

Earnings Results for FY20/3 Q2



(Stock code: 2871)

1. Consolidated Group Results

Mainstay Businesses Drive Results, On Track to Achieve Full-year Targets

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	Y o Y		Progress rate for full-year forecasts announced on July 30	Forecast	Y o Y		Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
Net Sales	291.8	2.8	1%	49%	296.2	5.0	2%	588.0	7.9	1%	598.0	-10.0
Processed Foods	118.5	4.1	4%	50%	116.5	4.3	4%	235.0	8.4	4%	235.0	0.0
Marine Products	33.0	-2.2	-6%	44%	35.0	-1.1	-3%	68.0	-3.2	-5%	75.0	-7.0
Meat and Poultry	43.3	-1.4	-3%	46%	47.9	1.6	3%	91.2	0.1	0%	94.0	-2.8
Logistics	102.7	2.7	3%	50%	101.9	0.8	1%	204.6	3.6	2%	204.4	0.2
Real Estate	2.5	0.2	7%	54%	2.2	-0.3	-11%	4.7	-0.1	-2%	4.7	0.0
Other	2.5	-0.1	-5%	38%	3.5	0.3	11%	6.0	0.2	4%	6.5	-0.5
Adjustment	-10.6	-0.5	—	—	-10.9	-0.6	—	-21.5	-1.1	—	-21.6	0.1
Operating Income	15.0	1.2	9%	49%	15.5	-0.2	-1%	30.5	1.0	3%	30.5	0.0
Processed Foods	8.5	2.0	31%	53%	7.7	-0.4	-5%	16.2	1.6	11%	15.9	0.3
Marine Products	0.0	-0.1	-61%	12%	0.4	0.3	533%	0.4	0.2	119%	0.4	0.0
Meat and Poultry	0.5	-0.2	-35%	33%	0.6	-0.1	-14%	1.1	-0.4	-24%	1.4	-0.3
Logistics	5.7	0.1	3%	49%	6.2	0.3	4%	11.8	0.4	4%	11.6	0.2
Real Estate	1.1	0.0	2%	58%	0.9	-0.1	-12%	2.0	-0.1	-5%	1.9	0.1
Other	-0.4	-0.6	—	—	0.1	0.0	7%	-0.3	-0.6	—	0.3	-0.6
Adjustment	-0.3	-0.0	—	—	-0.4	-0.1	—	-0.7	-0.1	—	-1.0	0.3
Ordinary Income	15.4	1.4	10%	50%	15.1	-0.7	-5%	30.5	0.6	2%	30.5	0.0
Profit	9.5	0.1	1%	48%	10.5	-0.0	-0%	20.0	0.1	0%	20.0	0.0

Exchange Rates

	FY 20/3 full year (forecast)	FY 20/3 first half (actual)*	FY 19/3 first half (actual)*
USD/JPY	110.00	110.06	108.69
EUR/JPY	130.00	124.32	131.64
THB/JPY	3.40	3.49	3.43

* Exchange rate figure is the average for the January-June period.

Note: Profit represents profit attributable to owners of parent.

1. First Half

- (1) Net sales increased overall, driven by mainstay Processed Foods and Logistics businesses.
- (2) Operating income rose 9% overall on gains in Processed Foods, offsetting declines in the Other (Bioscience) business.

2. Full Year

- (1) Net sales forecast has been revised downward to reflect sales emphasizing profitability for Marine Products and Meat and Poultry.
- (2) Operating income projected to reach plan target, with declines in the Meat and Poultry and Other businesses offset by Processed Foods and Logistics.

Processed Foods Business



3. Processed Foods Business

Full-year Forecast Revised Upward, Reflecting First Half Progress

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	Y o Y		Progress rate for full-year forecasts announced on July 30	Forecast	Y o Y		Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
Net Sales	118.5	4.1	4%	50%	116.5	4.3	4%	235.0	8.4	4%	235.0	0.0
Household-use Prepared Foods	31.1	1.5	5%	49%	32.5	1.8	6%	63.6	3.3	5%	63.6	0.0
Commercial-use Prepared Foods	50.2	1.1	2%	49%	51.8	2.5	5%	102.0	3.6	4%	102.0	0.0
Processed Agricultural Products	10.3	0.0	0%	51%	9.7	0.6	7%	20.0	0.7	4%	20.0	0.0
Overseas	17.7	1.7	11%	53%	16.0	-0.7	-4%	33.7	1.1	3%	33.7	0.0
Other	9.3	-0.2	-3%	59%	6.4	-0.0	-0%	15.7	-0.3	-2%	15.7	0.0
Operating Income	8.5	2.0	31%	53%	7.7	-0.4	-5%	16.2	1.6	11%	15.9	0.3

1. First Half

- (1) Household-use Prepared Foods: Revenue increased on positive results for processed chicken, and newly improved rice products.
- (2) Commercial-use Prepared Foods: Revenue increased on expanded sales of processed chicken products to the home meal replacement (HMR) market.
- (3) Operating income rose on higher sales, and improvement in performance of affiliated companies.

2. Full Year

- (1) Household-use Prepared Foods: Maintain continued positive performance, focusing on mainstay products.
- (2) Commercial-use Prepared Foods: Along with processed chicken, expand sales of other mainstay categories such as processed meat products and spring rolls.
- (3) Operating income: Full-year forecast revised upward, reflecting higher sales, and improved earnings at affiliated companies.

