

# Earnings Results for FY18/3 Q2



(Stock code: 2871)

# 1. General Overview—Results for FY18/3 (Consolidated Group)

## Record Earnings Expected, Driven by Mainstay Businesses

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	YoY		Progress rate for full-year forecasts announced on Aug. 1	Forecast	YoY		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>282.8</b>	12.8	5%	51%	<b>284.2</b>	14.6	5%	<b>567.0</b>	27.3	5%	556.0	11.0
Processed Foods	113.9	10.3	10%	53%	108.4	6.9	7%	222.3	17.3	8%	213.0	9.3
Marine Products	35.8	0.8	2%	49%	37.2	2.8	8%	73.0	3.6	5%	72.5	0.5
Meat and Poultry	43.9	0.5	1%	51%	45.1	0.4	1%	89.0	0.9	1%	86.0	3.0
Logistics	94.7	1.4	1%	49%	97.8	4.2	5%	192.5	5.6	3%	194.0	-1.5
Real Estate	2.4	0.1	4%	55%	2.4	0.1	3%	4.8	0.2	4%	4.3	0.5
Other	2.3	0.3	12%	41%	2.9	0.5	19%	5.2	0.7	16%	5.5	-0.3
Adjustment	-10.1	-0.6	—	—	-9.7	-0.3	—	-19.8	-0.9	—	-19.3	-0.5
<b>Operating Profit</b>	<b>16.3</b>	0.2	1%	57%	<b>14.2</b>	1.0	8%	<b>30.5</b>	1.2	4%	28.5	2.0
Processed Foods	8.5	-0.3	-4%	61%	6.2	1.2	23%	14.7	0.8	6%	14.0	0.7
Marine Products	0.2	-0.4	-62%	31%	0.5	0.3	127%	0.7	-0.1	-12%	0.7	—
Meat and Poultry	0.7	0.0	7%	67%	0.7	-0.3	-26%	1.4	-0.2	-13%	1.0	0.4
Logistics	5.7	0.7	14%	53%	5.8	0.2	3%	11.5	0.9	8%	10.7	0.8
Real Estate	1.1	0.0	3%	51%	1.0	-0.1	-5%	2.1	-0.0	-1%	2.1	—
Other	0.4	0.2	188%	58%	0.3	-0.1	-29%	0.7	0.1	16%	0.6	0.1
Adjustment	-0.3	-0.1	—	—	-0.3	-0.2	—	-0.6	-0.3	—	-0.6	—
<b>Ordinary Profit</b>	<b>16.4</b>	0.5	3%	58%	<b>14.2</b>	1.0	7%	<b>30.6</b>	1.5	5%	28.2	2.4
<b>Profit attributable to owners of parent</b>	<b>10.2</b>	-0.4	-4%	55%	<b>9.3</b>	1.2	14%	<b>19.5</b>	0.7	4%	18.5	1.0

	Exchange Rates	
	USD/JPY	EUR/JPY
FY 18/3 full year (forecast)	116.00	125.00
FY 18/3 first half (actual)	112.37	121.63
FY 17/3 first half (actual)	111.85	124.68

Note:

1. Net income represents “Profit attributable to owners of parent”
2. Exchange rate figure is the average for the January–June period (used for converting the financial statements of foreign subsidiaries).

1. Net sales increased overall, led by Processed Foods.
2. Operating profit rose, with declines in Processed Foods and Marine Products offset by Logistics.

3. Full-year forecasts revised upward, with record highs expected for operating profit, ordinary profit, and profit attributable to owners of parent.

Progress of Medium-term Business Plan (Initial Goals)

Goal	Further strengthen core businesses to ensure sustainable earnings growth and greater capital efficiency.
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Main measures		
Concentrate investment in core businesses (investments for growth and business foundations)	Enhance profitability in Japan, and expand business scale overseas	<ul style="list-style-type: none"><li>• Strengthen ESG-related efforts</li><li>• Support the contributions of diverse human assets</li></ul>



Strengthen the growth foundations for the corporate group, and enhance enterprise value

# 1. General Overview—Results for FY18/3 (Consolidated Group)

## Progress of Medium-term Business Plan (Quantitative Aspects)

	Target figures (FY19/3)		Progress (FY18/3 E)					
Group Overall	Net sales	¥567.0 billion	¥567.0 billion					
	Operating profit	¥28.6 billion	¥30.5 billion					
	Profit attributable to owners of parent	¥18.2 billion	¥19.5 billion					
	ROE	10% or higher	10% or higher					
	Distribution							
	<table border="1"> <tr> <td>Capital investments excluding leased assets</td> <td>¥70.5 billion (3-year cumulative)</td> <td>¥67.3 billion (3-year cumulative)</td> </tr> <tr> <td>Shareholders returns</td> <td> <ul style="list-style-type: none"> <li>• Maintain target DOE of 2.5%</li> <li>• Consider share buy-backs of Around 10 million shares</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Maintain target DOE of 2.5%</li> <li>• Conducted share buy-backs Around 10 million shares</li> </ul> </td> </tr> </table>	Capital investments excluding leased assets	¥70.5 billion (3-year cumulative)	¥67.3 billion (3-year cumulative)	Shareholders returns	<ul style="list-style-type: none"> <li>• Maintain target DOE of 2.5%</li> <li>• Consider share buy-backs of Around 10 million shares</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain target DOE of 2.5%</li> <li>• Conducted share buy-backs Around 10 million shares</li> </ul>	
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Processed Foods	Operating profit	¥14.0 billion	¥14.7 billion					
	Operating margin	6.5%	6.6%					
	EBITDA margin*	10.0%	9.1%					
Logistics	Operating profit	¥11.0 billion	¥11.5 billion					
	Operating margin	5.4%	6.0%					
	EBITDA margin*	11.8%	10.7%					

\* EBITDA margin: (operating profit + depreciation) / net sales

## Progress of Medium-term Business Plan (Achievements and Future Action)

Business segment	Achievements	Issues and Strategies for Further Growth
Processed Foods	Expanded sales of mainstay products and productivity improvements resulted in <u>significant increase in profitability in Japan.</u>	Promote measures to raise profitability further → Expand sales of mainstay products by developing differentiated products and strengthening production capacity.
Logistic	Expanded cargo pickups in metropolitan areas and improvements in transport revenue balance resulted in <u>higher earnings in existing businesses.</u>	Respond to rising costs due to labor shortage → Promote Streamlining of transport business and workflow innovations in warehouses through labor savings and use of ITC.

## Processed Foods Business

### Continued Strong Sales of Mainstay Products, Upward Revision to Full-year Forecasts

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	Y o Y		Progress rate for full-year forecasts announced on Aug. 1	Forecast	Y o Y		Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>113.9</b>	10.3	10%	53%	<b>108.4</b>	6.9	7%	<b>222.3</b>	17.3	8%	213.0	9.3
Household-use Prepared Foods	<b>27.3</b>	1.9	8%	50%	<b>29.3</b>	2.2	8%	<b>56.6</b>	4.1	8%	55.0	1.6
Commercial-use Prepared Foods	<b>50.9</b>	7.1	16%	55%	<b>48.1</b>	3.1	7%	<b>99.0</b>	10.2	12%	93.0	6.0
Processed Agricultural Products	<b>9.8</b>	-0.1	-1%	53%	<b>8.8</b>	-0.1	-2%	<b>18.6</b>	-0.2	-1%	18.4	0.2
Overseas	<b>15.9</b>	0.6	4%	54%	<b>14.6</b>	1.3	10%	<b>30.5</b>	2.0	7%	29.7	0.8
Other	<b>10.0</b>	0.7	8%	59%	<b>7.6</b>	0.5	7%	<b>17.6</b>	1.2	7%	16.9	0.7
<b>Operating Profit</b>	<b>8.5</b>	-0.3	-4%	61%	<b>6.2</b>	1.2	23%	<b>14.7</b>	0.8	6%	14.0	0.7

#### First half

- Household-use Prepared Foods: Sales rose on contributions from processed chicken products such as *Tokukara*, and rice products. Commercial-use Prepared Foods: Continued growth in sales of hamburg and processed chicken products to the home meal replacement (HMR) market.
- Operating profit is expected to decline as a result of rising food material and procurement costs for such products as rice and poultry, along with an increase in advertising and promotional expenditures stemming from leveling out of the broadcast period for TV commercials, which were concentrated in 2H in the previous fiscal year.

#### Full year forecast

- We expect positive sales of prepared frozen foods to continue during 2H.
- Operating profit is forecast to increase year on year as a result of revenue gains, despite the continued cost increases.

