

May 9, 2018

# Earnings Results for FY18/3 Presentation Material



(Stock code: 2871)

# 1. Progress of Business Plan—Results for FY18/3

## Revenue and earnings gains on steady growth in mainstay Processed Foods and Logistics businesses.

(Billions of yen)

	Results	FY18/3			
		Y o Y		Compared to previous forecast	
		Variance	% Change	Forecast	Variance
<b>Net Sales</b>	<b>568.0</b>	28.4	5%	567.0	1.0
Processed Foods	220.7	15.7	8%	222.3	-1.6
Marine Products	71.5	2.1	3%	73.0	-1.5
Meat and Poultry	90.4	2.3	3%	89.0	1.4
Logistics	195.1	8.2	4%	192.5	2.6
Real Estate	4.9	0.2	5%	4.8	0.1
Other	5.3	0.9	19%	5.2	0.1
Adjustment	-19.9	-1.0	—	-19.8	-0.1
<b>Operating Profit</b>	<b>29.9</b>	0.6	2%	30.5	-0.6
Processed Foods	14.6	0.7	5%	14.7	-0.1
Marine Products	0.3	-0.5	-62%	0.7	-0.4
Meat and Poultry	1.3	-0.3	-19%	1.4	-0.1
Logistics	11.3	0.6	6%	11.5	-0.2
Real Estate	2.2	0.0	1%	2.1	0.1
Other	0.8	0.2	34%	0.7	0.1
Adjustment	-0.5	-0.2	—	-0.6	0.1
<b>Ordinary Profit</b>	<b>30.7</b>	1.5	5%	30.6	0.1
<b>Profit Attributable to Owners of Parent</b>	<b>19.1</b>	0.3	2%	19.5	-0.4

1. Net sales  
Revenue rose 5% YoY on growth in mainstay Processed Foods and Logistics businesses.
2. Operating profit  
Operating profit rose 2% YoY on steady gains in Processed Foods and Logistics, offsetting declines in Marine Products and Meat and Poultry.
3. Ordinary profit  
Ordinary profit rose 5% YoY on an increase in equity in earnings of affiliates stemming from transitory factors.
4. Profit attributable to owners of parent  
Profit attributable to owners of parent rose 2% YoY to ¥19.1 billion, with a ¥1.4 billion decline in extraordinary items, including loss on retirement of non-current assets.

# 1. Progress of Business Plan—Management Strategies

**Steadily implement management strategies for sustainable earnings growth.**

	Main Measures	Progress	FY19/3 (E)
<b>Group Overall</b>	Concentrate investment in core businesses ■ Make investments for growth, and to strengthen the business base		
	Make investments for growth	<b>Processed Foods</b> New and expanded production lines (rice products, processed chicken products)	<ul style="list-style-type: none"> <li>• Additional production lines</li> </ul>
		<b>Logistics</b> Newly built Heiwajima DC (leased), expanded So DC and Sendai DC	<ul style="list-style-type: none"> <li>• Expansion of the China business</li> <li>• Establishment of a joint venture in Malaysia</li> </ul>
	Strengthen the business base	<b>Make continued investment to maintain and enhance competitiveness over the longer term</b> 1. Investments for business continuity, disaster security, and environmental measures 2. Investment to enhance productivity 3. Investments in IT	
<b>Processed Foods</b>	Increase profitability and expand scope of overseas business	Profitability has increased compared to the previous business plan on expanded sales of core products and other measures.	<ul style="list-style-type: none"> <li>• Expand sales of core products, and improve productivity</li> <li>• Continue measures for further growth in North America</li> </ul>
<b>Logistics</b>	Increase earnings in existing business, and strengthen the business base.	Expanded cargo pickups in major metropolitan areas, and improved balance of transport income.	<ul style="list-style-type: none"> <li>• Expand cargo pickups and address cost increases</li> <li>• Further greater productivity through operational innovations</li> </ul>

## [Investment to Strengthen the Business Base]

In FY19/3, continue investments to strengthen the business base, in order to maintain and enhance competitiveness over the longer term.

Category	Contents	Planned investment in FY19/3
<b>Investments for business continuity, disaster security, and environmental measures</b>	<u>Ongoing measures</u> <ul style="list-style-type: none"> <li>●Ensure long-term use of facilities (maintain aging facilities, seismic strengthening, etc.)</li> <li>●Upgrade production line freezers</li> <li>●Switch freezers to natural refrigerants</li> </ul>	6.6 billion yen
<b>Investment to enhance productivity</b>	<u>Ongoing measures</u> <ul style="list-style-type: none"> <li>●Respond to labor shortages</li> <li>●Operational innovations in logistics warehouses</li> </ul>	
<b>Investments in IT</b>	<ul style="list-style-type: none"> <li>●Upgrade ERP system</li> <li>●Replace groupware, etc.</li> </ul>	2.7 billion yen

# 1. Progress of Business Plan—Forecast for FY19/3 (Consolidated Group)

Depreciation costs will rise as a result of investments to expand facilities and strengthen the business base, but we expect to secure a 4% increase operating profit, and continue expansion of EBITDA.

Business Plan (FY17/3-19/3)

(Billions of yen)

	FY17/3	FY18/3	FY19/3 E	Y o Y	
				Variance	% Change
<b>Net Sales</b>	<b>539.7</b>	<b>568.0</b>	<b>586.0</b>	<b>18.0</b>	<b>3.2%</b>
Overseas	70.8	73.2	76.5	3.3	4.5%
<b>Operating Profit</b>	<b>29.3</b>	<b>29.9</b>	<b>31.0</b>	<b>1.1</b>	<b>3.7%</b>
Operating Margin	5.4%	5.3%	5.3%	0.0%	
<b>Ordinary Profit</b>	<b>29.1</b>	<b>30.7</b>	<b>31.0</b>	<b>0.3</b>	<b>1.1%</b>
<b>Profit Attributable to Owners of Parent</b>	<b>18.8</b>	<b>19.1</b>	<b>19.8</b>	<b>0.7</b>	<b>3.7%</b>
<b>EBITDA</b>	<b>45.4</b>	<b>46.1</b>	<b>49.0</b>	<b>2.9</b>	<b>6.3%</b>
Processed Foods	18.7	19.6	20.7	1.1	5.6%
Logistics	20.0	20.7	21.5	0.8	3.8%
EBITDA Margin	8.4%	8.1%	8.4%	0.3%	
<b>ROE</b>	<b>12.1%</b>	<b>11.9%</b>	<b>At least 10.0%</b>		
<b>EPS</b>	<b>135.1 yen</b>	<b>142.2 yen</b>	<b>148.6 yen</b>	<b>6.3 yen</b>	<b>4.5%</b>

# 1. Progress of Business Plan—Forecast for FY18/3 (by Segment)

Despite factors pushing up costs, mainstay businesses will drive revenue and earnings gains.

(Billions of Yen)

	Forecast	FY19/3				
		Y o Y		Compared to business plan		
		Variance	% Change	Targets	Variance	% Change
	<b>586.0</b>	18.0	3%	567.0	19.0	3%
Processed Foods	<b>229.0</b>	8.3	4%	215.0	14.0	7%
Marine Products	<b>75.0</b>	3.5	5%	75.0	0.0	0%
Meat and Poultry	<b>92.0</b>	1.6	2%	85.0	7.0	8%
Logistics	<b>200.0</b>	4.9	3%	203.0	-3.0	-1%
Real Estate	<b>4.8</b>	-0.1	-1%	4.5	0.3	7%
Other	<b>5.7</b>	0.4	7%	6.1	-0.4	-7%
Adjustment	<b>-20.5</b>	-0.6	—	-21.6	1.1	—
<b>Operating Profit</b>	<b>31.0</b>	1.1	4%	28.6	2.4	8%
Processed Foods	<b>15.0</b>	0.4	3%	14.0	1.0	7%
Marine Products	<b>0.7</b>	0.4	129%	0.8	-0.1	-13%
Meat and Poultry	<b>1.4</b>	0.1	8%	0.8	0.6	75%
Logistics	<b>11.5</b>	0.2	2%	11.0	0.5	5%
Real Estate	<b>2.2</b>	0.0	2%	2.0	0.2	10%
Other	<b>0.8</b>	-0.0	-1%	0.6	0.2	33%
Adjustment	<b>-0.6</b>	-0.1	—	-0.6	0.0	—
<b>Ordinary Profit</b>	<b>31.0</b>	0.3	1%	28.3	2.7	10%
<b>Profit attributable to owners of parent</b>	<b>19.8</b>	0.7	4%	18.2	1.6	9%

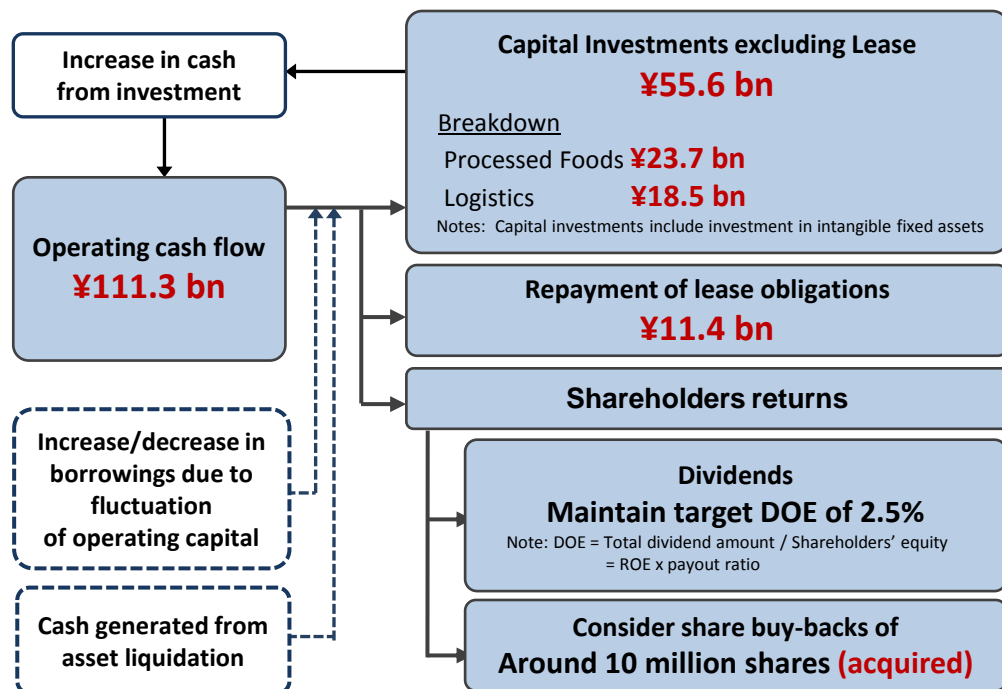
1. Net sales: Forecast increase overall driven by mainstay Processed Foods and Logistics businesses.
2. Operating profit: Forecast increase, absorbing higher depreciation and system costs.

