition, although the sales company for the Processed Foods and Marine Products businesses in North America, which have been integrated effective January 2025, handles imported products, the impact is minimal due to the small amount handled.

Temperature-controlled Logistics business

Q. In the third quarter, profit for the overseas business declined 300 million yen year-on-year. Please provide details by underlying factor.

A. The 300 million yen decrease in profit was due to CSRD (*) expenses, which are expected to amount to several hundred million yen also in the fourth quarter, making the overall decrease factor of 600 to 700 million yen for the current fiscal year. CSRD expenses mainly include costs related to the design of disclosure processes, etc., consulting, and those related to system implementation studies. Since group companies doing business in Europe will be required to disclose information in the future, we expect to incur expenses of about several hundred million yen in the next fiscal year, although they will not be as large as those incurred in the current fiscal year.

With regard to the business environment in Europe, we are experiencing sluggish cargo collection in the port areas of the Netherlands, but we do not expect this situation to continue for long. Furthermore, the retail business we are conducting in Poland is performing well, and we expect

growth in the next fiscal year and beyond, as we are strengthening our logistics services covering a wide area in Poland with a well-balanced arrangement of refrigerated warehouses and sorting centers within the country.

*CSRD: Corporate Sustainability Reporting Directive is a law enacted to strengthen disclosure of information on corporate sustainability in the EU region and which went into effect from fiscal 2025.

End

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