### Measures for Future Profitability Gains

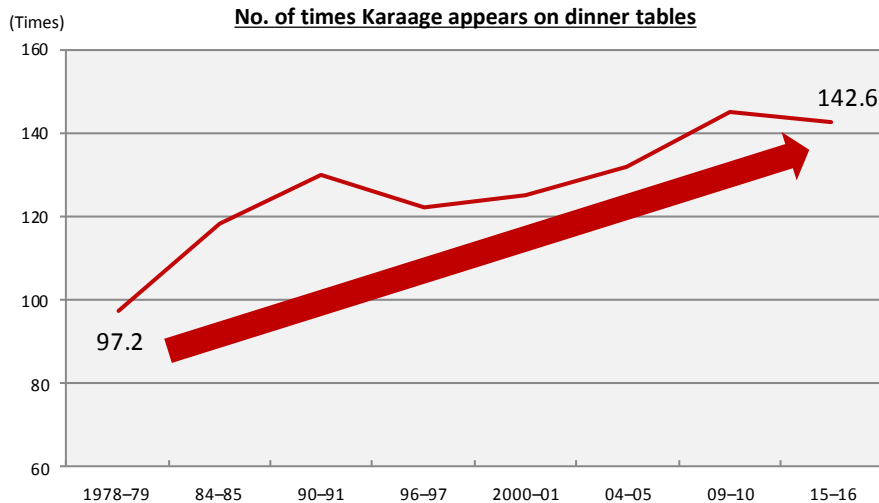
Aim to increase profitability through such measures as maximizing earnings in strategic categories.

#### (1) Development of differentiated products

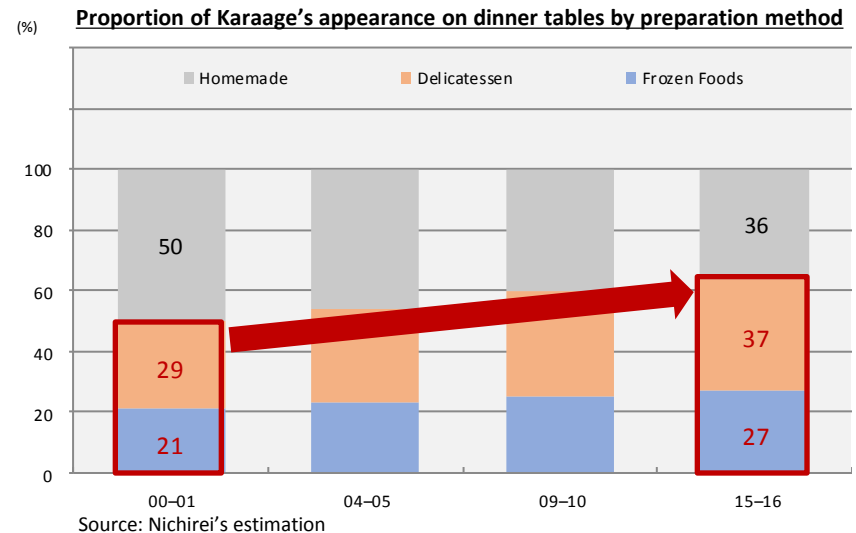
- Understand customer needs and pursue product development exhibiting culinary skill, in order to generate and expand demand.
  - Replicate hand-made quality, and pursue good taste that exceeds homemade.
  - Resolve issues in food preparation operations

Techniques for deliciousness on a par with homemade are driving growth for *Karaage* (deep-fried chicken).

◆ Being eaten on more occasions



◆ Continued shift from homemade





### (2) Strengthening of production capacity and promoting greater efficiency

#### ➤ Strengthen production capacity

- Establish a structure for long-term, continuous operation of fried rice production line
- Expand production lines for *yaki-onigiri* (grilled rice ball) (Kansai plant) and processed chicken (Thailand)

#### ➤ Promote greater efficiency

- Invest in equipment and facilities for labor savings within production plants, strengthening cost competitiveness and addressing labor shortages

#### ➤ Going forward, continue to strengthen production capacity, and plan to make proactive investments for labor savings

### (3) Increase corporate brand value

#### ➤ During 1H, we ran TV commercials on *Yaki-onigiri* (grilled rice ball) and Nichirei's commitment to culinary artistry.

#### ➤ In 2H, we will continue to actively conduct promotions for mainstay products in order to raise awareness of product brands, and reach new customer segments.

Logistics Business

## Positive Results in 1H, Upward Revision to Full-year Operating Income Forecast

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	Y o Y		Progress rate for full-year forecasts announced on Aug. 1	Forecast	Y o Y		Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>94.7</b>	1.4	1%	49%	<b>97.8</b>	4.2	5%	<b>192.5</b>	5.6	3%	194.0	-1.5
Japan Subtotal	<b>77.4</b>	1.6	2%	49%	<b>76.4</b>	1.5	2%	<b>153.8</b>	3.1	2%	156.4	-2.6
Logistics Network	<b>45.1</b>	0.8	2%	49%	<b>45.1</b>	0.9	2%	<b>90.2</b>	1.7	2%	92.6	-2.4
Regional Storage	<b>32.3</b>	0.8	3%	51%	<b>31.3</b>	0.6	2%	<b>63.6</b>	1.4	2%	63.8	-0.2
Overseas	<b>16.4</b>	0.1	0%	50%	<b>17.2</b>	1.5	9%	<b>33.6</b>	1.6	5%	32.7	0.9
Other/Intersegment	<b>1.0</b>	-0.3	-24%	21%	<b>4.1</b>	1.2	43%	<b>5.1</b>	0.9	22%	4.9	0.2
<b>Operating Profit</b>	<b>5.7</b>	0.7	14%	53%	<b>5.8</b>	0.2	3%	<b>11.5</b>	0.9	8%	10.7	0.8
Japan Subtotal	<b>5.6</b>	1.0	21%	57%	<b>5.2</b>	0.4	7%	<b>10.8</b>	1.4	14%	9.8	1.0
Logistics Network	<b>1.9</b>	0.5	38%	53%	<b>1.7</b>	0.2	11%	<b>3.6</b>	0.7	24%	3.5	0.1
Regional Storage	<b>3.8</b>	0.5	15%	60%	<b>3.4</b>	0.2	6%	<b>7.2</b>	0.7	10%	6.3	0.9
Overseas	<b>0.4</b>	-0.1	-20%	43%	<b>0.6</b>	-0.0	-4%	<b>1.0</b>	-0.1	-11%	1.0	0.0
Other/Intersegment	<b>-0.3</b>	-0.2	—	340%	<b>0.0</b>	-0.2	—	<b>-0.3</b>	-0.4	—	-0.1	-0.2

Note: The Engineering Business is included in the "Other/Intersegment" segment.

### 1. Japan

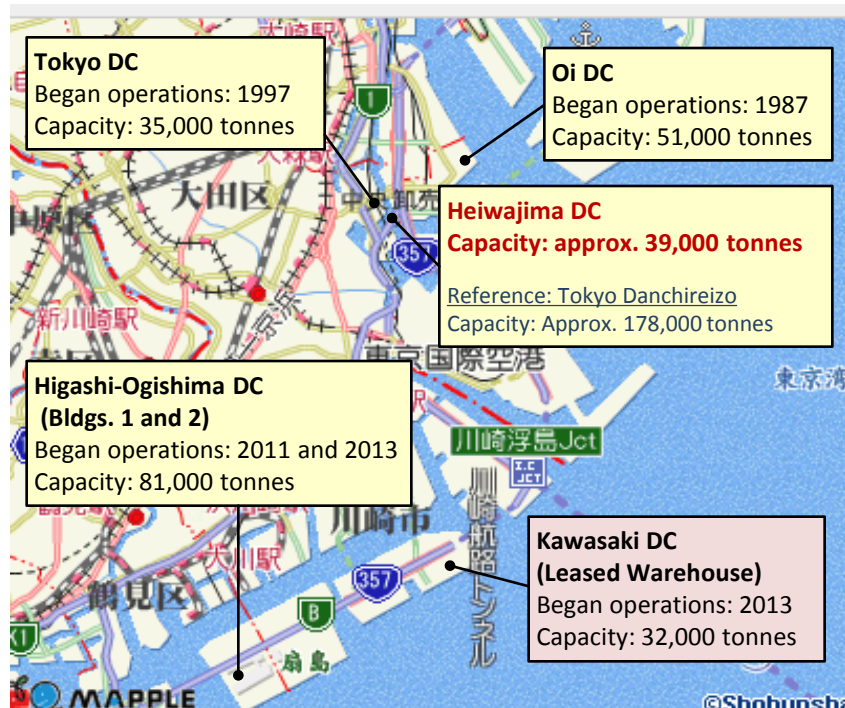
- (1) During 1H, revenue and earnings rose amid continued cost increases, due mainly to efforts to enhance operational efficiency, acceptance of appropriate charges, and expansion of cargo pickups mainly in the Tokyo and Osaka metropolitan areas.
- (2) In 2H, despite continued cost increases and expenses incurred to establish a new distribution center, we expect increases in both revenue and earnings, mainly as a result of the steady implementation of ongoing measures.

### 2. Overseas

- (1) During 1H, despite stable storage and delivery operations in Poland, earnings were down from the same period of the previous fiscal year as a result of falling inventory levels, mainly chicken, at refrigerated warehouses in the Netherlands.
- (2) In 2H, we expect earnings to be on a par with the previous fiscal year as a result of expanded cargo pickups, and greater efficiency in the transport business.