	Exchange Rates		
	USD/JPY	EUR/JPY	THB/JPY
FY 19/3 full year (forecast)	<b>108.00</b>	<b>130.00</b>	<b>3.45</b>
FY 18/3 (actual)	112.19	126.66	3.31

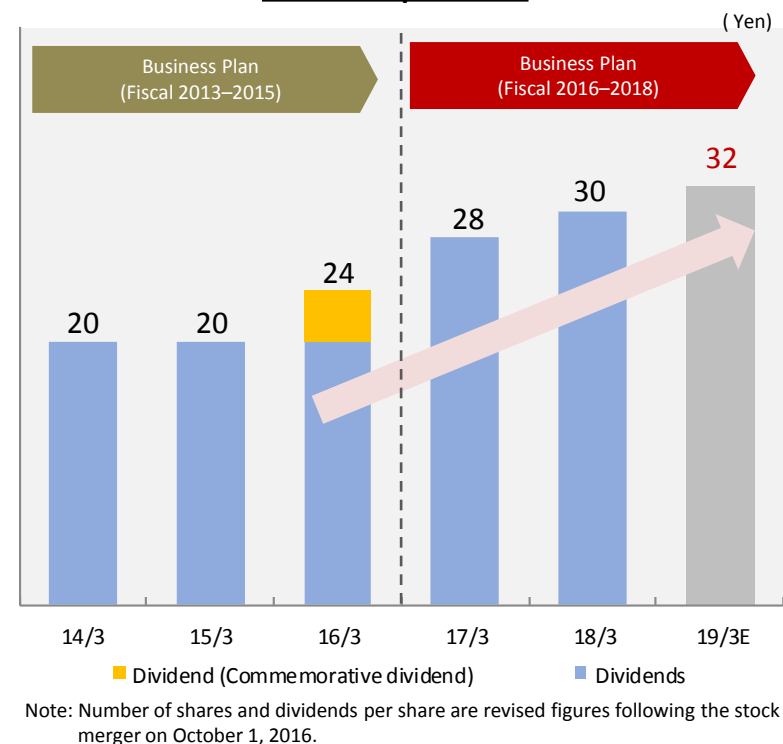
Note: Exchange rate figure for FY18/3 is the average for the January–December period.

# 1. Progress of Business Plan—Financial Strategies

## Distribution of Operating Cash Flow (3-year cumulative forecast)



## Dividends per Share



1. Nichirei will continue to make investments for growth, and to strengthen the business base with the aim of maintaining and enhancing competitiveness over the longer term.

2. Enhancing shareholder returns  
We will maintain a stable dividend, with a target of 2.5% of DOE. For FY19/3, we plan a dividend increase of 2 yen to 32 yen per share.

# 1. Progress of Business Plan—Strengthening ESG Measures

## [Working Style Reforms]

### Nichirei Group Working Style Reform Plan

- Nichirei formulated the “Nichirei Group Working Style Reform Plan” to create the sort of workplace envisioned in our management principles and the “Nichirei Pledge” and increase job satisfaction. We will pursue measures with the aim of achieving this plan by FY22/3.
- By promoting working style reforms suited to the Nichirei Group’s business, we aim to incorporate and utilize various values and ideas, invigorate the organization, and increase productivity.

Nichirei Group Working Style Reform Plan 2018



Category		Goals by FY22/3
Diversify ways of working	Expand choice in employment	<ul style="list-style-type: none"> <li>● Establish a system with greater freedom of work location and time</li> </ul>
	Establish a framework for continued career paths	<ul style="list-style-type: none"> <li>● Introduce career continuation support measures for life events and growth</li> <li>● Consider the necessity of multi-career paths in partnership with other companies</li> </ul>
Rectify the practice of working long hours		<ul style="list-style-type: none"> <li>● Reduce overall actual working hours</li> <li>● Increase rate of taking paid holidays</li> </ul>
Provide equal opportunities	Promote active roles for women	<ul style="list-style-type: none"> <li>● Increase the proportion of female executives and employees</li> </ul>
	Provide a motivating workplace for people with disabilities	<ul style="list-style-type: none"> <li>● Maintain the current hiring rate in excess of the statutory rate.</li> </ul>
	Create employment for seniors	<ul style="list-style-type: none"> <li>● Introduce an elective program</li> <li>● Extend the retirement age</li> </ul>



## Processed Foods Business



## 2. Processed Foods

### Earnings gains expected in FY19/3, absorbing impact of higher depreciation cost

(Billions of Yen)

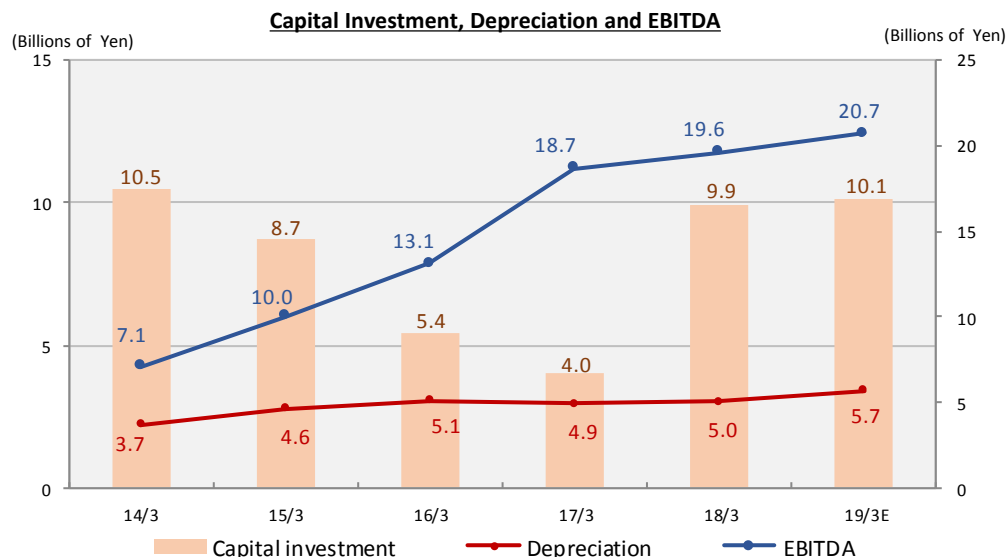
	Results	FY18/3		Forecast	FY19/3	
		YoY			YoY	
		Variance	% Change		Variance	% Change
Net Sales	220.7	15.7	8%	229.0	8.3	4%
Household-Use Prepared Frozen Foods	57.2	4.7	9%	59.8	2.6	5%
Commercial Use Prepared Frozen Foods	97.3	8.3	9%	101.7	4.4	4%
Processed Agricultural Products	19.4	0.6	3%	20.0	0.6	3%
Overseas	30.5	2.0	7%	31.1	0.6	2%
Other	16.3	0.1	0%	16.4	0.1	1%
Operating Profit	14.6	0.7	5%	15.0	0.4	3%

New product for spring,  
**Precut! Salad Chicken**



- Household-use Prepared Foods: We will continue to strengthen sales for mainstay rice and processed chicken products, and boost product development for single-serving meals that meet the needs of major users.
  - Rice products – Expand sales of fried rice and grilled rice balls
  - Processed chicken products – Further expand sales of *Tokukara* and the new *Precut! Salad Chicken* launched this spring.
- Commercial-use Prepared Foods: We will continue to expand sales of core products such as processed chicken and spring rolls to the growing home meal replacement (HMR) market.
- Operating profit is forecast to increase, with higher sales and productivity improvements absorbing higher depreciation costs.

### Capital investment to expand production capacity to continue in FY19/3



- We will make capital investments focused on the strategic categories of processed chicken and rice products.
- We will continue growth investments to expand production capacity in line with growing demand.
- EBITDA FY19/3 forecast of ¥20.7 billion reflects increase in depreciation costs.
- Along with growth investments, we will make labor-saving investments aimed at increasing productivity.
- During the five-year period from FY14/3 to FY18/3, production capacity was increased by more than 10% in Japan, and more than 20% overseas.

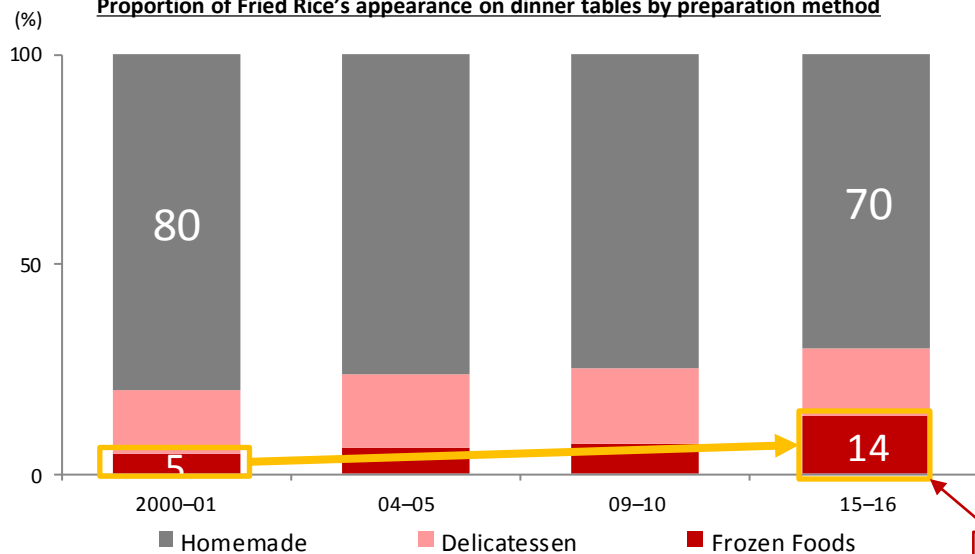
#### Main Growth Investments

	Business Plan (FY14/3–16/3)			Business Plan (FY17/3–19/3)		
	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3 E
Japan	Funabashi No. 2 Plant newly built	Fried rice production line at the Funabashi Plant consolidated and expanded Deep-frying and shao-mai lines at the Funabashi No. 2 Plant transferred and renovated	Spring roll line at the Shiroishi Plant expanded	–	Fried rice production line at the Funabashi Plant expanded Processed chicken production line at the Funabashi No. 3 Plant expanded Grilled rice balls production line at Kansai plant expanded	Production line expansions, etc.
Overseas	Expanded third processing line at GFPT Nichirei	–	Expanded fourth processing line at GFPT Nichirei	–	Expanded fifth processing line at GFPT Nichirei	Production line expansions, etc.