Further Enhance Value of Frozen Foods amid Firm Demand

Current Progress and Next Measures

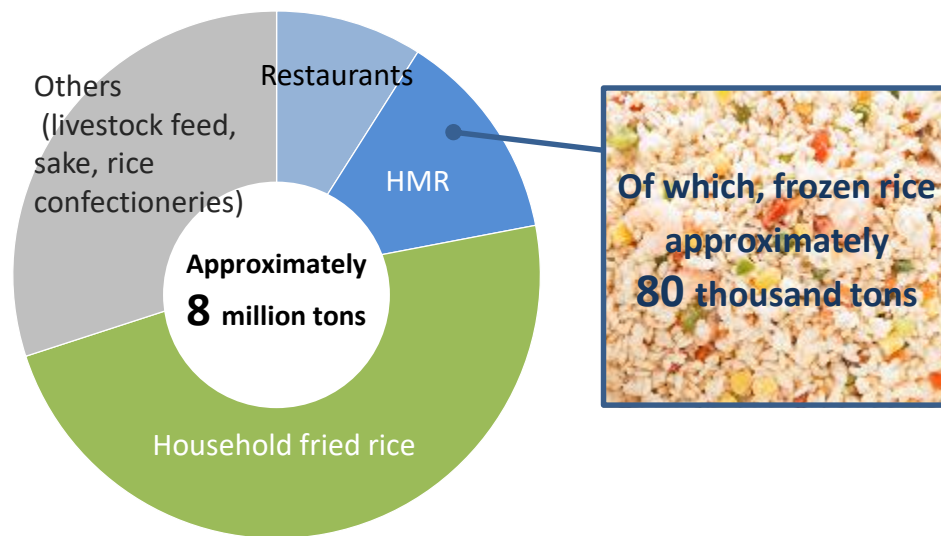
1. Household-use Prepared Foods

- (1) Strengthen mainstay categories, including expanding the lineup of products with strong demand, such as rice and processed chicken products.
- (2) Launch products for single servings and a broad range of meal settings, and develop new demand.

2. Commercial-use Prepared Foods

- (1) For mainstay processed chicken and spring roll products, continue to improve quality and expand menus.
- (2) Develop and promote widespread use of products that address operational issues for different business situations, such as offering deep-fried foods prepared by boiling.

Consumption Ratio for Frozen Rice



Source: Calculated from 2018 data from Rice Stable Supply Support Organization and the Ministry of Agriculture, Forestry and Fisheries.

Product Strategy for Rice Products

Improve basic products and expand lineup

Existing products



New products



Moderate portion
/Single serving demand



Create new demand
(health consciousness, etc.)



* Photo for illustrative purposes only

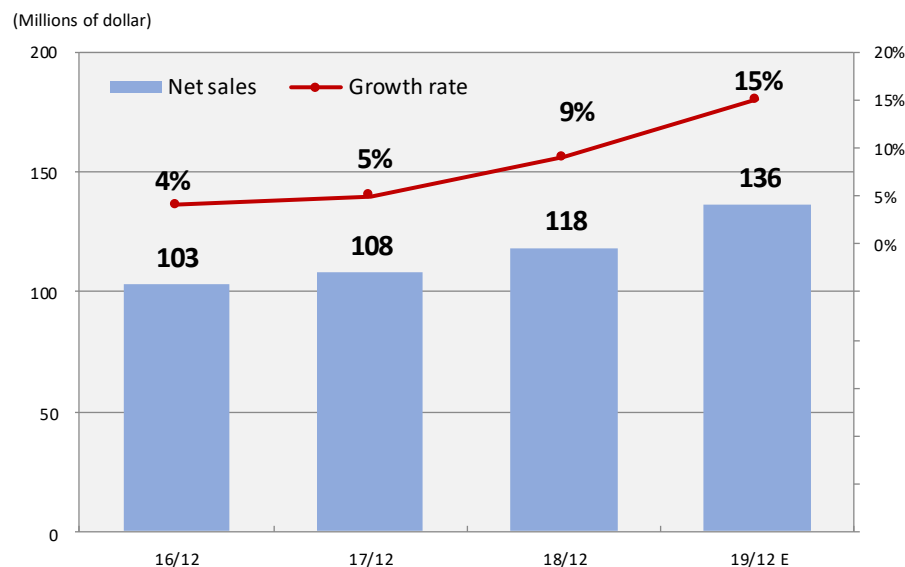
Sales Growth in U.S., Production Capacity Expansion Started in Thailand

Current Progress and Next Measures

1. InnovAsian Cuisine (U.S.)

- Aim for further growth in the Asian foods market, enhance inventory turnover and brand awareness with proactive sales promotions, and pursue product development to gain new customers.

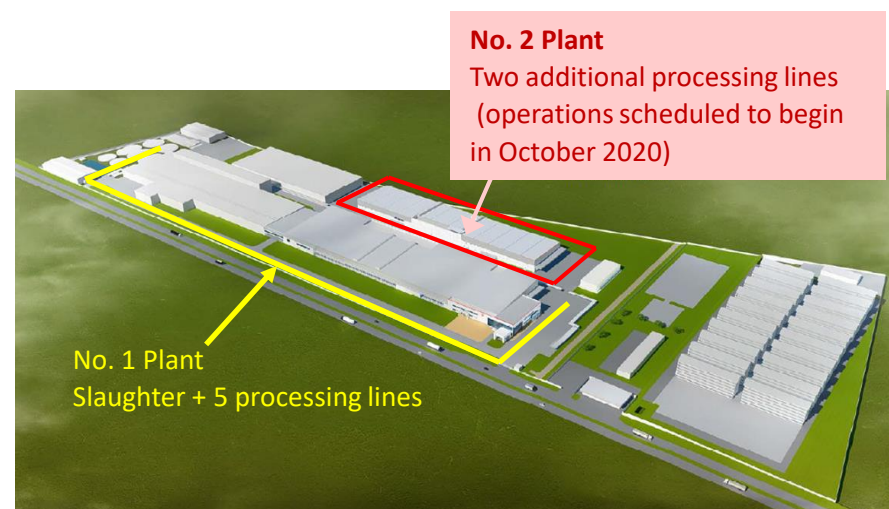
InnovAsian Cuisine Net Sales and Growth Rate