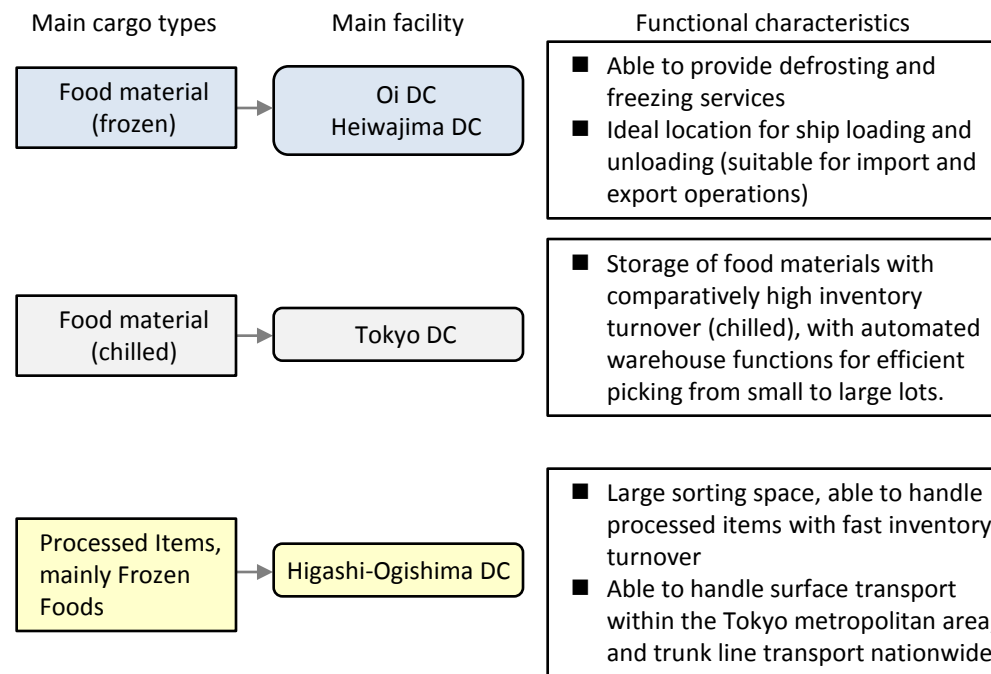
## Continue Measures Aimed at Beginning Operations at Heiwajima DC in 2H

Nichirei Logistics Group's Facility Network in the Tokyo Waterfront District



Optimal Arrangement of Stored Cargo in the Tokyo Waterfront District

(Image Chart)



1. The Heiwajima DC, owing to its advantageous location and capacity, will be Nichirei's main facility in the Tokyo waterfront district. We are steadily expanding new cargo pickups in anticipation of the start of operations in March 2018.
2. At the same time, Nichirei is pursuing optimal arrangement of stored cargo and operational efficiencies to match the

functional characteristics of each of its several facilities in the Tokyo waterfront district. Also, with resumption of operations at Tokyo Danchireizo, we will adapt to the easing of the supply and demand balance from bringing back re-stored cargo,\* and the return of refrigerated warehouses leased for fixed periods.

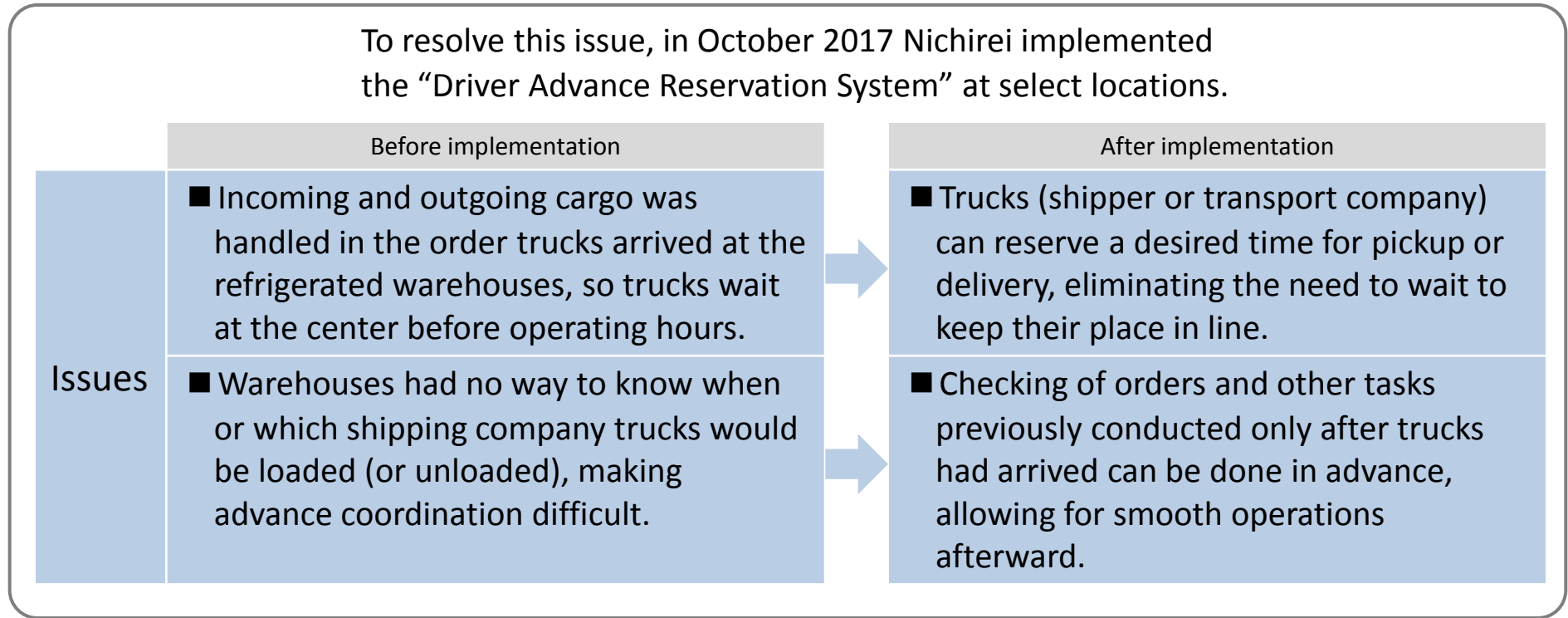
\* Mainly cargo contracted for storage at refrigerated warehouses not operated by the Nichirei Group.

#### Measures to Enhance Productivity in Logistics: Alleviating the Truck Standby Problem

Truck Standby Problem = Problem of drivers waiting on standby/bound for long periods

→ Social issue leading to truck drivers working extended hours

To resolve this issue, in October 2017 Nichirei implemented the “Driver Advance Reservation System” at select locations.



#### Helps make cargo handling more efficient

Doesn't solve the fundamental problems of different pickup and delivery instructions from driver and shipper, or trucks arriving at different times → **Further efforts toward shippers needed.**

### 3. Logistic Business (Overseas)

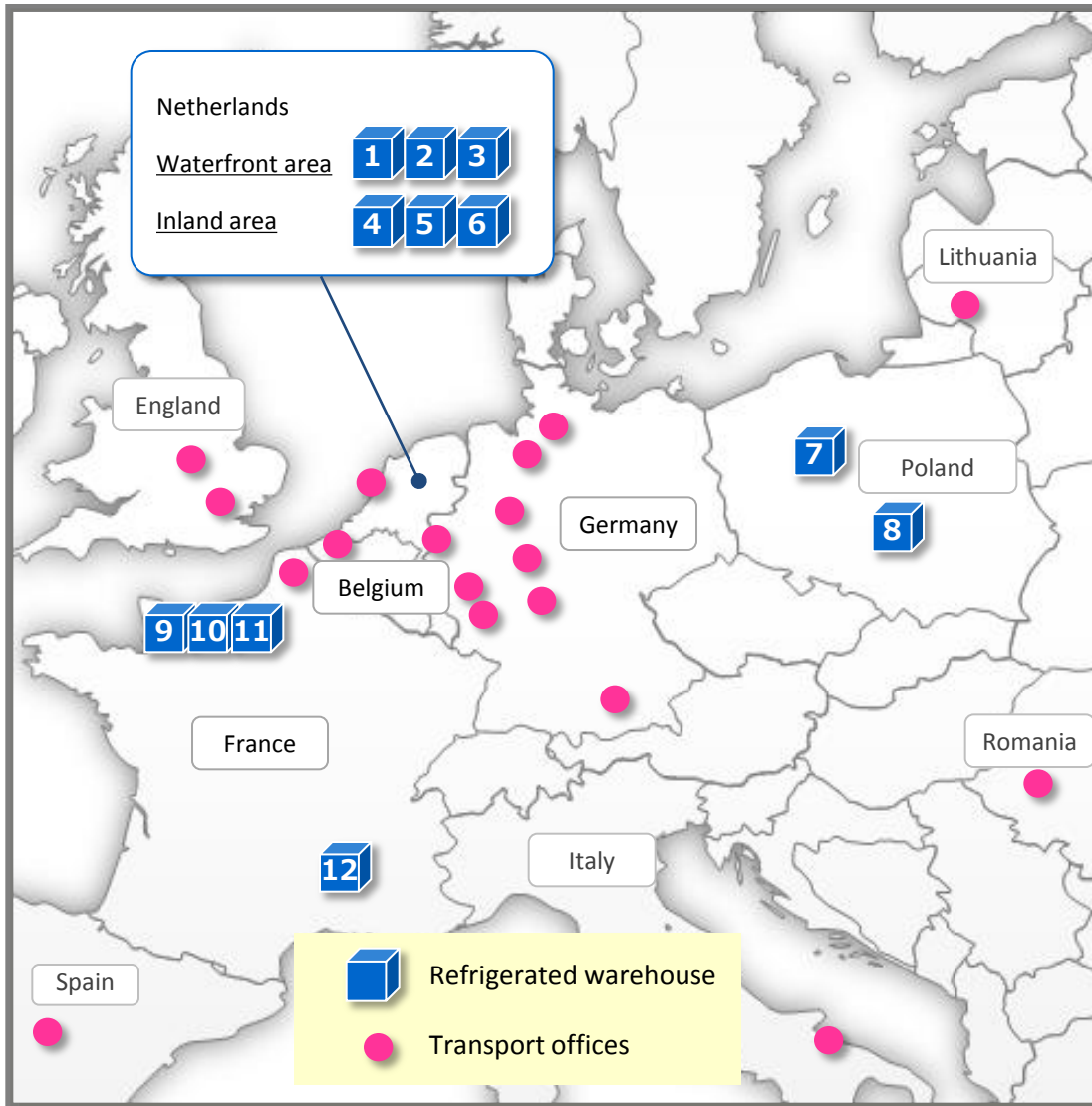
#### Establishing an Integrated Logistics Service in Europe Based in the Netherlands