## 2. Processed Foods Business—Japan

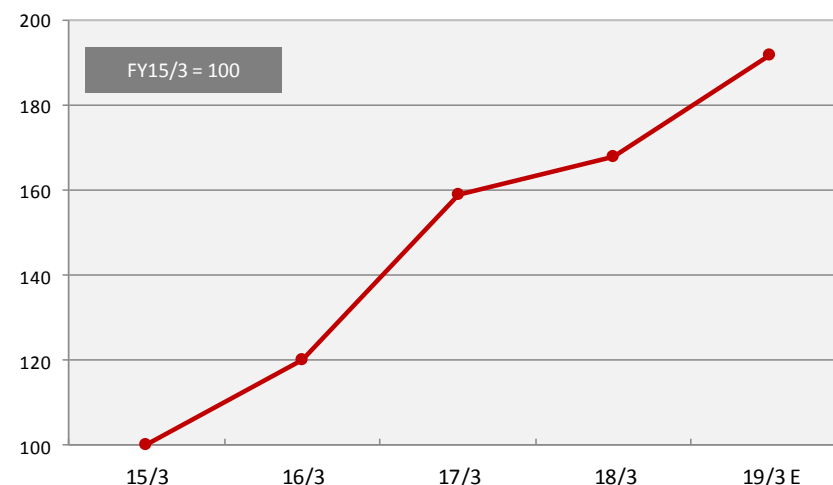
### Strengthen product appeal to drive further demand for frozen fried rice

Proportion of Fried Rice's appearance on dinner tables by preparation method



Source: Nichirei's estimation

Nichirei's Household-use Fried Rice Sales Volume



Shift from homemade to frozen fried rice continues

1. We expect the frequency of use of frozen fried rice to continue increasing due to greater needs for more simplified cooking, and improvements in taste and quality from advances in production techniques.
2. The best-selling fried rice brand Honkaku-itame Cha-han (Authentic Fried Rice) has continued to grow since its launch in 2001, reaching ¥10 billion in sales (FY18/3 shipment base).
3. Fried rice production line at the Funabashi Plant expanded in February 2018, increasing production capacity.
4. We will strengthen product appeal with improved technology, and continue to run TV commercials and other promotions, in order to further generate demand for fried rice.

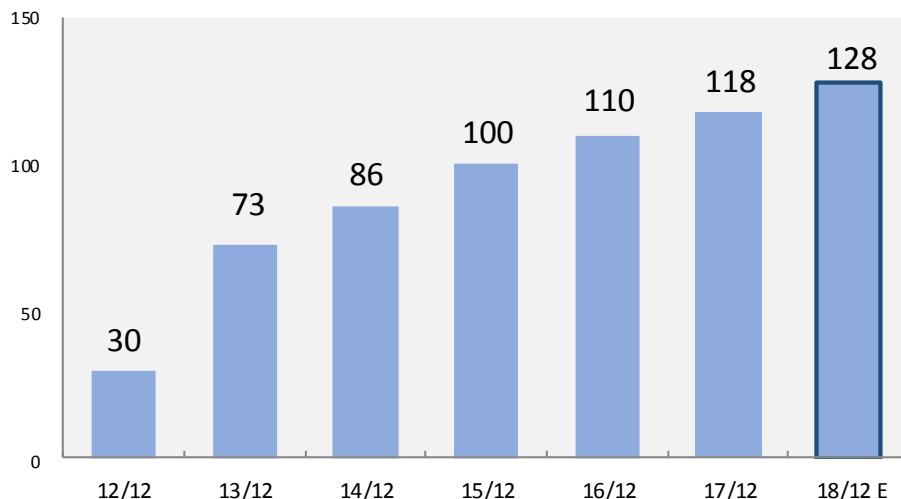


## 2. Processed Foods—Overseas

### Aiming for further sales growth in the U.S. Asian foods market

(Millions of US dollar)

InnovAsian Cuisine's Net Sales (Local currency base)



Notes: 1. FY12/12 is a six-month period (as the company was acquired in June 2012).  
2. The accounting method was changed from FY16/12 (to exclude from sales a portion of the expenses recorded as selling costs). Figures in the graph, to allow for comparisons with past fiscal years, are prior to the change in accounting method.

InnovAsian Cuisine's new household-use products



1. Household-use products: We will maintain the high distribution rate for existing products, improve the store turnover rate, and cultivate new customer segments by introducing new products for single-serving meals, which are a growth driver.
2. Commercial-use products: We will focus on acquiring new customers, such as major volume retailers (delicatessen counters) and national restaurant chains.
3. In addition to Nichirei's strength in product planning and proposal capabilities, we will strengthen product appeal with technical guidance to production contractors, and enhance our competitiveness in the Asian foods market.

## Logistics Business



## Absorb higher costs, and secure further earnings gains in FY19/3

(Billions of Yen)

	FY18/3			FY19/3		
	Results	Y o Y		Forecast	Y o Y	
		Variance	% Change		Variance	% Change
<b>Net Sales</b>	<b>195.1</b>	8.2	4%	<b>200.0</b>	4.9	3%
Japan Subtotal	<b>154.2</b>	3.6	2%	<b>156.3</b>	2.1	1%
Logistics Network	<b>90.5</b>	2.0	2%	<b>91.4</b>	0.9	1%
Regional Storage	<b>63.7</b>	1.6	3%	<b>64.9</b>	1.2	2%
Overseas	<b>35.3</b>	3.3	10%	<b>37.4</b>	2.1	6%
Other/Intersegment	<b>5.5</b>	1.3	32%	<b>6.3</b>	0.8	14%
<b>Operating Income</b>	<b>11.3</b>	0.6	6%	<b>11.5</b>	0.2	2%
Japan Subtotal	<b>10.3</b>	0.9	9%	<b>10.5</b>	0.2	2%
Logistics Network	<b>3.6</b>	0.7	24%	<b>3.7</b>	0.1	2%
Regional Storage	<b>6.7</b>	0.2	2%	<b>6.8</b>	0.1	2%
Overseas	<b>1.0</b>	-0.1	-10%	<b>1.1</b>	0.1	8%
Other/Intersegment	<b>-0.1</b>	-0.1	—	<b>-0.1</b>	-0.0	—

1. We expect net sales to increase 3% on growth in regional storage and overseas business.
2. Costs are rising due to the labor shortage, and IT system expenses are increasing, but we expect 2% growth in operating profit from expanded cargo pickup and greater transport efficiency.



## [Expand Earnings in Existing Businesses]

### Utilize expanded facilities to increase earnings in existing businesses

#### Main Measures in FY19/3

Expand the reach of the logistics network	Transport and delivery	<ul style="list-style-type: none"> <li>Further improve balance of transport income, and strengthen vehicle procurement base.</li> </ul>
	3PL	<ul style="list-style-type: none"> <li>Expand to Okinawa and establish a nationwide network, develop new customers utilizing business network.</li> </ul>
Increase earnings from regional storage	Major metropolitan areas	<ul style="list-style-type: none"> <li>Stabilize operations at the Heiwajima DC as quickly as possible, and streamline operations through optimal placement of the Kanto waterfront area's stored cargo.</li> <li>Utilize location network to fullest extent to capture robust storage demand.</li> </ul>
	Regional areas	<ul style="list-style-type: none"> <li>Expand handling of local cargo as combined storage and transport function.</li> </ul>
Respond to cost increases	Personnel expenses, transport costs, etc.	<ul style="list-style-type: none"> <li>Pursue cost-absorption strategies such as operational improvements and streamlining, and charge appropriate rates.</li> </ul>
Strengthen the business base overseas	Europe	<ul style="list-style-type: none"> <li>Provide an integrated service including customs, storage, and transport, and maintain high inventory volume.</li> </ul>

#### Main Growth Investments (Japan)

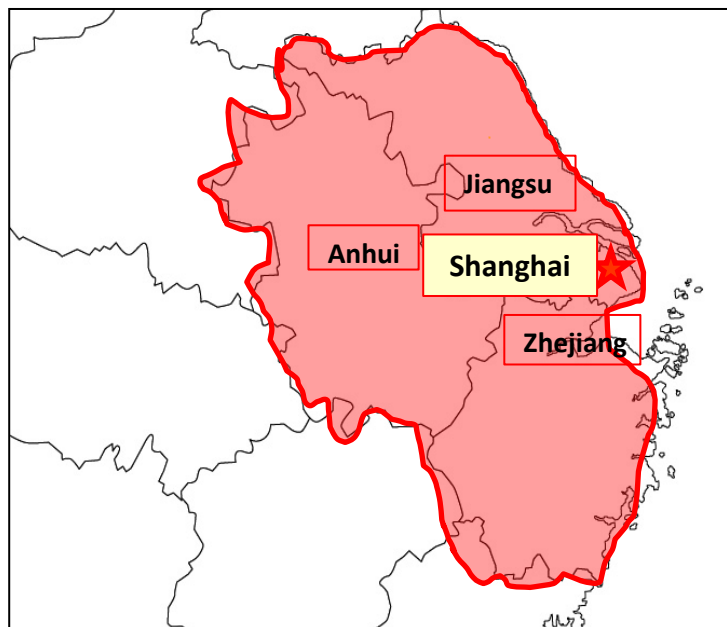
	Business Plan (FY14/3–16/3)			Business Plan (FY17/3–19/3)		
	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3 E
Major metropolitan areas	Higashi-Ogishima DC (Bldg. No. 2)	Sakishima DC	Funabashi DC (expanded)		Heiwajima DC (leased)	Nagoya waterfront district (construction start, operations scheduled to commence in FY20/3)
Regional areas		Tokachi DC			Kagoshima Soo DC(expanded) Sendai DC (expanded)	Naha Port DC (provisional name) Tokachi DC (expanded)
TC bases			Morioka-nishi TC Saga Takeo TC	Niigata Konan TC		



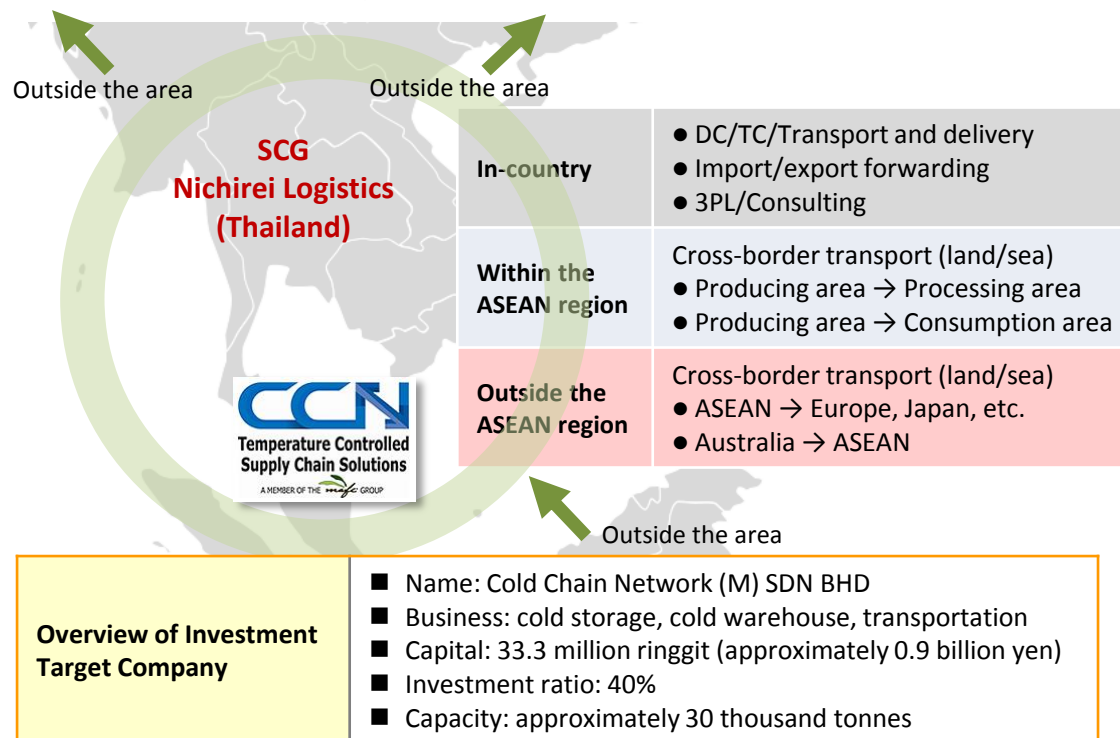
#### [Develop New Growth Area]