2. GFPT Nichirei (Thailand)

- Begin construction on the No. 2 Plant to expand production capacity for processed chicken and enhance added-value.
- Pursue strategies to raise the unit sales price for chicken by-products in Thailand, and improve profitability.

GFPT Nichirei No. 2 Plant (image)



Full integration of processed chicken products

Logistics Business



Storage Demand Expected to Remain Firm in Second Half

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	Y o Y		Progress rate for full-year forecasts announced on July 30	Forecast	Y o Y		Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
Net Sales	102.7	2.7	3%	50%	101.9	0.8	1%	204.6	3.6	2%	204.4	0.2
Japan Subtotal	82.3	2.6	3%	51%	80.2	0.7	1%	162.4	3.3	2%	160.8	1.6
Logistics Network	49.8	3.3	7%	52%	48.1	0.9	2%	97.9	4.2	4%	96.3	1.6
Regional Storage	32.5	-0.7	-2%	50%	32.1	-0.2	-1%	64.6	-0.9	-1%	64.6	0.0
Overseas	18.7	-0.3	-2%	47%	19.2	-0.1	-1%	37.9	-0.4	-1%	39.8	-1.9
Other/Intersegment	1.8	0.5	34%	47%	2.5	0.3	13%	4.3	0.7	21%	3.8	0.5
Operating Income	5.7	0.1	3%	49%	6.2	0.3	4%	11.8	0.4	4%	11.6	0.2
Japan Subtotal	5.4	0.1	2%	51%	5.4	0.4	8%	10.8	0.5	5%	10.6	0.2
Logistics Network	2.1	0.1	3%	50%	2.0	0.2	9%	4.1	0.2	6%	4.1	0.0
Regional Storage	3.3	0.1	2%	51%	3.4	0.2	7%	6.7	0.3	4%	6.5	0.2
Overseas	0.6	0.0	3%	46%	0.6	-0.0	-6%	1.2	-0.0	-2%	1.2	0.0
Other/Intersegment	-0.3	0.0	—	—	0.1	-0.1	—	-0.2	-0.1	—	-0.2	0.0

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

1. Japan

- (1) During the first half, revenue increased on expanded handling volume in the Transfer Centers (TC) business, and firm growth in storage. Earnings also rose year on year despite cost increases due to the labor shortage, offset by higher revenue and greater work efficiency.
- (2) Full-year forecasts have been revised upward, reflecting continued steady growth in storage demand.

2. Overseas

- (1) During the first half, earnings were on a par with the previous fiscal year despite such negative factors as sluggish freight movement stemming from the uncertain economic outlook, and the impact from foreign currency exchange due to the weak Euro.
- (2) In the second half, we will work to gain new customers and raise efficiency in the transport business, and expect to achieve the full-year earnings plan.

Steadily Implement Measures for Stable Expansion

Current Progress and Next Measures

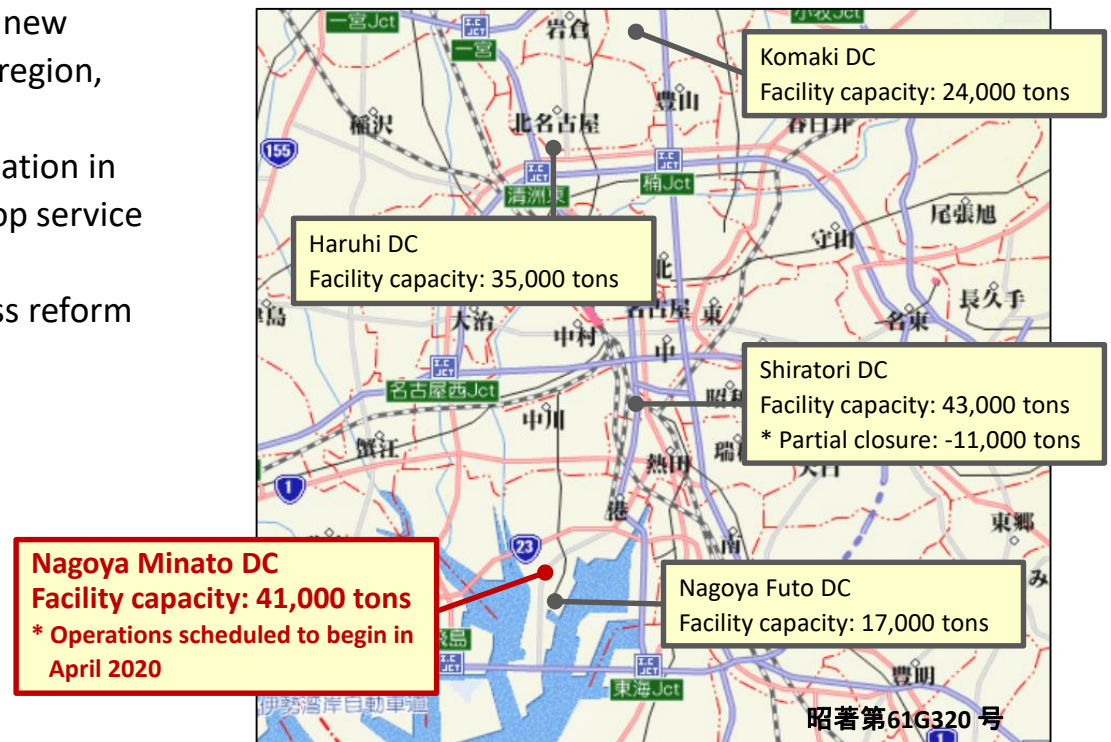
(Storage)