Company/Group Name	Main Business	Main Countries of Business	Capacity (thousand of tonnes)	Characteristics
Eurofrigo (EFR) Acquired in 1988	Refrigerated warehouse business (Ports, inland)	<ul style="list-style-type: none"> <li>■ Netherlands (Rotterdam, Venlo, Roermond)</li> </ul>	233	<ul style="list-style-type: none"> <li>■ Storage of import/export cargo (stock farm products, etc.) to/from Europe in the waterfront area. Also has an animal quarantine station.</li> <li>■ Storage of frozen foods and other products in inland areas. Also provides industrial films retail processing services.</li> </ul>
Thermotrafic Holland (TTH) Acquired in 1989	Forwarding business (Temperature-controlled transport, customs clearance)	<ul style="list-style-type: none"> <li>■ Netherlands (Rotterdam, Venlo)</li> <li>■ Belgium</li> </ul>	–	<ul style="list-style-type: none"> <li>■ Extended delivery network from western to central and eastern Europe, including Russia.</li> <li>■ Handling of pharmaceuticals requiring strict temperature controls.</li> <li>■ Launch of forwarding business in the U.K. in 2014.</li> </ul>
Thermotrafic GmbH (TTG) Acquired in 1989	Forwarding Business (Temperature-controlled transport, customs clearance)	<ul style="list-style-type: none"> <li>■ Germany (Hamburg, etc)</li> <li>■ France (Arras)</li> <li>■ England (Luton)</li> </ul>	–	
Thermotrafic UK (TTU) Acquired in 2014	Forwarding business (Temperature-controlled transport, customs clearance)	<ul style="list-style-type: none"> <li>■ England</li> </ul>	–	
HIWA Rotterdam Port Cold Stores (HIWA) Acquired in 1990	Refrigerated warehouse business (Specializing in fruit juice)	<ul style="list-style-type: none"> <li>■ Netherlands (Rotterdam)</li> </ul>	157	<ul style="list-style-type: none"> <li>■ Drum fruit juice storage, largest in Europe.</li> <li>■ Provides additional services such as blending.</li> </ul>
Frigo Logistics (FLP) Acquired in 2004	Refrigerated warehouse and temperature-controlled transport business (Delivery to stores of major retail customers)	<ul style="list-style-type: none"> <li>■ Poland (Znin, Radomsko)</li> </ul>	70	<ul style="list-style-type: none"> <li>■ Storage, sorting, and delivery on consignment to store locations for major retailers such as Tesco and Kaufland.</li> </ul>
Godfroy (GFR) Acquired in 2010	Refrigerated warehouse and temperature-controlled transport business (Actual forwarding business)	<ul style="list-style-type: none"> <li>■ France (Carpiguet, Colombel, Le Havre, Lyon)</li> </ul>	47	<ul style="list-style-type: none"> <li>■ Provides storage and transport/delivery services for local manufacturers, wholesalers, and volume retail centers.</li> </ul>

Nichirei provides a wide-area, integrated service including customs clearance, storage, and cross-border transport. Going forward, we will invest in facilities and infrastructure in additional areas, and further broaden our business base.

# 3. Logistic Business (Overseas)

## Business Development in Europe



Eurofrigo (Netherlands)	1	Eemhaven
	2	Maasvlakte
	4	Venlo 1
	5	Venlo 2
	6	Roermond
	HIWA (Netherlands)	3
Frigo Logistics (Poland)	7	Znin
	8	Radomsko
Godfroy (France)	9	Carpiquet
	10	Colombel
	11	Le Havre
	12	Lyon

Marine Products, Meat and Poultry Business



## 4. Marine Products, Meat and Poultry Business

### Upward Revision to Full-year Operating Income Forecast for Meat and Poultry

(Billions of Yen)

		Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
		Result	YoY		Progress rate for full-year forecasts announced on Aug. 1	Forecast	YoY		Forecast	YoY		Compared to Previous Forecast	
			Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	35.8	0.8	2%	49%	37.2	2.8	8%	73.0	3.6	5%	72.5	0.5
	Operating profit	0.2	-0.4	-62%	31%	0.5	0.3	127%	0.7	-0.1	-12%	0.7	0.0
Meat and Poultry	Net Sales	43.9	0.5	1%	51%	45.1	0.4	1%	89.0	0.9	1%	86.0	3.0
	Operating profit	0.7	0.0	7%	67%	0.7	-0.3	-26%	1.4	-0.2	-13%	1.0	0.4

#### 1. Marine Products

- (1) During 1H, sales volume expanded for octopus and fish roe. Operating profit declined as the profitability of mainstay product shrimp fell due a rise in the procurement cost.
- (2) In 2H, we anticipate gains in revenue and earnings as a result of shifting procurement cost increases onto sales prices, and a focus on sales of mainstay products during 3Q when demand increases.

#### 2. Meat and Poultry

- (1) During 1H, earnings were on a par with the previous fiscal year, as a rebound decline in chicken from the previous year stemming from a rise in procurement costs, was offset by improvement in margins for imported beef.
- (2) In 2H, we will pursue measures to increase profitability for chicken, and expand sales to the home meal replacement (HMR) channel of “Omega Balance” meat,\* a strong-selling processed product and one Nichirei’s distinctive food materials.

\* Meat from animals raised on feed blended with a good balance of omega-3 fatty acids ( $\alpha$ -linolenic acid) essential for human health, making it both healthy and delicious.

## Reference Materials

## 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	18/3E	19/3P	
<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>567.0</b>	<b>567.0</b>	
Processed Foods	175.0	174.0	162.1	161.9	174.2	161.6	180.7	193.9	199.2	205.0	222.3	215.0	
Marine Products	74.7	76.1	67.2	66.8	65.7	63.7	68.6	68.7	68.8	69.4	73.0	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	89.0	85.0	
Logistics	138.7	142.3	139.0	139.4	149.5	156.4	168.4	178.3	184.9	186.9	192.5	203.0	
Real Estate	7.5	7.4	7.0	6.6	4.9	4.7	5.0	4.7	4.6	4.6	4.8	4.5	
Other	6.3	6.6	6.9	6.2	6.0	5.8	3.7	4.4	5.2	4.5	5.2	6.1	
Adjustment	-22.6	-24.4	-21.7	-21.5	-21.0	-20.0	-19.1	-19.6	-19.4	-18.9	-19.8	-21.6	
<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>30.5</b>	<b>28.6</b>	
Processed Foods	4.1	2.0	2.6	4.6	5.2	6.0	3.4	5.4	8.0	13.9	14.7	14.0	
Marine Products	-0.5	0.3	0.9	0.6	0.2	0.1	0.4	0.2	0.7	0.8	0.7	0.8	
Meat and Poultry	0.6	-0.0	0.7	0.4	0.5	0.5	0.1	0.4	0.4	1.6	1.4	0.8	
Logistics	8.5	8.2	7.9	7.3	7.4	8.6	8.9	8.7	10.0	10.6	11.5	11.0	
Real Estate	4.3	4.0	3.7	3.6	2.4	2.3	2.4	2.1	2.2	2.1	2.1	2.0	
Other	0.2	0.2	0.4	0.4	0.5	0.4	0.4	0.6	0.9	0.6	0.7	0.6	
Adjustment	0.1	0.4	0.7	-0.2	0.0	0.0	0.1	0.0	-0.5	-0.3	-0.6	-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>30.6</b>	<b>28.3</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>19.5</b>	<b>18.2</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	28.8	38.6
	excluding leased assets	7.8	12.8	18.0	18.1	9.4	10.7	21.2	19.8	13.2	10.3	24.9	32.2
<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		
	excluding leased debt	66.1	87.9	60.9	72.5	74.8	75.4	85.7	87.3	75.5	70.9		
<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		
	excluding leased debt	0.6	0.8	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.4		
<b>Capital adequacy ratio (%)</b>	44.3	38.6	43.1	40.4	40.2	41.3	41.9	43.0	44.4	46.0			
<b>ROE (%)</b>	8.5	5.3	7.9	3.4	6.8	8.2	6.9	6.8	9.1	12.1	At least 10%		

### 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.)
- Figures for the final year of the Medium-term Business Plan (FY19/3P) are revised figures announced on November 1, 2016.