#### Increase business in China, and expand the business base in Southeast Asia

##### Develop the Chinese Business



##### Expand the ASEAN Business Base

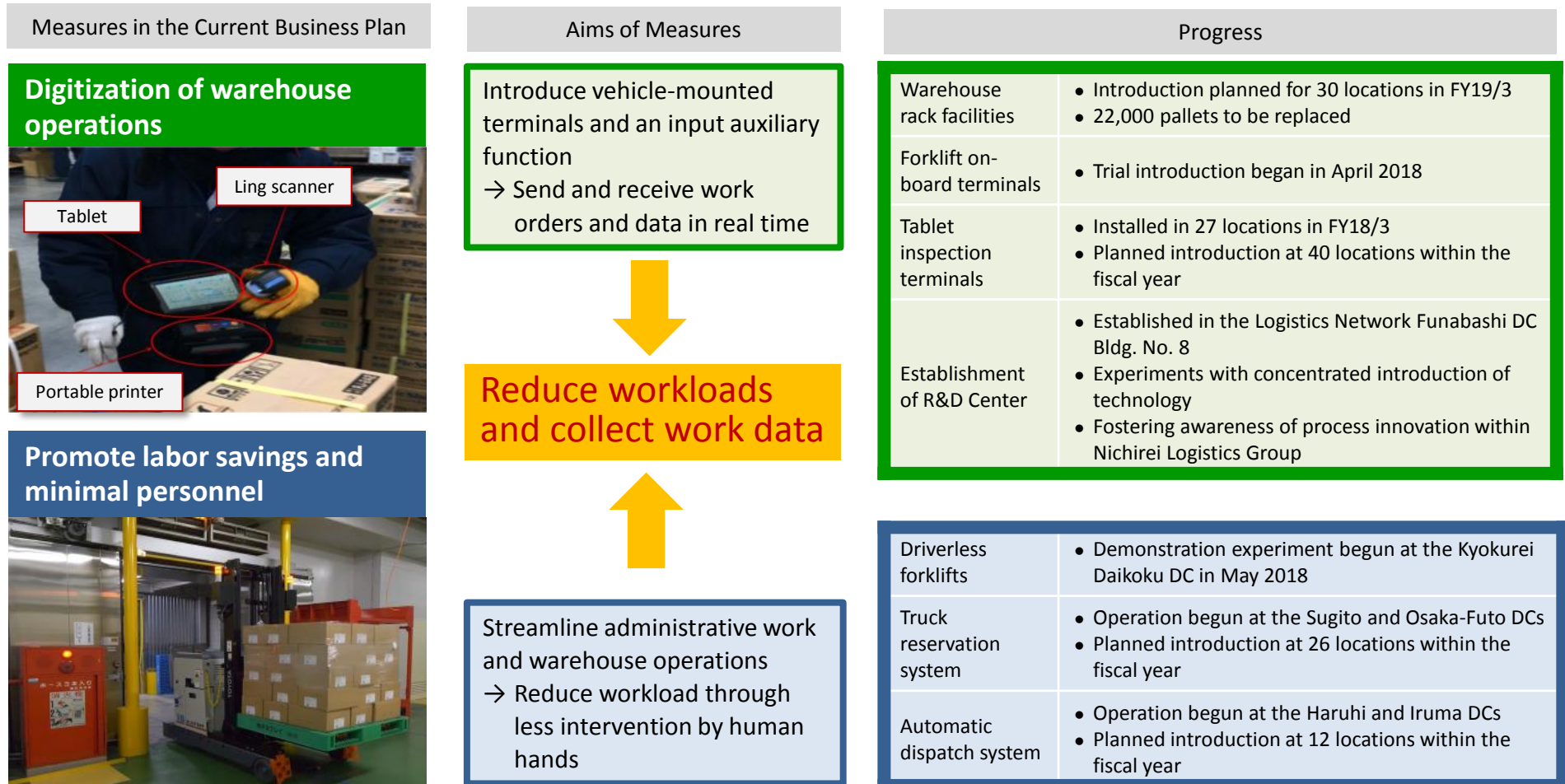


1. China: Broaden the logistics coverage area for convenience stores, and expand from Shanghai to Jiangsu Province.
2. Southeast Asia: Decision made to open new location in Malaysia to expand the ASEAN business base.
  - i. Demand for high-quality low-temperature logistics

- increasing within Malaysia along with economic growth
  - ii. Accumulate know-how to provide Halal-compliant distribution
  - iii. Expand the ASEAN business through synergistic effect with the existing Thai business

## [Further Enhance Productivity through Operational Innovations]

### Digitization of warehouses and labor-saving measures as the foundation of operational innovation



## [Business Continuity Planning (BCP) for the Logistics Core System]

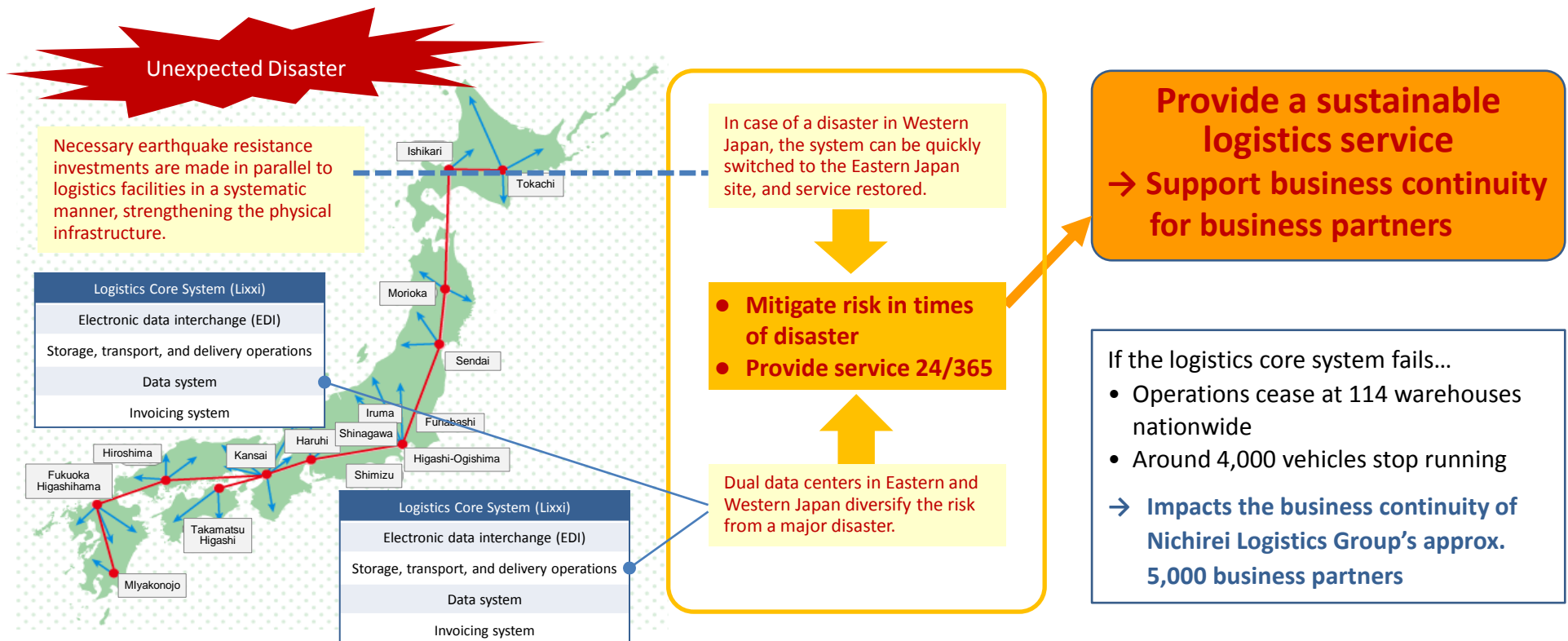
**Risk management—Minimize the impact of a major disaster on the core system**

### 1. Dual-base system infrastructure

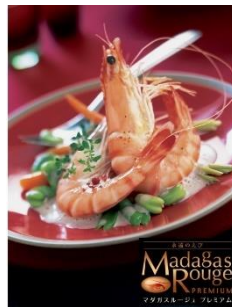
⇒ Main data center is located in Western Japan to diversify the disaster risk.

### 2. Introduction of the latest cloud services

⇒ In case of a disaster in Western Japan, the system can be switched to the Eastern Japan site within an hour.



## Marine Products, Meat and Poultry Business



## 4. Marine Products, Meat and Poultry

### Aim to secure stable earnings for marine, meat, and poultry product

(Billions of Yen)

		FY18/3			FY19/3		
		Result	Y o Y		Forecast	Y o Y	
			Variance	% Change		Variance	% Change
Marine Products	Net Sales	71.5	2.1	3%	75.0	3.5	5%
	Operating Profit	0.3	-0.5	-62%	0.7	0.4	129%
Meat and Poultry	Net Sales	90.4	2.3	3%	92.0	1.6	2%
	Operating Profit	1.3	-0.3	-19%	1.4	0.1	8%

1. We will increase our proportion of “kodawari” ingredients<sup>1</sup>, and continue to expand sales of optimally processed products to meet customer needs, focusing on the restaurant and home meal replacement (HMR) markets.
2. Marine Products: We will concentrate management resources on four types of marine products, including

shrimp, in which Nichirei has strengths in procurement, processing, and sales, in order to strengthen purchasing power and ensure stable sales.

3. Meat and Poultry: We will expand our proportion of “Omega Balance Meat”<sup>2</sup>, while for imported meats, concentrate on sales of products of superior material or quality control.