- In the Tokyo port area, capture robust storage demand, and set fees proportionate to costs and service content to improve profitability.
- In the Kansai area, establish a foundation for unified operation of storage and transport.
- Begin construction on the Nagoya Minato DC. (Operations scheduled to begin in April 2020)

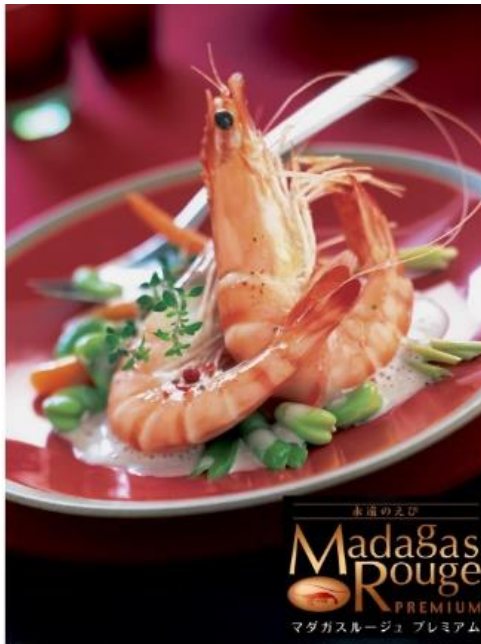
Aims of the Nagoya Minato DC

- Partially close aging facilities, and by building this new facility maintain competitiveness throughout the region, and pursue the optimal placement of cargo.
- As a complement to the tight supply/demand situation in the Tokyo and Osaka port areas, provide a one-stop service for imported goods in the Nagoya district.
- Establish the facility as the key center of a business reform model in anticipation of future labor shortages.

Main Facilities in Nagoya District



Marine Products, Meat and Poultry Business



5. Marine Products, Meat and Poultry Business

Despite Harsh Conditions, Steadily Implement Medium-term Strategies

(Billions of Yen)

		Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
		Result	Y o Y		Progress rate for full-year forecasts announced on July 30	Forecast	Y o Y		Forecast	Y o Y		Compared to Previous Forecast	
			Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	33.0	-2.2	-6%	44%	35.0	-1.1	-3%	68.0	-3.2	-5%	75.0	-7.0
	Operating Income	0.0	-0.1	-61%	12%	0.4	0.3	533%	0.4	0.2	119%	0.4	0.0
Meat and Poultry	Net Sales	43.3	-1.4	-3%	46%	47.9	1.6	3%	91.2	0.1	0%	94.0	-2.8
	Operating Income	0.5	-0.2	-35%	33%	0.6	-0.1	-14%	1.1	-0.4	-24%	1.4	-0.3

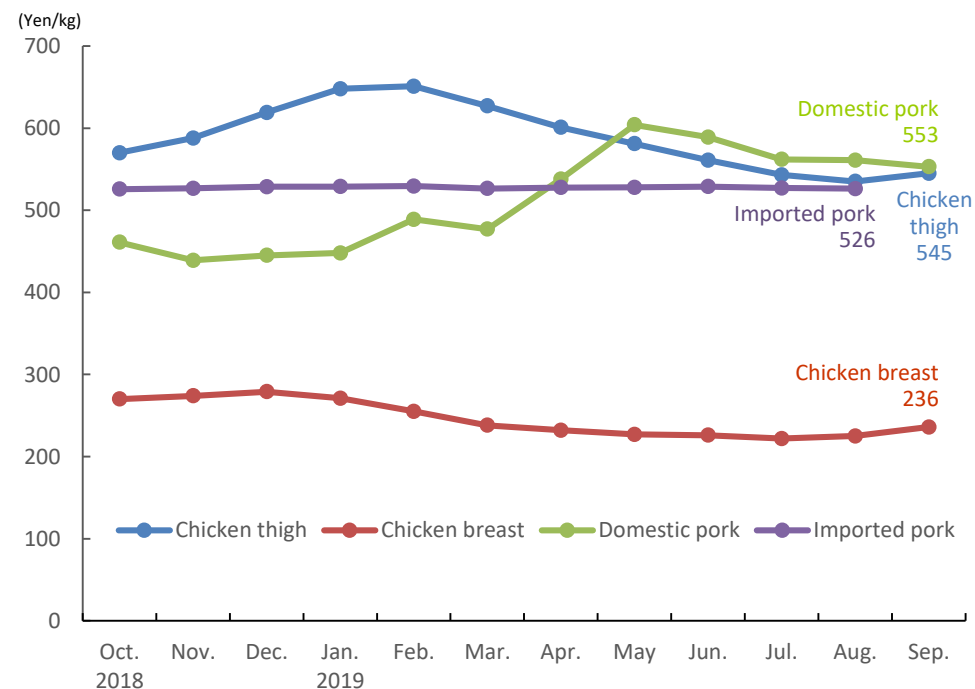
1. Marine Products

- (1) During the first half, revenue and earnings declined due to a fall in sales prices for octopus.
- (2) In the second half, we expect earnings to stabilize as a result of sales of mainstay products during the third quarter when demand peaks, expanded handling volume of processed products, and improved operation rates at Nichirei's processing facilities in Japan and overseas.