## Factors for increase/decrease in operating income (FY17/3-FY18/3)

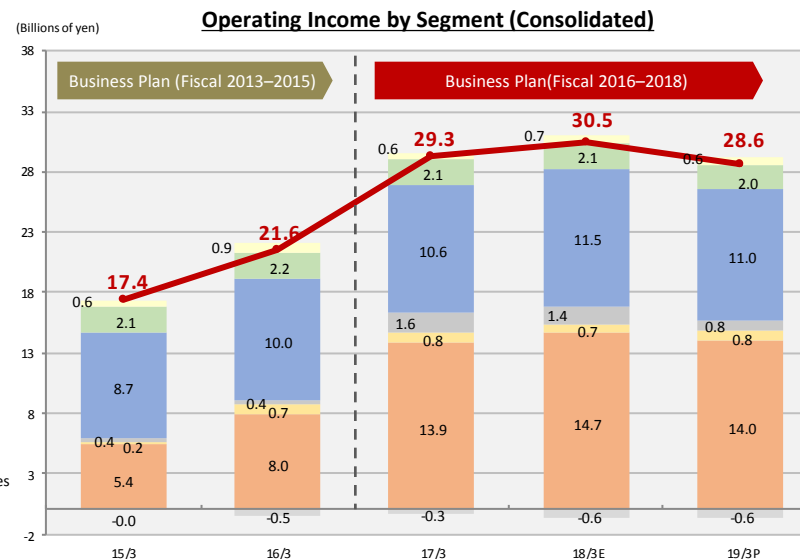
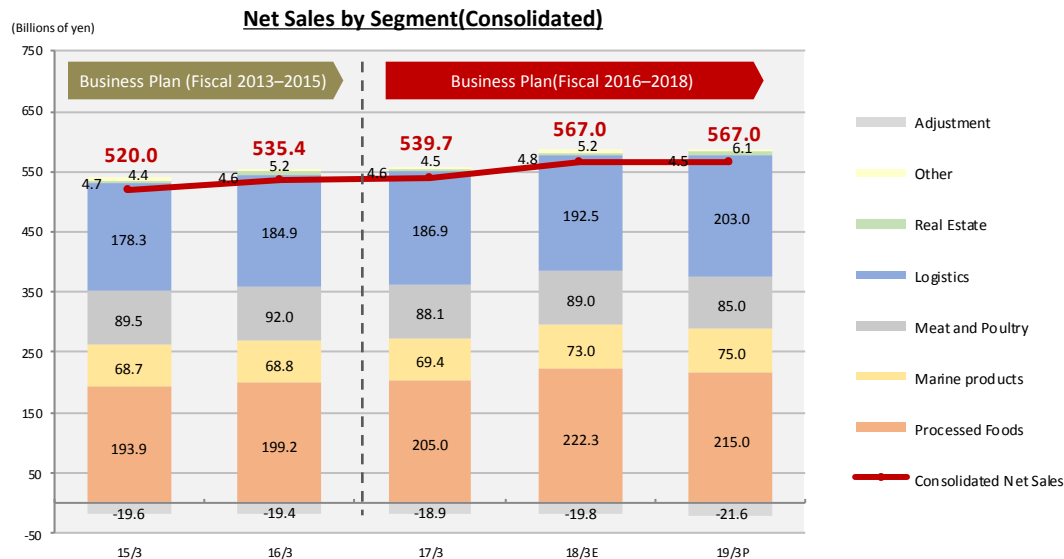
(Billions of Yen)

		Q2 (Cumulative)	Q3&Q4 (Cumulative)	Full Year	
		Result	Forecast	Forecast	Compared to Previous Forecast
Processed Foods	<b>FY17/3 Operating Income</b>	8.8	5.1	13.9	—
	<b>Factors for increase</b>	2.0	1.7	3.7	0.5
	Increased revenue	1.8	1.2	3.0	0.8
	Improved productivity	0.2	0.5	0.7	-0.3
	<b>Factors for decrease</b>	-2.3	-0.6	-2.9	0.2
	Increase in ingredient and products purchasing costs	-0.6	-0.6	-1.2	0.4
	Effect of results from subsidiaries	-0.6	-0.9	-1.5	-0.2
	Increase/decrease in advertising expenses	-0.4	0.7	0.3	0.3
	Other	-0.7	0.2	-0.5	-0.3
	<b>FY18/3 Operating Income Forecast</b>	8.5	6.2	14.7	0.7
Logistics	<b>FY17/3 Operating Income</b>	5.0	5.6	10.6	—
	<b>Factors for increase</b>	1.3	0.8	2.1	0.7
	Operational improvements	0.2	0.2	0.4	0.0
	Earnings improvement in trunk line transport	0.4	0.2	0.6	0.2
	Expansion of 3PL business	0.1	0.1	0.2	0.0
	Streamlining of transport business	0.1	0.1	0.2	0.0
	Effect on results from increase in cargo collection	0.5	0.2	0.7	0.5
	<b>Factors for decrease</b>	-0.6	-0.6	-1.2	0.1
	Increase in transport and delivery costs (net)	-0.1	-0.2	-0.3	0.1
	Effect on results from establishment of new DC	—	-0.1	-0.1	0.2
	Increase in work outsourcing costs (net)	-0.1	-0.0	-0.1	0.1
	Effect of changes in electricity rates	-0.1	-0.1	-0.2	-0.1
	Effect on results from overseas business	-0.1	0.0	-0.1	0.0
BCP-related expenses	-0.2	-0.2	-0.4	-0.2	
<b>FY18/3 Operating Income Forecast</b>	5.7	5.8	11.5	0.8	

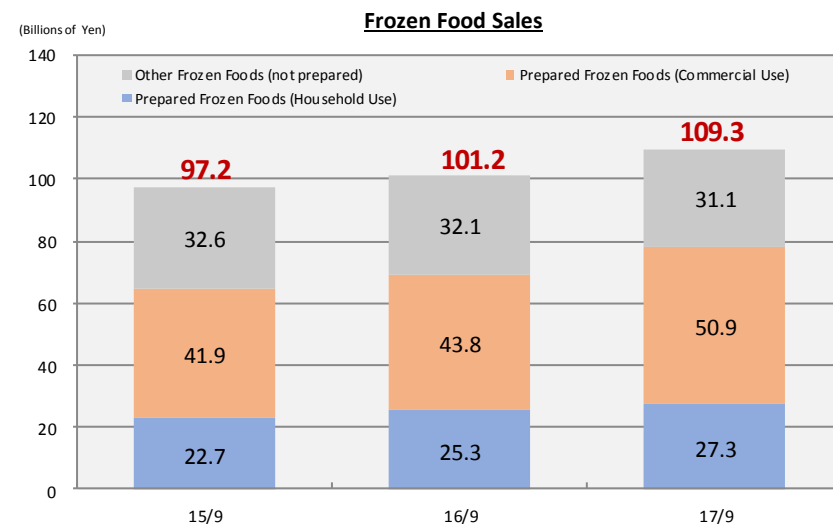
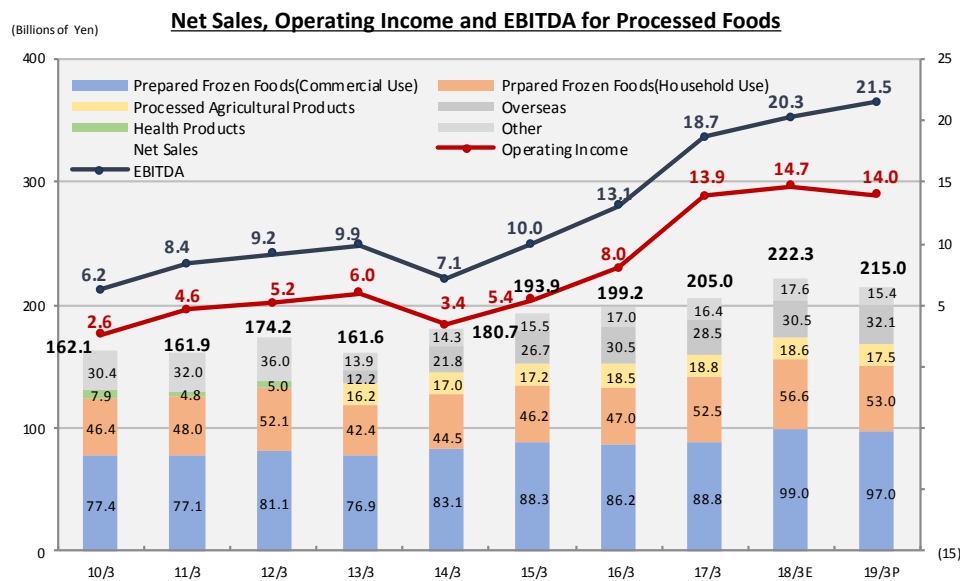
## Non-operating Income and Expenses / Extraordinary Income of Loss