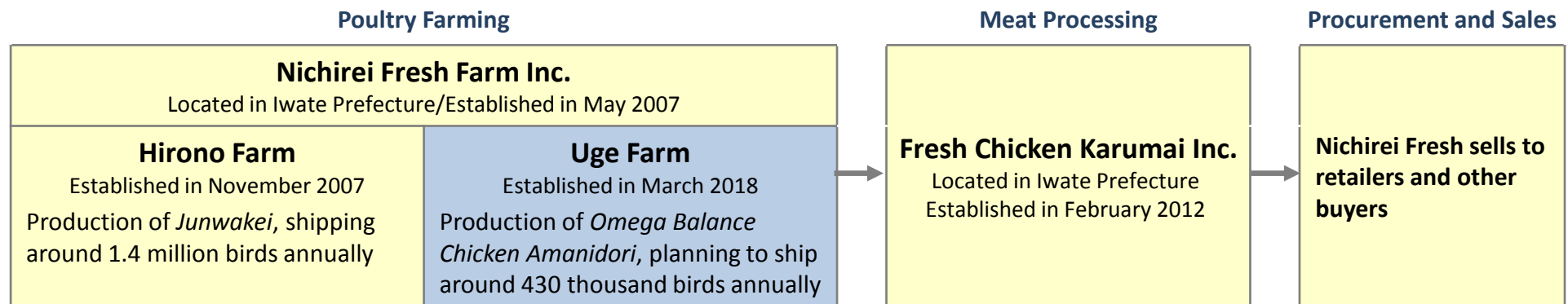
1. “Kodawari” ingredients are distinctive ingredients selected in line with the six keywords of good taste, safety, consumer trust, freshness, healthy, and environmentally friendly.

2. “Omega Balance Meat” is cultivated by mixing animal feed with an

excellent balance of the omega-3 fatty acids ( $\alpha$ -linolenic acid) essential for human health, producing meat that is both healthy and tasty.

### [Measures to Strengthen the Business Foundation for Domestic Chicken ]

- Production of *Junwakei* chicken, one of Nichirei's “*kodawari*” ingredients, began in 2007.
- The poultry farm was expanded in March 2018, and production of the new “*Omega Balance Chicken Amanidori*” begun.
- We are increasing our procurement ratio from in-house poultry farming, strengthening the business base for domestic chicken.



#### ***The Junwakei***

The *Junwakei* is a purely Japanese breed, which has been selectively bred from foundation stock crossed with the 100% Japanese Koyuki and Benisakura chicken breeds at National Livestock Breeding Center Hyogo Farm. The aim was to achieve the meat quality and taste desired by Japanese.



#### ***Omega Balance Chicken Amanidori***

Chickens are fed with a specially blended feed containing linseed (“*amani*”), which is rich in  $\alpha$ -linolenic acid, producing birds with significantly higher concentrations of omega-3 fatty acids than regular chicken. The meat is both healthy and delicious.

## Reference Materials



## Topic—Nichirei receives excellence award at the Corporate Value Improvement Award

- Nichirei received the Excellence Award at the 6th Corporate Value Improvement Award sponsored by the Tokyo Stock Exchange.
- We will continue to manage the business with a focus on capital cost, and enhance our enterprise value.

For detail: Tokyo Stock Exchange website

<http://www.jpx.co.jp/english/equities/listed-co/award/index.html>

<http://www.jpx.co.jp/english/equities/listed-co/award/01.html>

(Left) Kunio Otani, Representative Director and President, Nichirei Corporation  
(Right) Koichiro Miyahara, President & CEO, Tokyo Stock Exchange, Inc.



- Nichirei was cited as a case study at the Corporate Value Improvement Award Symposium 2018.



(Case Study)

- Nichirei has practiced business management with a focus on capital cost, using its own REP(Retained Economic Profit) index since 2001.
- Nichirei introduced an investment PDCA cycle in 2015 to enhance the feasibility of investment plans for the corporate group overall.

Takumi Taguchi, Director and Executive Officer, Nichirei Corporation

For detail: Tokyo Stock Exchange website (Japanese only)

<http://www.jpx.co.jp/equities/listed-co/award/04.html>



## Factors for increase/decrease in operating profit (FY17/3-FY19/3)

### Processed Foods

(Billions of Yen)

<b>FY17/3 Operating Profit</b>	<b>13.9</b>
<b>Factors for increase</b>	<b>3.3</b>
Increased revenue	2.8
Improved productivity	0.5
<b>Factors for decrease</b>	<b>-2.6</b>
Rise in ingredient and purchasing costs	-1.3
Effect of results from subsidiaries	-1.5
Increase/decrease in advertising and sale promotion expenses	0.8
Other	-0.6
<b>FY18/3 Operating Profit</b>	<b>14.6</b>
<b>Factors for increase</b>	<b>2.6</b>
Increased revenue	1.7
Decrease in ingredient and products purchasing costs	0.5
Improved productivity	0.4
<b>Factors for decrease</b>	<b>-2.2</b>
Effect of results from subsidiaries	-0.7
Increased depreciation	-0.7
Increase/decrease in advertising and sale promotion expenses	-0.3
Other	-0.5
<b>FY19/3 Operating Profit Forecast</b>	<b>15.0</b>

### Logistics

(Billions of Yen)

<b>FY17/3 Operating Profit</b>	<b>10.6</b>
<b>Factors for increase</b>	<b>2.1</b>
Effect on results from increase in cargo collection	0.7
Earnings improvement in trunk line transport	0.6
Operational improvements	0.4
Expansion of 3PL business	0.2
Streamlining of transport business	0.2
<b>Factors for decrease</b>	<b>-1.4</b>
BCP-related expenses	-0.5
Increase in transport and delivery costs (net)	-0.3
Increase in electricity charges (net)	-0.3
Increase in work outsourcing costs (net)	-0.1
Other	-0.2
<b>FY18/3 Operating Profit</b>	<b>11.3</b>
<b>Factors for increase</b>	<b>1.5</b>
Effect on results from increase in cargo collection	0.5
Operational improvements	0.5
Streamlining of transport business	0.3
Other	0.2
<b>Factors for decrease</b>	<b>-1.3</b>
BCP-related expenses	-0.5
Increase in transport and delivery costs (net)	-0.3
Increase in electricity charges (net)	-0.3
Increase in work outsourcing costs (net)	-0.2
<b>FY19/3 Operating Profit Forecast</b>	<b>11.5</b>

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

(Billions of Yen)

	FY18/3		FY19/3	
	Results	Y o Y	Forecast	Y o Y
		Variance		Variance
<b>Non-operating Income and Expenses</b>	0.7	0.9	-0.0	-0.7
(Main items)				
Financial account balance	-0.0	0.1	-0.2	-0.1
Share of (profit) loss of entities accounted for using equity method	0.7	0.4	0.2	-0.4
<b>Extraordinary Income or Loss</b>	-1.4	-0.1	-0.9	0.4
(Main items)				
Gain on sales of non-current assets	0.0	-0.3	0.0	-0.0
Loss on sales of non-current assets and retirement of non-current assets	-1.1	-0.3	-1.1	0.0
Impairment loss	-0.0	0.1	-0.0	0.0

## Results during Business Plan Periods

(Billions of Yen)

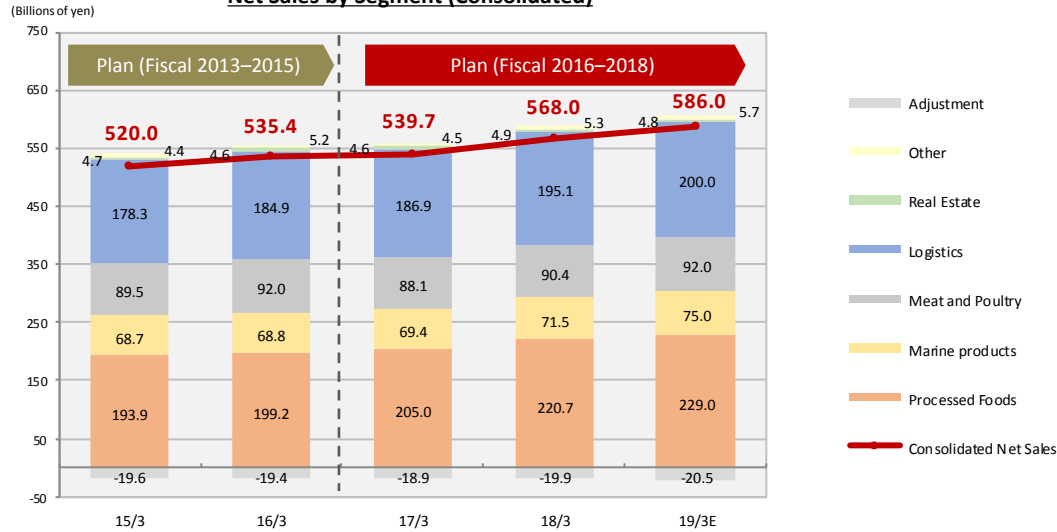
		Business Plan (FY08/3-FY10/3)			Business Plan (FY11/3-13/3)			Business Plan (FY14/3-16/3)			New Business Plan (FY17/3-19/3)		
		08/3	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3E
<b>Net Sales</b>		<b>463.6</b>	<b>474.5</b>	<b>438.1</b>	<b>437.8</b>	<b>454.9</b>	<b>447.7</b>	<b>487.4</b>	<b>520.0</b>	<b>535.4</b>	<b>539.7</b>	<b>568.0</b>	<b>586.0</b>
	Processed Foods	175.0	174.0	162.1	161.9	174.2	161.6	180.7	193.9	199.2	205.0	220.7	229.0
	Marine Products	74.7	76.1	67.2	66.8	65.7	63.7	68.6	68.7	68.8	69.4	71.5	75.0
	Meat and Poultry	83.9	92.5	77.6	78.3	75.6	75.5	80.1	89.5	92.0	88.1	90.4	92.0
	Logistics	138.7	142.3	139.0	139.4	149.5	156.4	168.4	178.3	184.9	186.9	195.1	200.0
	Real Estate	7.5	7.4	7.0	6.6	4.9	4.7	5.0	4.7	4.6	4.6	4.9	4.8
	Other	6.3	6.6	6.9	6.2	6.0	5.8	3.7	4.4	5.2	4.5	5.3	5.7
	Adjustment	-22.6	-24.4	-21.7	-21.5	-21.0	-20.0	-19.1	-19.6	-19.4	-18.9	-19.9	-20.5
<b>Operating Profit</b>		<b>17.4</b>	<b>15.1</b>	<b>16.8</b>	<b>16.7</b>	<b>16.2</b>	<b>17.9</b>	<b>15.8</b>	<b>17.4</b>	<b>21.6</b>	<b>29.3</b>	<b>29.9</b>	<b>31.0</b>
	Processed Foods	4.1	2.0	2.6	4.6	5.2	6.0	3.4	5.4	8.0	13.9	14.6	15.0
	Marine Products	-0.5	0.3	0.9	0.6	0.2	0.1	0.4	0.2	0.7	0.8	0.3	0.7
	Meat and Poultry	0.6	-0.0	0.7	0.4	0.5	0.5	0.1	0.4	0.4	1.6	1.3	1.4
	Logistics	8.5	8.2	7.9	7.3	7.4	8.6	8.9	8.7	10.0	10.6	11.3	11.5
	Real Estate	4.3	4.0	3.7	3.6	2.4	2.3	2.4	2.1	2.2	2.1	2.2	2.2
	Other	0.2	0.2	0.4	0.4	0.5	0.4	0.4	0.6	0.9	0.6	0.8	0.8
	Adjustment	0.1	0.4	0.7	-0.2	0.0	0.0	0.1	0.0	-0.5	-0.3	-0.5	-0.6
<b>Ordinary Profit</b>		<b>16.9</b>	<b>14.2</b>	<b>15.5</b>	<b>16.1</b>	<b>15.3</b>	<b>17.2</b>	<b>14.4</b>	<b>16.9</b>	<b>21.4</b>	<b>29.1</b>	<b>30.7</b>	<b>31.0</b>
<b>Profit attributable to owners of parent</b>		<b>9.6</b>	<b>6.0</b>	<b>9.1</b>	<b>4.0</b>	<b>7.9</b>	<b>9.8</b>	<b>8.9</b>	<b>9.5</b>	<b>13.5</b>	<b>18.8</b>	<b>19.1</b>	<b>19.8</b>
<b>Amount of capital investment</b>	including leased assets	—	14.9	24.4	22.1	12.2	13.2	24.0	24.2	16.2	13.9	25.0	27.8
	excluding leased assets	7.8	12.8	18.0	18.1	9.4	10.7	21.2	19.8	13.2	10.3	22.3	23.1
<b>Interest-bearing debt</b>	including leased debt	—	110.5	85.8	97.0	97.8	96.9	106.1	107.7	94.7	89.8	97.7	
	excluding leased debt	66.1	87.9	60.9	72.5	74.8	75.4	85.7	87.3	75.5	70.9	79.8	
<b>D/E ratio (times)</b>	including leased debt	—	1.0	0.7	0.8	0.8	0.8	0.8	0.7	0.6	0.5	0.6	
	excluding leased debt	0.6	0.8	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.4	0.5	
<b>Capital adequacy ratio (%)</b>		<b>44.3</b>	<b>38.6</b>	<b>43.1</b>	<b>40.4</b>	<b>40.2</b>	<b>41.3</b>	<b>41.9</b>	<b>43.0</b>	<b>44.4</b>	<b>46.0</b>	<b>44.1</b>	
<b>ROE (%)</b>		<b>8.5</b>	<b>5.3</b>	<b>7.9</b>	<b>3.4</b>	<b>6.8</b>	<b>8.2</b>	<b>6.9</b>	<b>6.8</b>	<b>9.1</b>	<b>12.1</b>	<b>11.9</b>	