2. Meat and Poultry

- (1) During first half, revenue and earnings declined as a result of softening in market prices for domestic chicken, and narrowing down of handling volume for imported pork.
- (2) In second half, we will focus on expanding sales of processed foods and differentiated products to the home meal replacement (HMR) and restaurant markets. However, full-year forecasts have been revised downward to reflect the slow first half performance.

Monthly Average Unit Price for Pork and Domestic Chicken



Source: Agriculture & Livestock Industries Corporation statistical data

Reference Materials

Factors for Increase/Decrease in Operating Income (FY19/3-FY20/3)

(Billions of Yen)

		Q2 (Cumulative)	Q3&Q4 (Cumulative)	Full Year	
		Result	Forecast	Forecast	Compared to Previous Forecast
Processed Foods	FY19/3 Operating Income	6.5	8.1	14.6	—
	Factors for increase	2.6	0.4	3.0	0.0
	Increased revenue	0.9	1.2	2.1	0.0
	Increase/decrease in ingredient and products purchasing costs (including effect of exchange rates)	0.2	-0.3	-0.1	-0.1
	Improved productivity	0.3	0.2	0.5	0.0
	Impact of results at affiliated companies	1.2	-0.7	0.5	0.1
	Factors for decrease	-0.6	-0.8	-1.4	0.3
	Increased depreciation	-0.2	-0.5	-0.7	0.5
	Increase/decrease in advertising and sale promotion expenses	-0.2	-0.2	-0.4	0.0
	Other	-0.2	-0.1	-0.3	-0.2
	FY20/3 Operating Income Forecast	8.5	7.7	16.2	0.3
Logistics	FY19/3 Operating Income	5.5	5.9	11.4	—
	Factors for increase	0.5	0.9	1.4	0.2
	Effect on results from increase in cargo collection	0.2	0.2	0.4	0.0
	Operational improvements	0.2	0.3	0.5	0.1
	Streamlining of transport business	0.1	0.1	0.2	0.0
	Other	0.1	0.2	0.3	0.1
	Factors for decrease	-0.4	-0.6	-1.0	0.0
	Increase in transport and delivery costs (net)	-0.1	-0.2	-0.3	0.0
	Increase in work outsourcing costs (net)	-0.1	-0.2	-0.3	-0.1
	Increase in electricity charges (net)	-0.1	-0.1	-0.2	0.0
	Startup costs for new locations	-0.1	0.0	-0.1	0.1
	Other	0.0	-0.1	-0.1	0.0
	FY20/3 Operating Income Forecast	5.7	6.2	11.8	0.2

Non-operating Income and Expenses / Extraordinary Income and Loss

(Billions of Yen)

	FY18/9 Q2 (Cumulative)	FY19/9 Q2 (Cumulative)	Variance	FY19/3 Full year	FY20/3 Full year forecast	Variance
Non-operating Income and Expenses	0.2	0.4	0.1	0.3	0.0	-0.2
(Main items)						
Financial account balance	0.0	0.1	0.0	0.0	-0.0	-0.0
Share of loss (profit) of entities accounted for using equity method	0.2	0.2	-0.0	0.3	0.1	-0.2
Extraordinary Income and Loss	-0.1	-0.8	-0.6	-0.3	-1.0	-0.6
(Main items)						
Gain on sales of non-current assets	0.1	0.0	-0.1	0.2	0.0	-0.1
Loss on sales and retirement of non-current assets	-0.2	-0.8	-0.5	-1.0	-1.6	-0.5
Impairment loss	-0.0	-0.0	0.0	-0.0	-0.0	0.0

Results during Business Plan Periods

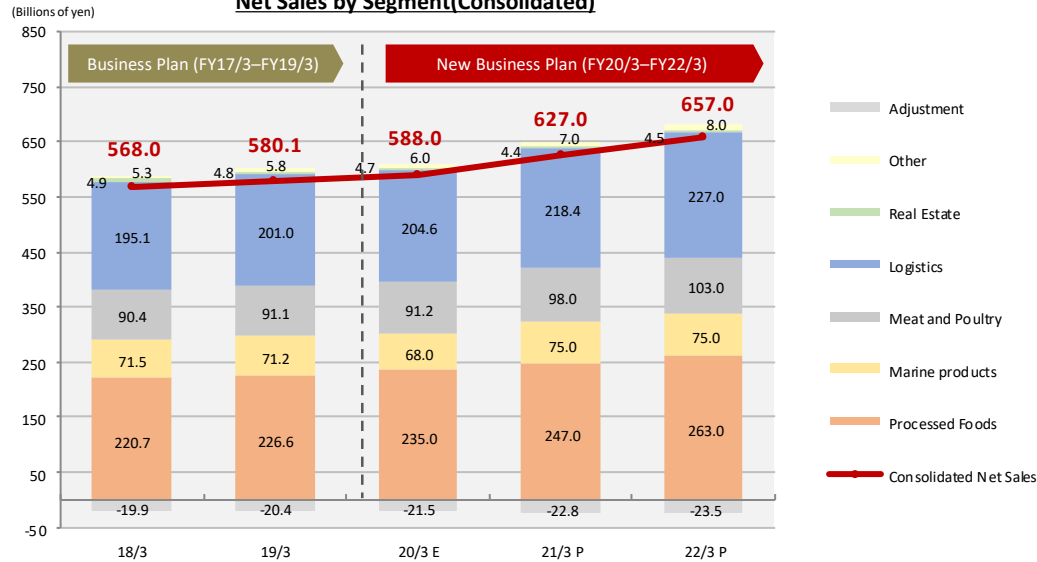
(Billions of Yen)