(Billions of Yen)

	FY17/3 Q2 (Cumulative)	FY18/3 Q2 (Cumulative)	Variance	FY17/3 Full year	FY18/3 Full year forecast	Variance
<b>Non-operating Income and Expenses</b>	-0.1	0.1	0.3	-0.2	0.1	0.3
(Main items)						
Financial account balance	-0.0	0.0	0.1	-0.2	-0.1	0.1
Share of (profit) loss of entities accounted for using equity method	0.1	0.0	-0.0	0.2	0.1	-0.1
<b>Extraordinary Income or Loss</b>	0.1	0.6	-0.7	-1.2	-0.9	0.3
(Main items)						
Gain on sales of non-current assets	0.3	0.0	-0.3	0.4	0.0	-0.3
Loss on sales and retirement of non-current assets	-0.1	-0.5	-0.3	-0.8	-0.8	-0.0
Loss on revision of retirement benefit plan	-	-	-	-0.2	-	0.2
Impairment loss	-0.0	-0.0	-0.0	-0.2	0.0	0.2



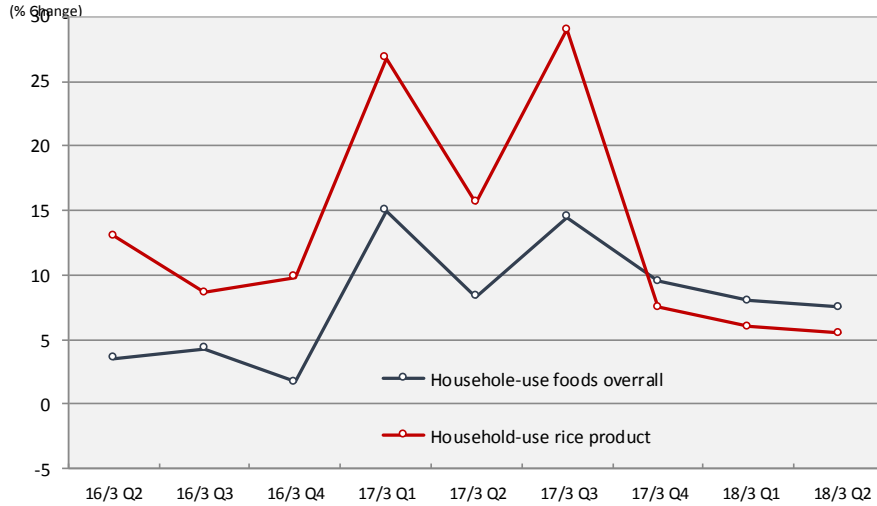
Note: Figures reflect a change in the basis for recording sales in the Processed Foods business. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)



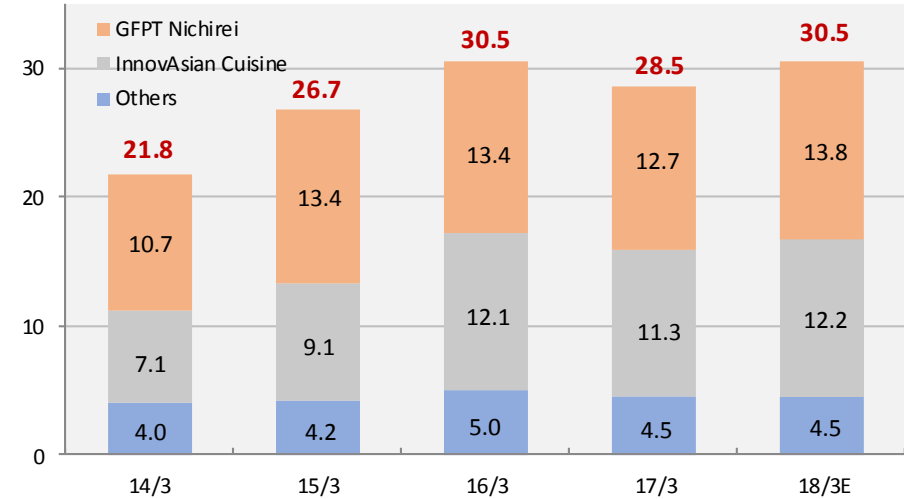
Note: Includes sales of marine products and meat as well as processed foods, based on definitions from the Japan Frozen Food Association

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**



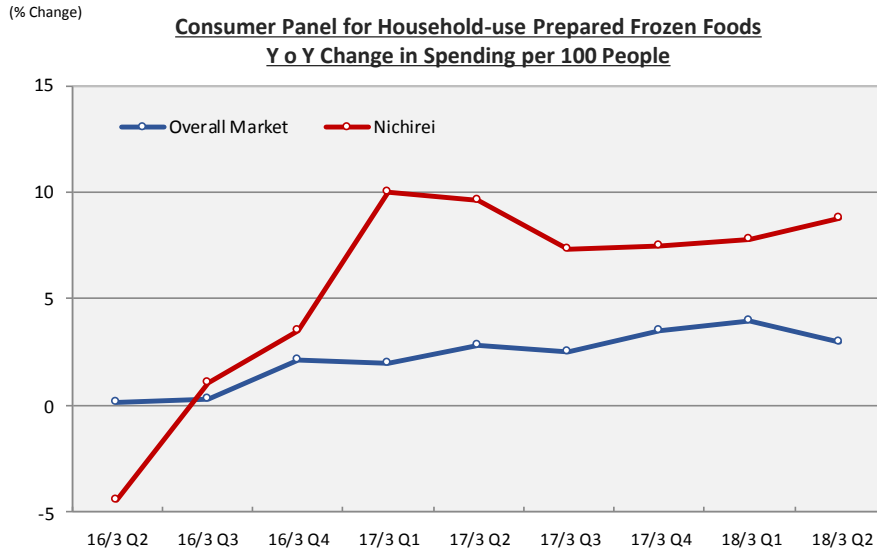
**Overseas Sales**



Notes:

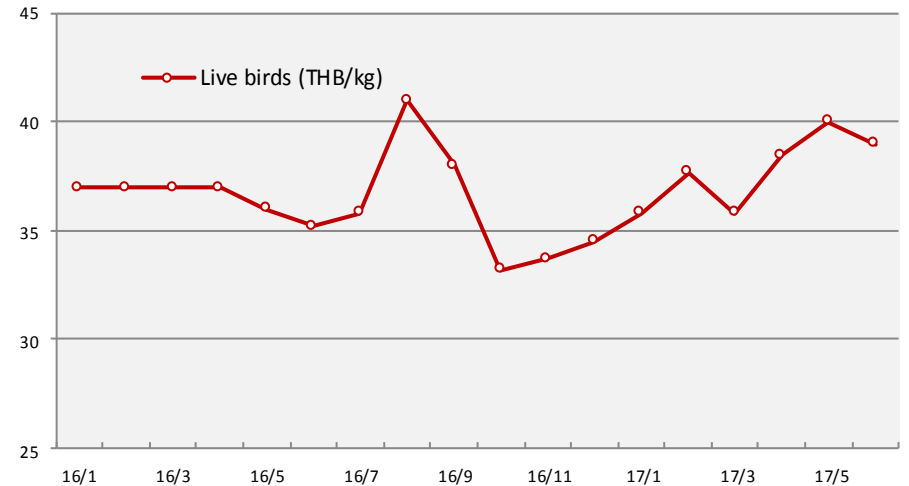
1. GFPT Nichirei's sales are the total of sales to Europe and domestically within Thailand.
2. The accounting method was changed from FY17/3 (to exclude from sales a portion of the expenses recorded as selling costs). Figures in the graph are posterior to the change in accounting method.

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



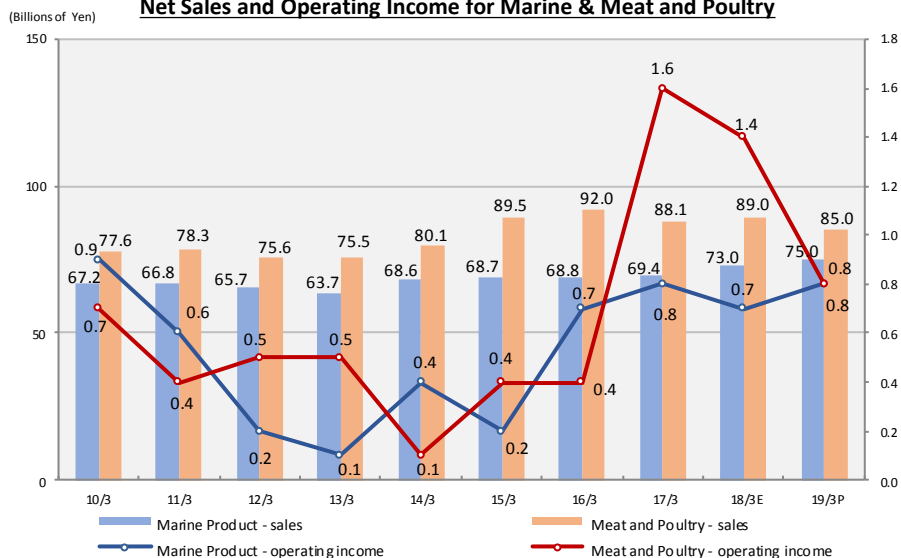
Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Excludes purchases through consumer cooperatives.)