### Notes

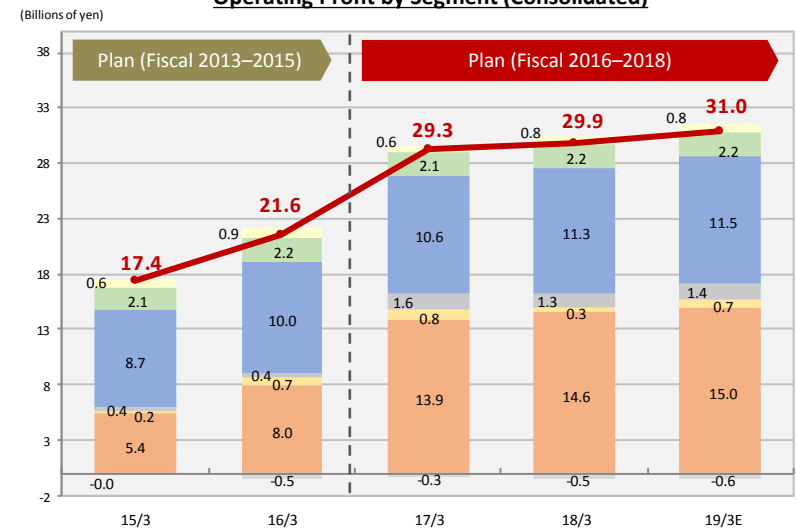
- In accordance with a change in lease accounting standards, from FY09/3 lease assets and lease obligations are recorded on the balance sheets.
- Capital investments include intangible fixed assets.

- Figures from FY13/3 reflect a change in the basis for recording sales in the Processed Foods business. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)

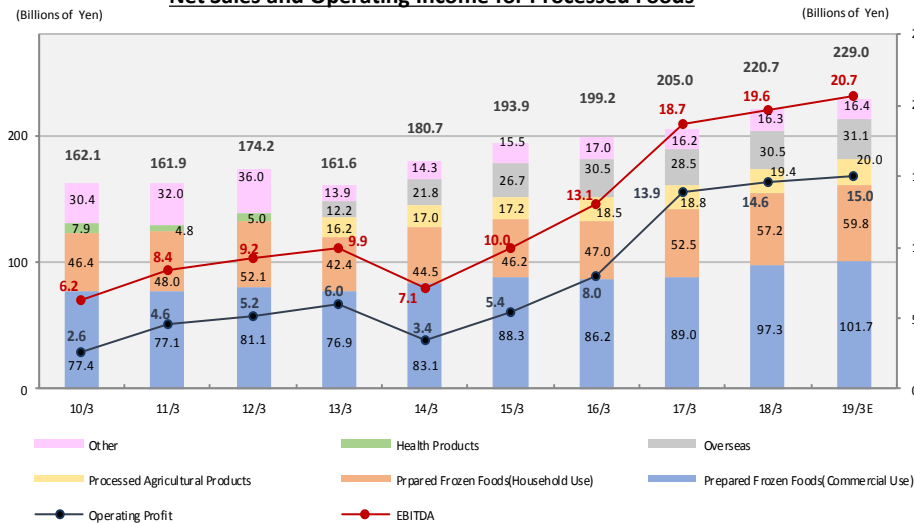
## Net Sales by Segment (Consolidated)



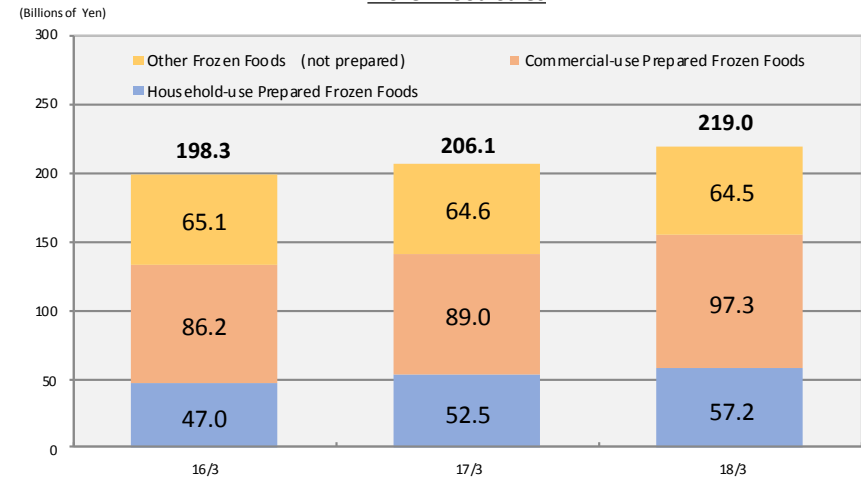
## Operating Profit by Segment (Consolidated)



## Net Sales and Operating Income for Processed Foods

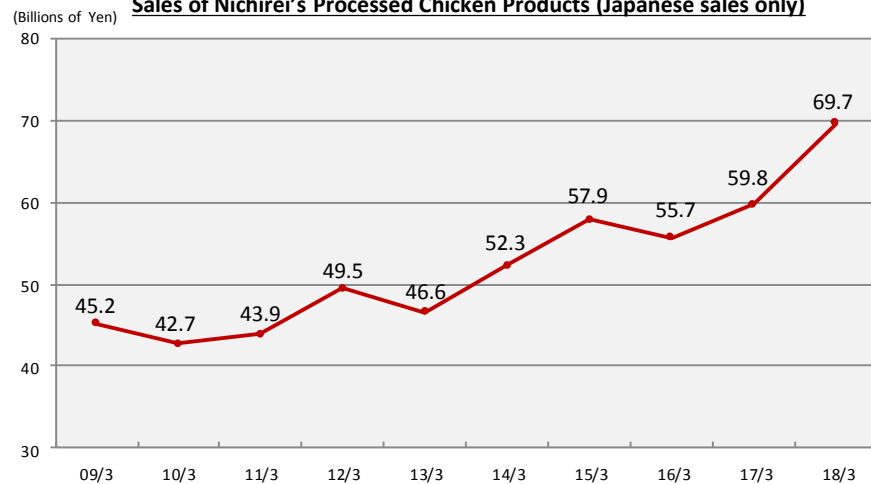


## Frozen Food Sales



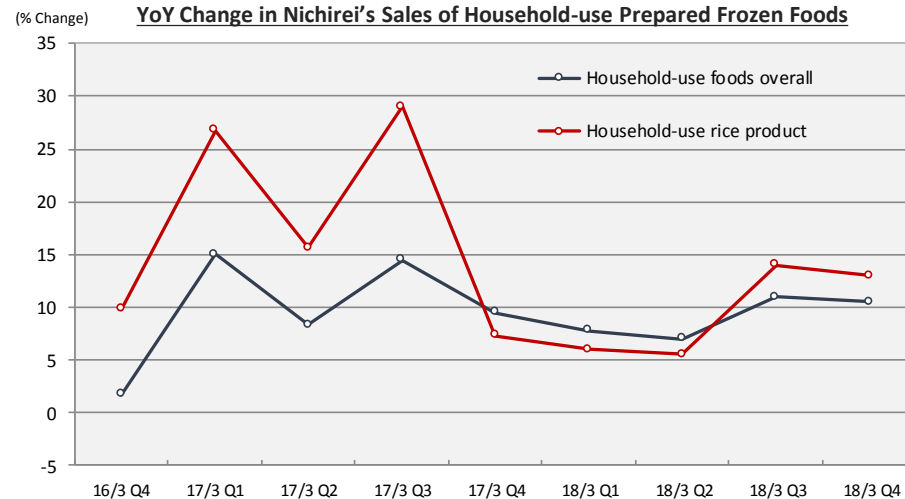
Notes: Figures reflect a change in the basis for recording sales. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)

**Sales of Nichirei's Processed Chicken Products (Japanese sales only)**

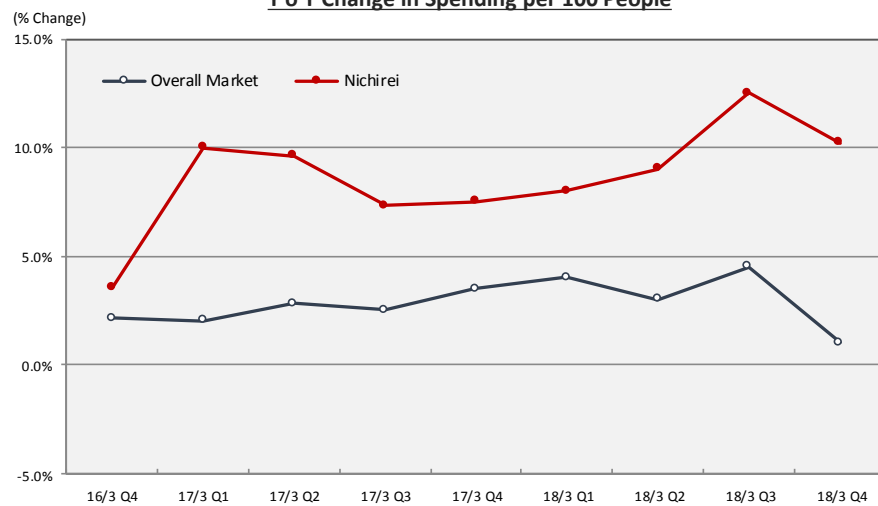


Note: Figures from FY13/3 reflect a change in the basis for recording sales in the Processed Foods business. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)