		Business Plan (FY11/3–FY13/3)			Business Plan (FY14/3–FY16/3)			Business Plan (FY17/3–FY19/3)			New Business Plan (FY20/3–FY22/3)		
		11/3	12/3	13/3	14/3	15/3	16/3	17/3E	18/3	19/3	20/3 E	21/3 P	22/3 P
Net Sales		437.8	454.9	447.7	487.4	520.0	535.4	539.7	568.0	580.1	588.0	627.0	657.0
	Processed Foods	161.9	174.2	161.6	180.7	193.9	199.2	205.0	220.7	226.6	235.0	247.0	263.0
	Marine Products	66.8	65.7	63.7	68.6	68.7	68.8	69.4	71.5	71.2	68.0	75.0	75.0
	Meat and Poultry	78.3	75.6	75.5	80.1	89.5	92.0	88.1	90.4	91.1	91.2	98.0	103.0
	Logistics	139.4	149.5	156.4	168.4	178.3	184.9	186.9	195.1	201.0	204.6	218.4	227.0
	Real Estate	6.6	4.9	4.7	5.0	4.7	4.6	4.6	4.9	4.8	4.7	4.4	4.5
	Other	6.2	6.0	5.8	3.7	4.4	5.2	4.5	5.3	5.8	6.0	7.0	8.0
	Adjustment	-21.5	-21.0	-20.0	-19.1	-19.6	-19.4	-18.9	-19.9	-20.4	-21.5	-22.8	-23.5
Operating Income		16.7	16.2	17.9	15.8	17.4	21.6	29.3	29.9	29.5	30.5	31.5	35.0
	Processed Foods	4.6	5.2	6.0	3.4	5.4	8.0	13.9	14.6	14.6	16.2	16.9	18.7
	Marine Products	0.6	0.2	0.1	0.4	0.2	0.7	0.8	0.3	0.2	0.4	0.7	0.8
	Meat and Poultry	0.4	0.5	0.5	0.1	0.4	0.4	1.6	1.3	1.5	1.1	1.6	1.8
	Logistics	7.3	7.4	8.6	8.9	8.7	10.0	10.6	11.3	11.4	11.8	11.4	12.7
	Real Estate	3.6	2.4	2.3	2.4	2.1	2.2	2.1	2.2	2.1	2.0	1.7	1.8
	Other	0.4	0.5	0.4	0.4	0.6	0.9	0.6	0.8	0.3	-0.3	0.4	0.6
	Adjustment	-0.2	0.0	0.0	0.1	0.0	-0.5	-0.3	-0.5	-0.6	-0.7	-1.2	-1.4
Ordinary Income		16.1	15.3	17.2	14.4	16.9	21.4	29.1	30.7	29.9	30.5	31.7	35.2
Profit		4.0	7.9	9.8	8.9	9.5	13.5	18.8	19.1	19.9	20.0	20.5	22.0
Amount of Capital Investment	including leased assets	22.1	12.2	13.2	24.0	24.2	16.2	13.9	25.0	24.1	29.7	43.4	21.6
	excluding leased assets	18.1	9.4	10.7	21.2	19.8	13.2	10.3	22.3	21.3	26.2	38.7	20.1
Interest-bearing Debt	including leased debt	97.0	97.8	96.9	106.1	107.7	94.7	89.8	97.7	96.0			
	excluding leased debt	72.5	74.8	75.4	85.7	87.3	75.5	70.9	79.8	78.9			
D/E Ratio (times)	including leased debt	0.8	0.8	0.8	0.8	0.7	0.6	0.5	0.6	0.5			
	excluding leased debt	0.6	0.6	0.6	0.6	0.6	0.5	0.4	0.5	0.4			
Capital Adequacy Ratio (%)		40.4	40.2	41.3	41.9	43.0	44.4	46.0	44.3	46.9			
ROE (%)		3.4	6.8	8.2	6.9	6.8	9.1	12.1	11.9	11.7			

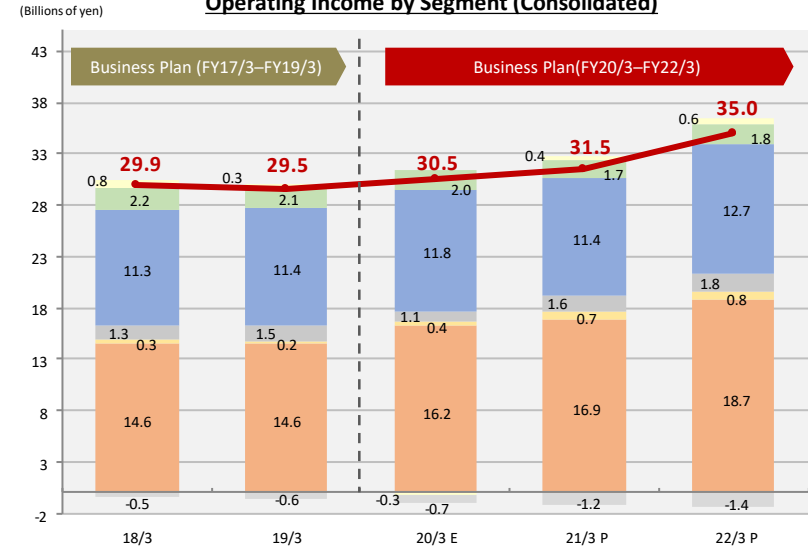
Notes

- 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.)
- Profit represents profit attributable to owners of parent.