**Wholesale Price of Chicken in Thailand**

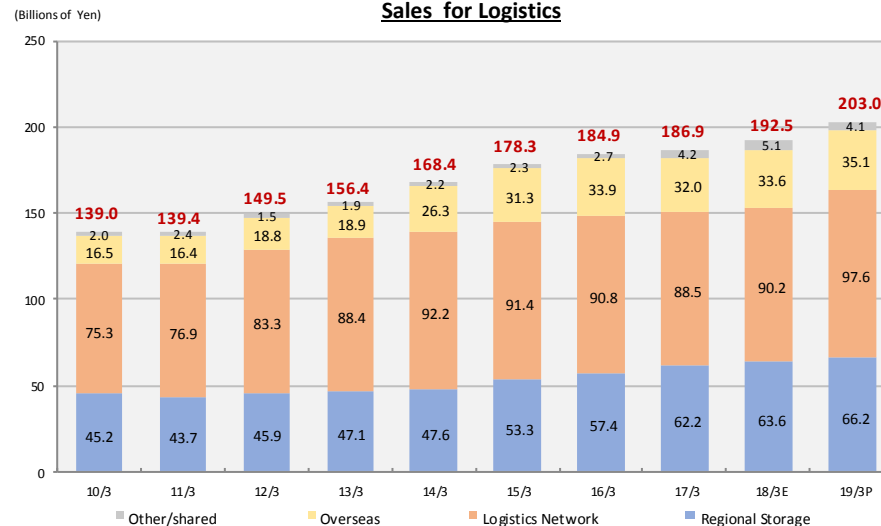


Source: Nichirei, from data published by the Agriculture & Livestock Industries Corporation (alic)

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

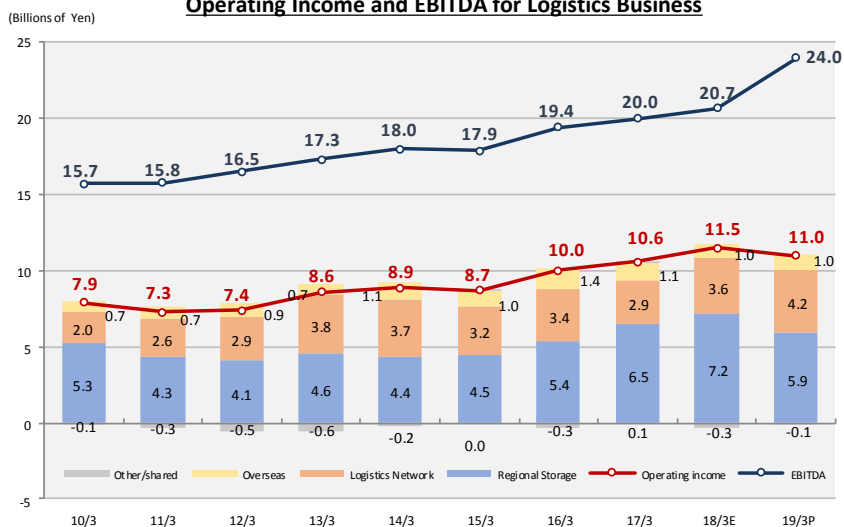


### Sales for Logistics



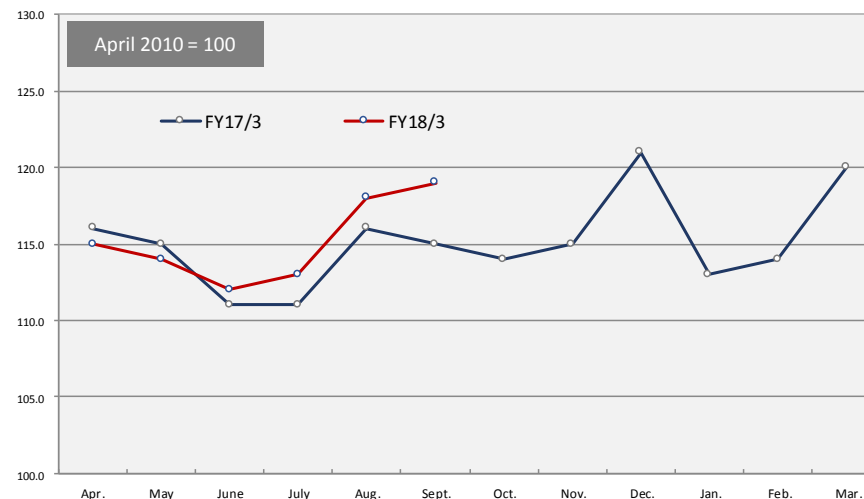
Note: For the fiscal periods from 14/3 to 17/3, a portion of the logistics network business was transferred to the regional storage business.

### Operating Income and EBITDA for Logistics Business



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

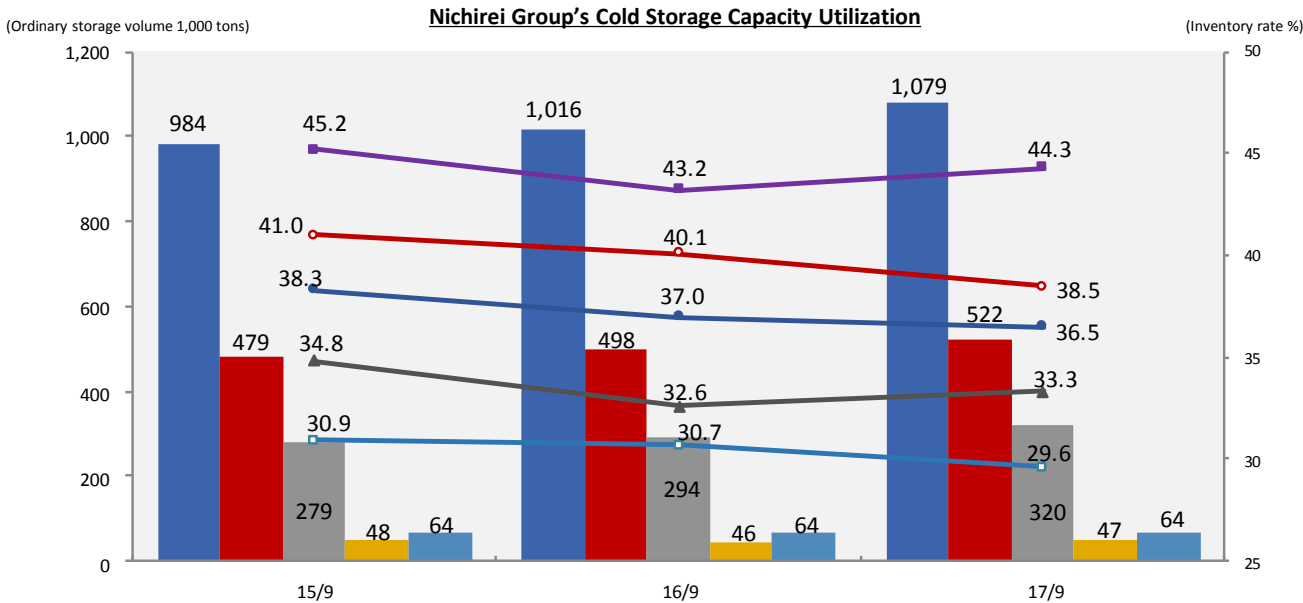
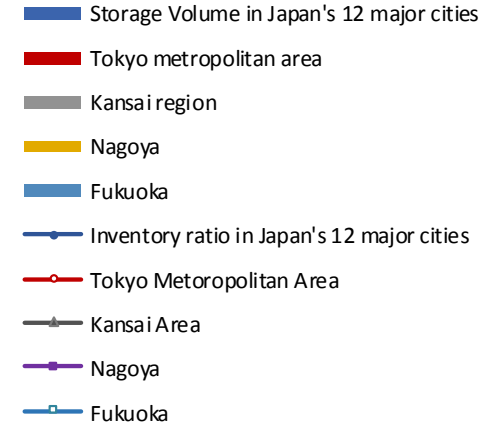
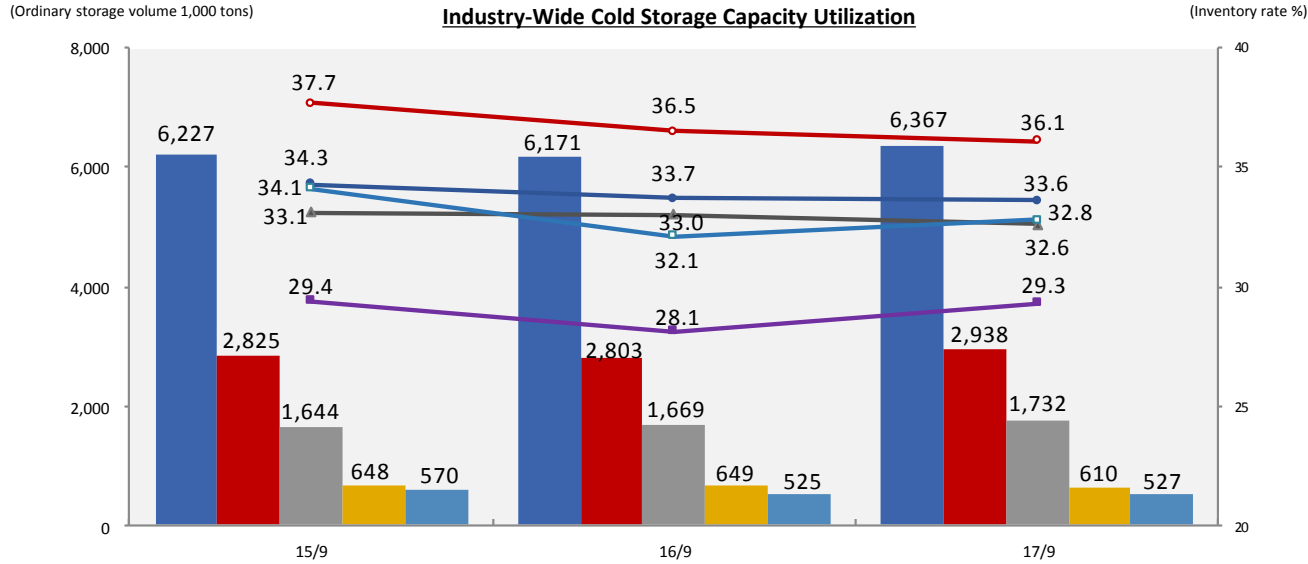
### Freight Charge Index (Monthly)