**YoY Change in Nichirei's Sales of Household-use Prepared Frozen Foods**

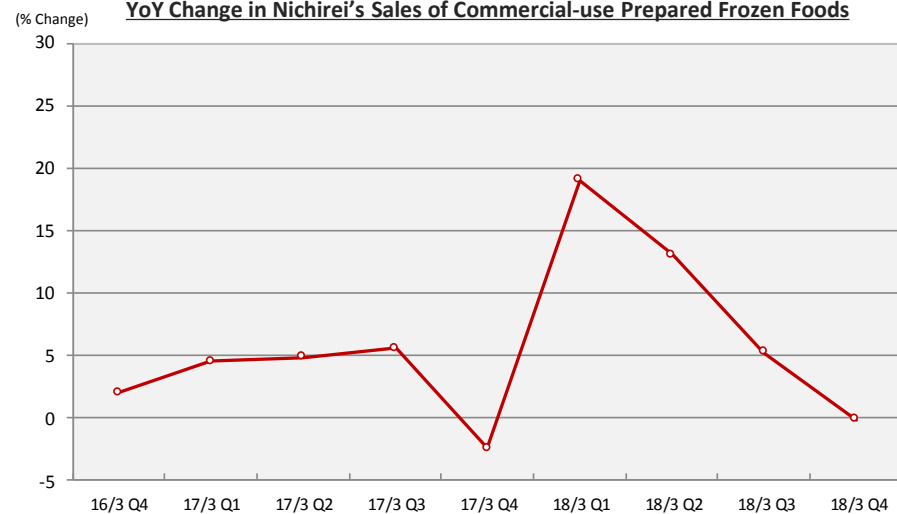


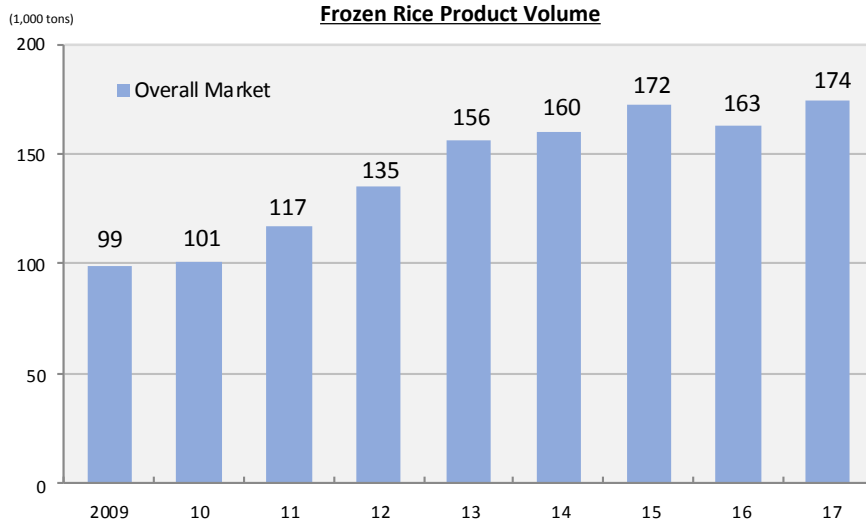
**Consumer Panel for Household-use Prepared Frozen Foods**  
**Y o Y Change in Spending per 100 People**



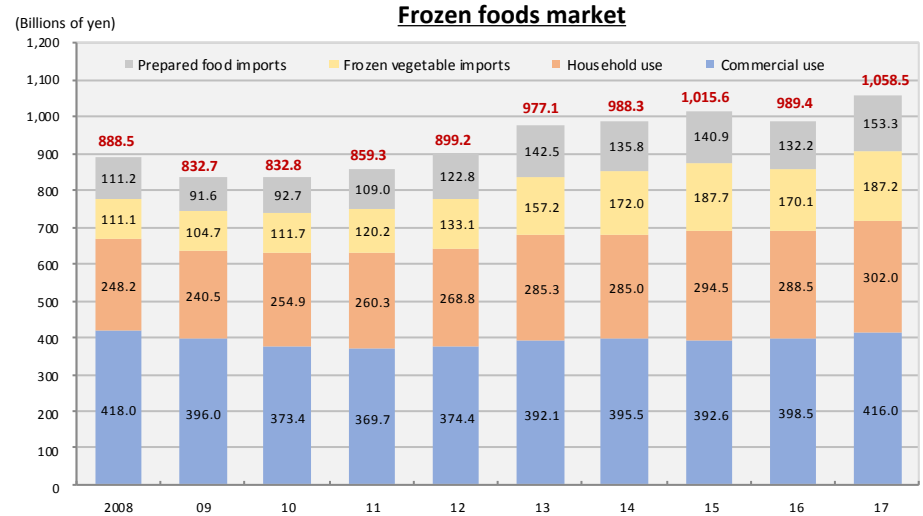
Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Excludes purchases through consumer cooperatives.)

**YoY Change in Nichirei's Sales of Commercial-use Prepared Frozen Foods**



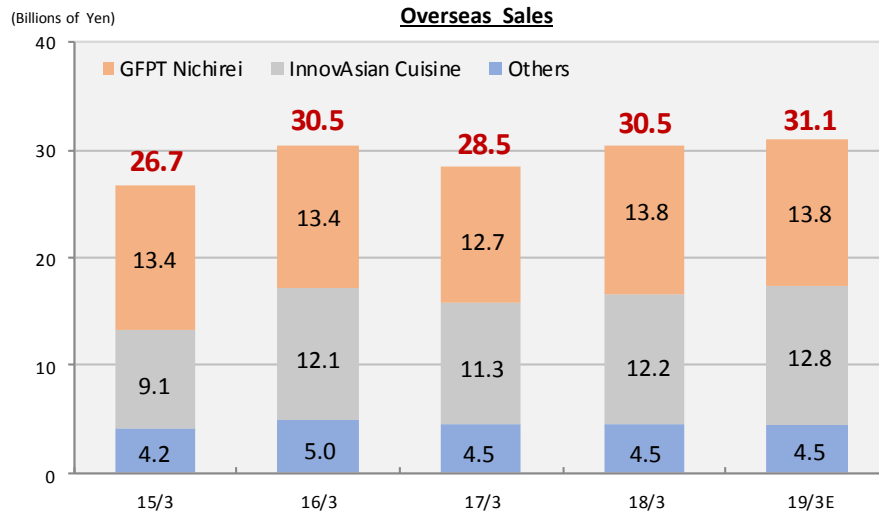


Source: Nichirei based on data from Ministry of Agriculture, Forestry and Fisheries



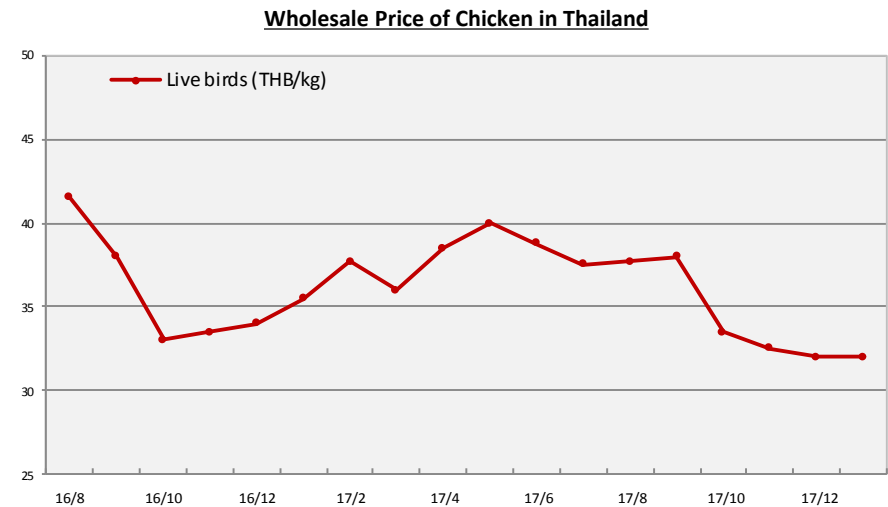
Source: Nichirei based on data from the Japan Frozen Food Association

Note: The figure for imported prepared foods is derived from a sampling survey of 38 members of the Japan Frozen Food Association, and so is not comprehensive. Accordingly, taking into account imports from non-member trading companies and wholesalers, the actual figure is presumably higher.

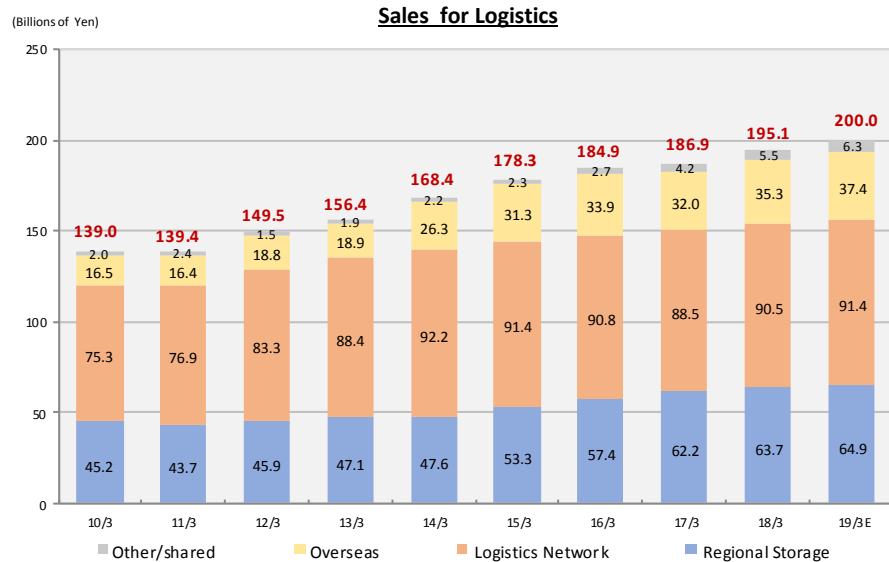


Notes:

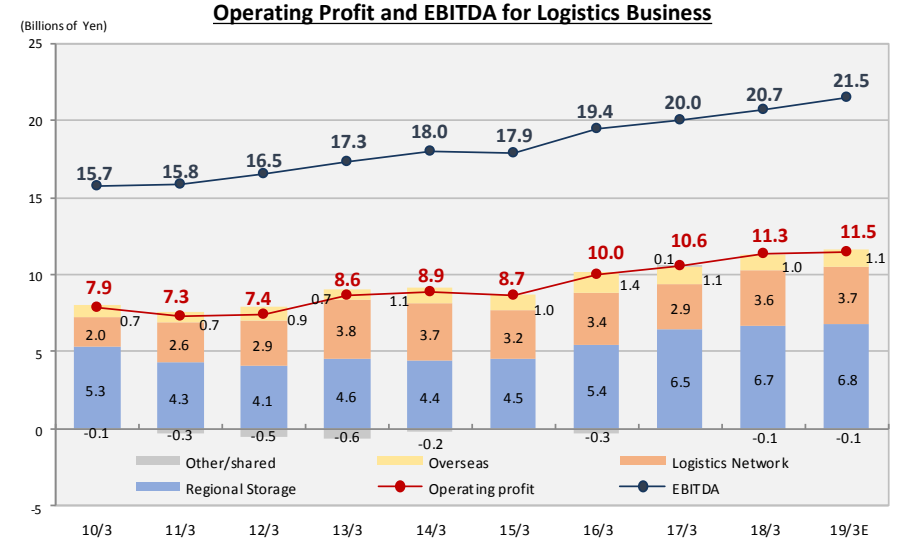
1. In Processed Food sales for FY13/3, figures for InnovAsian Cuisine are for a half-year period.
2. GFPT Nichirei's sales are the total of sales to Europe and domestically within Thailand.