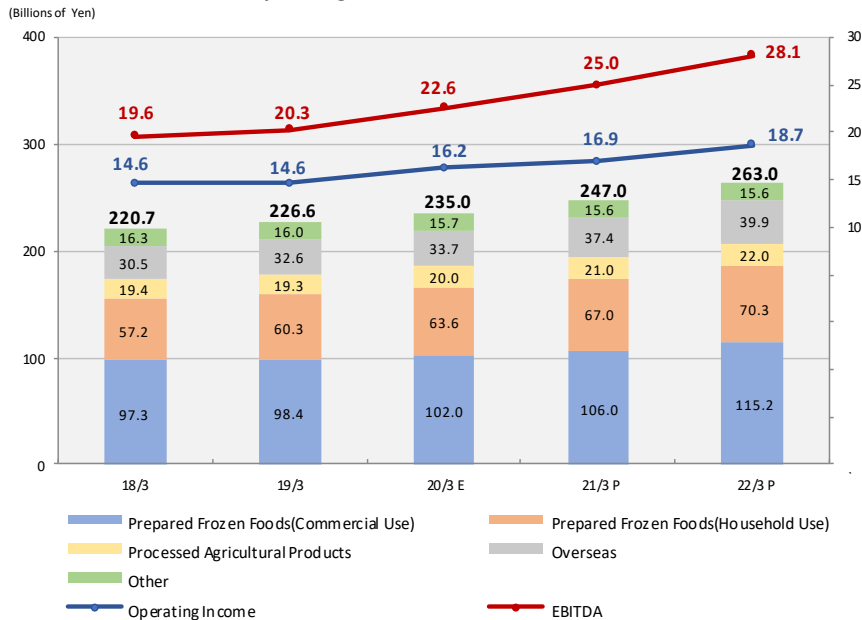
Net Sales by Segment(Consolidated)



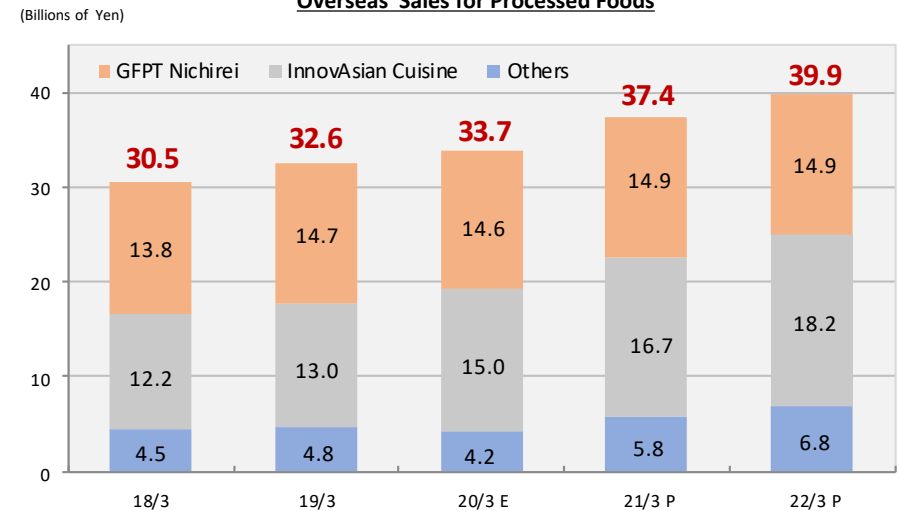
Operating Income by Segment (Consolidated)