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.



## [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.

## 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	11,130	USA, etc.
2	Lineage Logistics	8,360	USA
3	Swire Group	4,270	USA, etc.
4	Preferred Freezer Services	3,250	USA, etc.
5	AGRO Merchants Group, LLC	2,450	USA, etc.
6	Nichirei Logistics Group, Inc.	1,910	Japan, etc.
7	Kloosterboer	1,870	Netherlands, etc.
8	NewCold Coöperatief U.A.	1,590	Netherlands, etc.
9	VersaCold Logistics Services	1,500	Canada
10	Interstate Warehousing, Inc.	1,140	USA

As of October 23, 2017

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

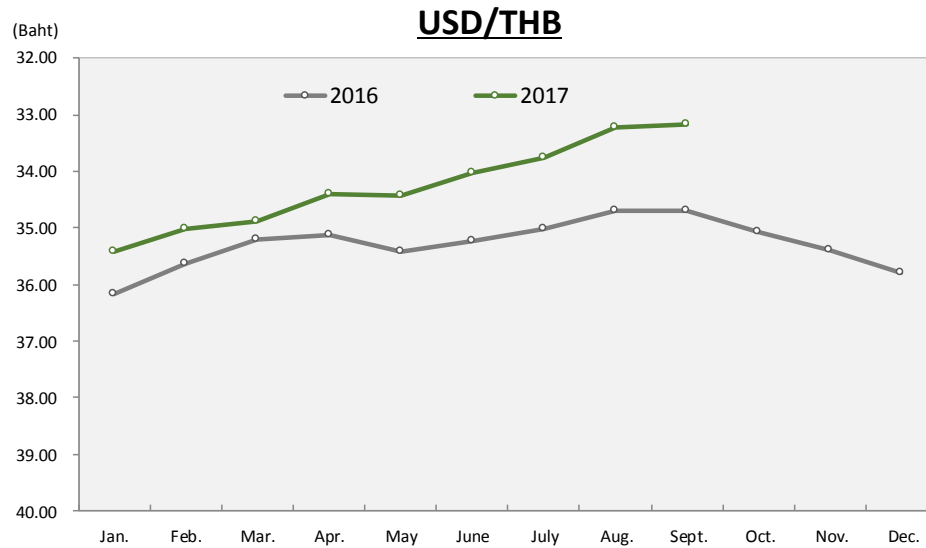
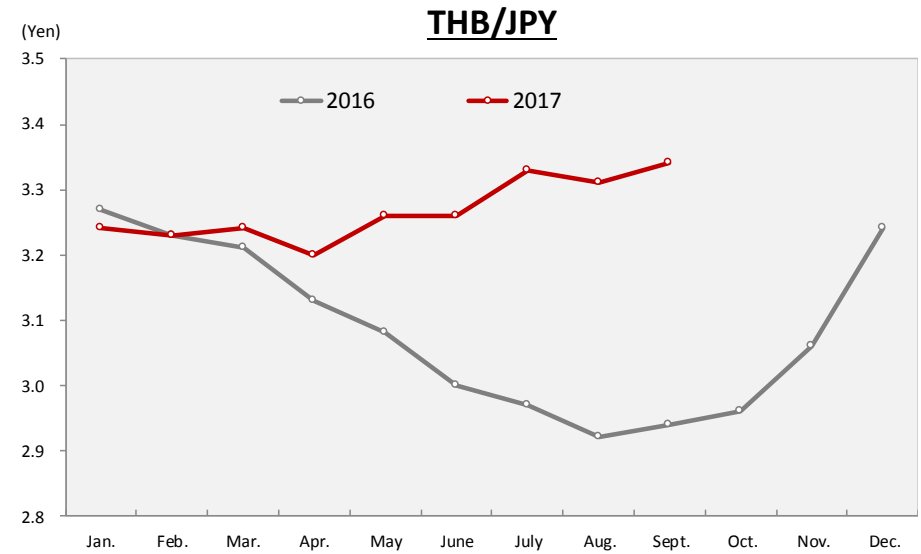
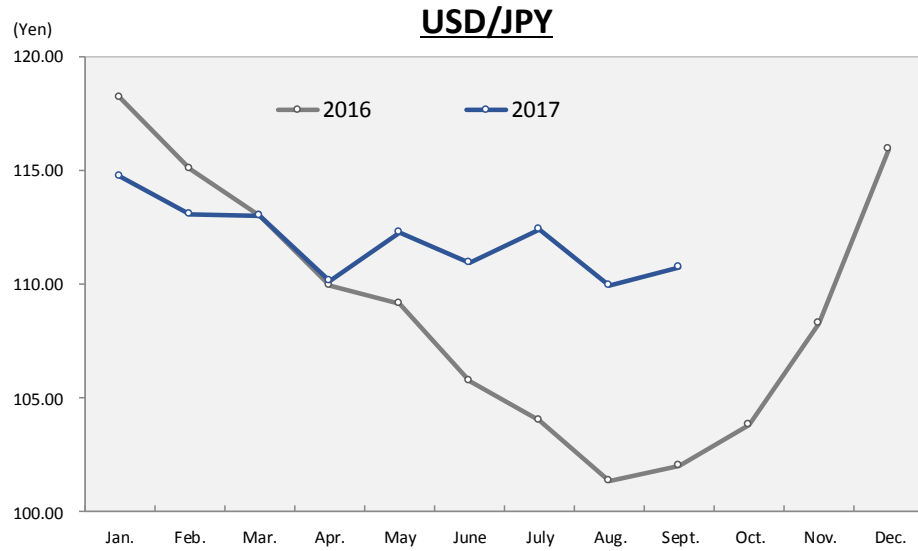
## Top Ten Companies of Europe in the Refrigerated Warehouse Industry by Capacity

Ranking	Company/Group Name	Capacity (thousand of tonnes)	Main Countries of Business
1	Kloosterboer	1,800	Netherlands, etc.
2	Lineage Logistics	1,270	Netherlands, etc.
3	AGRO Merchants Group, LLC	910	Netherlands, etc.
4	NewCold Coöperatief U.A.	630	Germany, etc.
5	Gruppo Marconi Logistica Integrata	620	Italy
6	Nichirei Logistics Group, Inc.	440	Netherlands, etc.
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 October 26, 2017

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

# Results Briefing Handout (1): Main Exchange Rates



Japan's transport ministry, with the aim of improving working conditions for truck drivers, such as low wages and long working hours, is implementing measures for appropriate shipping rates and fee collections in the truck transport industry.

- Partial revision to the standard motor vehicle transportation contract
- Revision to documentation guidelines in the truck transport industry

\* The ministry is requesting the cooperation of shippers (including shipping agents) to improve contract terms for the truck transport industry.

One of the reasons for long working hours for truck drivers is long cargo waiting/loading times at logistics centers = “**Truck Standby Problem**”.



Shippers, transport companies, and warehouse operators are making a concerted effort to reduce cargo waiting times, and enhance the efficiency of cargo handling operations.

## 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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