Source: Nichirei, from data published by the Agriculture & Livestock Industries Corporation (alic)

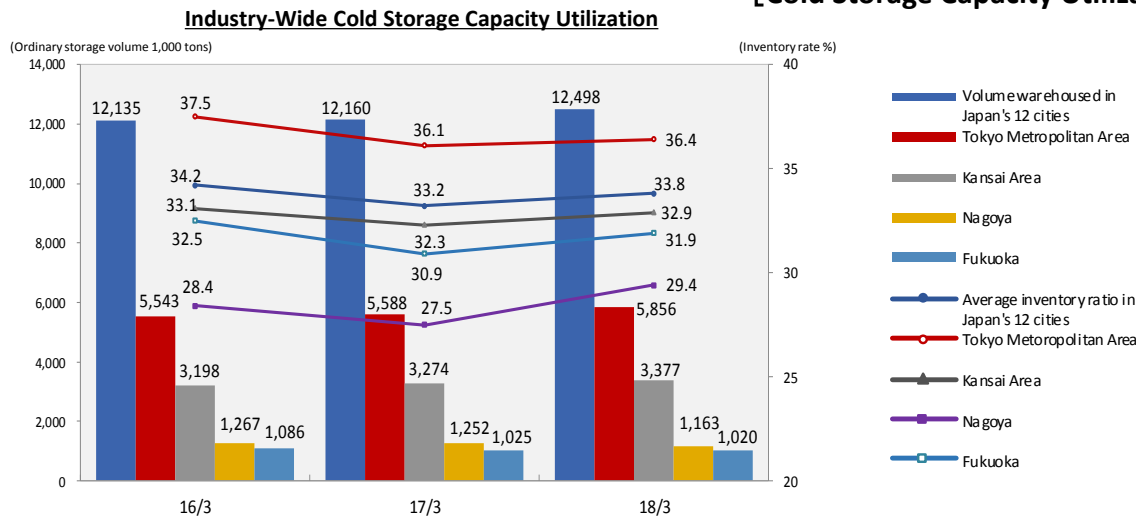


Note: For the fiscal periods from 14/3 to 17/3E, a portion of the logistics network business was transferred to the regional storage business.



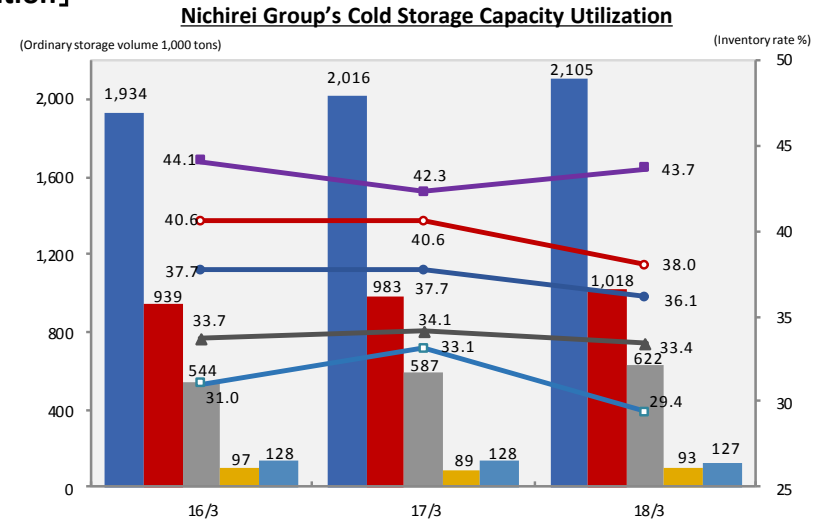
Note: For the fiscal periods from 14/3 to 17/3E, a portion of the logistics network business was transferred to the regional storage business.

## [Cold Storage Capacity Utilization]



Source: Industry figures calculated by Nichirei from Japan Association of Refrigerated Warehouses data

Note: The inventory ratio is the proportion of stored goods to total cold storage space. Typically, around half of the total space is areas where goods cannot be stored, such as aisles and workspaces.



# Reference Materials 9

**Top Ten Companies Worldwide in the Refrigerated Warehouse Industry by Capacity**

Ranking	Company/Group Name	Capacity (thousand of tonnes)	Main Countries of Business
1	Americold Logistics	10,830	USA, etc.
2	Lineage Logistics	8,690	USA, etc.
3	Swire Cold Storage	4,060	USA, etc.
4	AGRO Merchants Group, LLC	2,450	USA, etc.
5	Nichirei Logistics Group, Inc.	1,970	Japan, etc.
6	Kloosterboer	1,870	Netherlands, etc.
7	NewCold Coöperatief U.A.	1,590	Netherlands, etc.
8	VersaCold Logistics Services	1,500	Canada
9	Interstate Warehousing, Inc.	1,140	USA
10	Frialsa Frigoríficos S.A. De C.V.	1,100	Mexico

As of April 2018

Source: Compiled by Nichirei based on International Association of Refrigerated Warehouses document "Global Top 25 List"

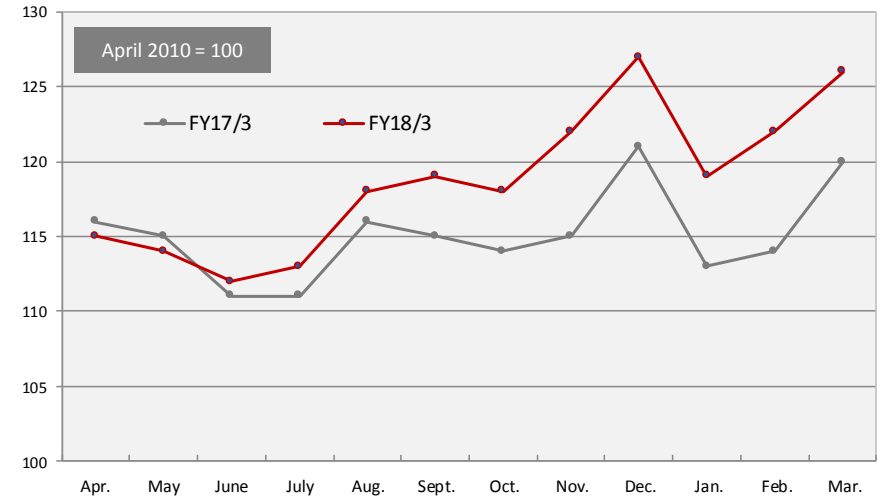
**Top Ten Companies of Europe in the Refrigerated Warehouse Industry by Capacity**

Ranking	Company/Group Name	Capacity (thousand of tonnes)	Main Countries of Business
1	Kloosterboer	1,800	Netherlands, etc.
2	Lineage Logistics	1,080	Netherlands, etc.
3	AGRO Merchants Group, LLC	910	Netherlands, etc.
4	NewCold Coöperatief U.A.	870	Germany, etc.
5	Nichirei Logistics Group, Inc.	630	Netherlands, etc.
6	Gruppo Marconi Logistica Integrata	620	Italy
7	Agri-Norcold A/S	400	Denmark
8	Bring Frigo	360	Sweden, etc.
9	Claus Sørensen A/S	290	Denmark
10	Stockhabo	260	Belgium

As of April 2018

Source: Compiled by Nichirei based on International Association of Refrigerated Warehouses document "European Top 10 List"

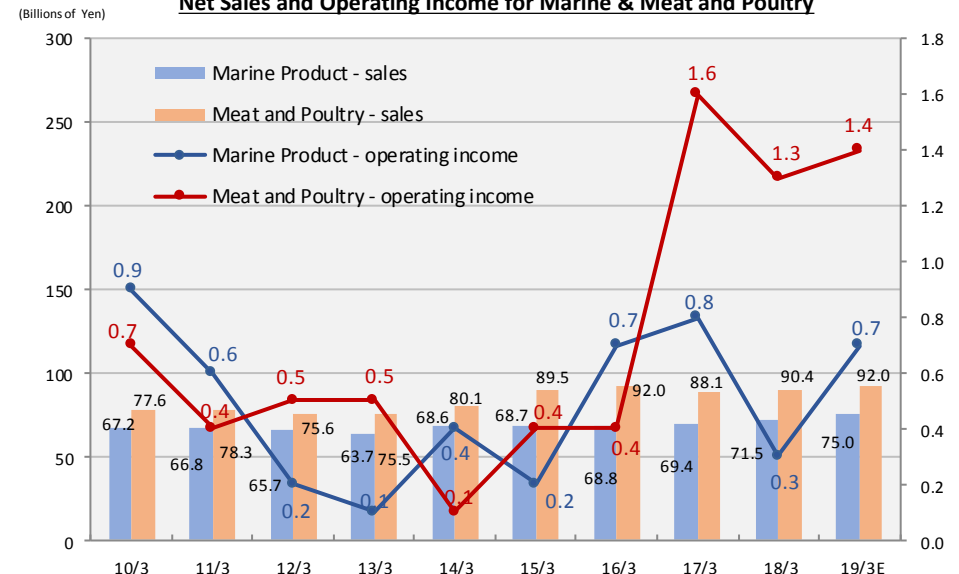
**Freight Charge Index (Monthly)**



Source: Nichirei, from data published by the Japan Trucking Association

Note: This index is for freight charges recorded on an ICT system of the Japan Trucking Association, and therefore does not represent changes in freight charges at Nichirei's Logistics Business.

**Net Sales and Operating Income for Marine & Meat and Poultry**





## 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.