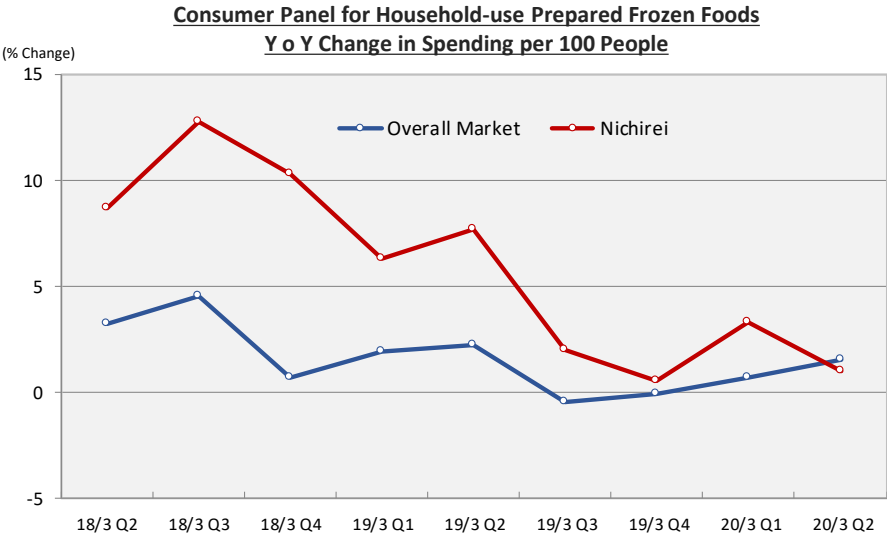
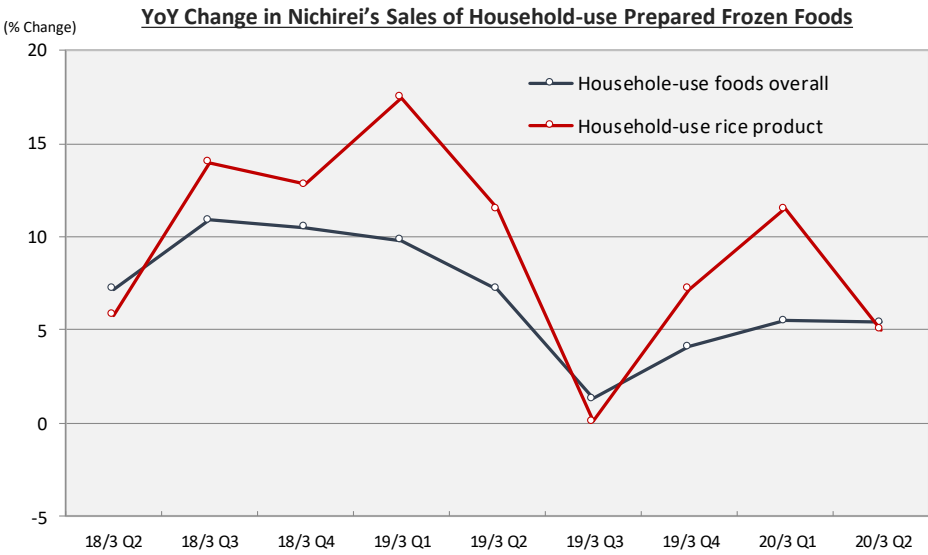
Net Sales, Operating Income and EBITDA for Processed Foods



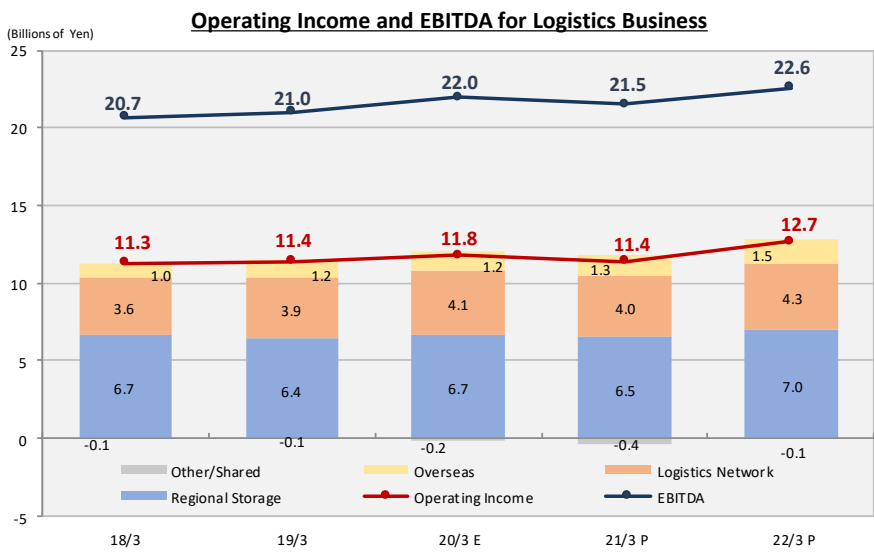
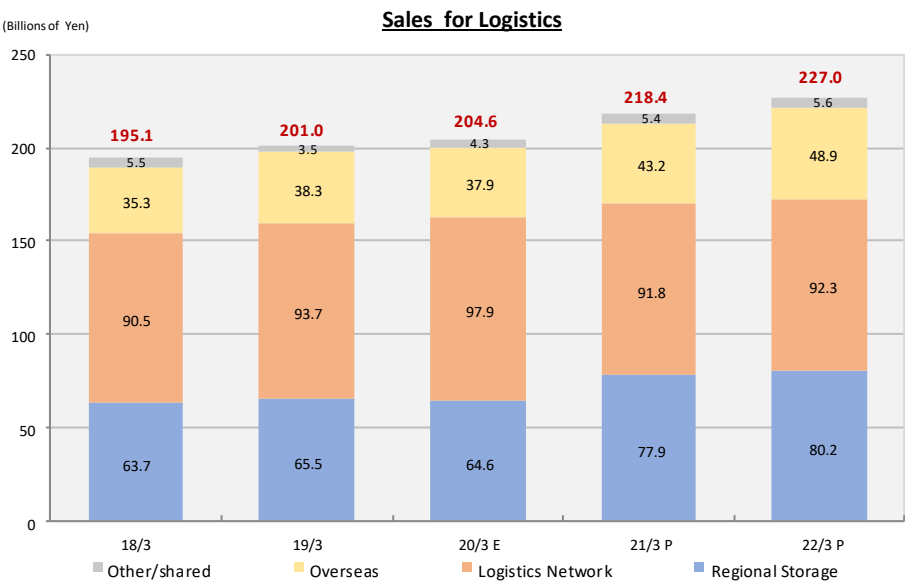
Overseas Sales for Processed Foods



Note: GFPT Nichirei's sales are the total of sales to Europe and domestically within Thailand.



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



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.