

Teleconference — July 29, 2014

# Teleconference Presentation Material FY15/3 Q1



(Stock code: 2871)

# 1. Consolidated Results Summary

## Recovery in Processed Foods, Offsetting Decline in Cold Chain Logistics

(Billions of Yen)

	Q1			Q2 Cumulative					Full Year							
	Result	YoY		Forecast	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast		Compared to Business Plan		
		Variance	% Change		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance	Business Plan	Variance	
<b>Net Sales</b>	<b>130.8</b>	10.0	8%	<b>258.5</b>	8.3	3%	258.5	0.0	<b>525.0</b>	13.8	3%	525.0	0.0	497.0	28.0	
Processed Foods	52.9	3.9	8%	107.0	6.5	7%	107.0	0.0	214.0	9.6	5%	214.0	0.0	197.5	16.5	
Marine Products	16.2	0.5	3%	33.3	-1.2	-4%	33.3	0.0	68.6	-0.0	-0%	68.6	0.0	65.0	3.6	
Meat and Poultry	20.9	2.2	12%	37.5	-0.0	-0%	37.5	0.0	80.0	-0.1	-0%	80.0	0.0	72.5	7.5	
Cold Chain Logistics	43.6	3.4	8%	86.5	3.2	4%	86.5	0.0	173.0	4.6	3%	173.0	0.0	172.6	0.4	
Real Estate	1.1	-0.1	-5%	2.4	-0.0	-1%	2.4	0.0	4.7	-0.3	-6%	4.7	0.0	4.8	-0.1	
Other	0.9	0.2	31%	1.7	0.2	12%	1.7	0.0	4.1	0.4	11%	4.1	0.0	4.0	0.1	
Adjustment	-4.8	-0.2	-	-9.9	-0.4	-	-9.9	0.0	-19.4	-0.3	-	-19.4	0.0	-19.4	0.0	
<b>Operating Income</b>	<b>2.8</b>	0.4	16%	<b>7.8</b>	1.2	18%	7.8	0.0	<b>16.5</b>	0.7	4%	16.5	0.0	18.6	-2.1	
Processed Foods	0.5	0.6	-	2.5	1.5	149%	2.5	0.0	5.5	2.1	62%	5.5	0.0	7.3	-1.8	
Marine Products	0.1	0.0	14%	0.2	0.1	125%	0.2	0.0	0.5	0.1	19%	0.5	0.0	0.5	0.0	
Meat and Poultry	0.1	0.2	-	0.2	0.4	-	0.2	0.0	0.5	0.4	293%	0.5	0.0	0.7	-0.2	
Cold Chain Logistics	1.8	-0.4	-16%	4.2	-0.2	-5%	4.2	0.0	8.2	-0.7	-8%	8.2	0.0	8.3	-0.1	
Real Estate	0.5	-0.1	-10%	1.1	-0.1	-7%	1.1	0.0	2.1	-0.3	-11%	2.1	0.0	2.1	0.0	
Other	0.1	0.1	-	0.1	0.0	69%	0.1	0.0	0.4	-0.0	-0%	0.4	0.0	0.4	0.0	
Adjustment	-0.3	-0.1	-	-0.5	-0.5	-	-0.5	0.0	-0.7	-0.8	-	-0.7	0.0	-0.7	0.0	
<b>Ordinary Income</b>	<b>3.1</b>	0.6	24%	<b>7.6</b>	1.4	22%	7.6	0.0	<b>15.9</b>	1.5	10%	15.9	0.0	17.9	-2.0	
<b>Net Income</b>	<b>1.5</b>	0.2	19%	<b>4.8</b>	0.6	15%	4.8	0.0	<b>9.5</b>	0.6	7%	9.5	0.0	11.0	-1.5	
									<b>ROE</b>	7.4%	0.1%	-	7.4%	-	8.6%	-1.2%
									<b>EPS</b>	33yen	2yen	7%	33yen	-	-	-

Assumed exchange rates: ¥105/\$; ¥135/€

1. Sales rose in mainstay Processed Foods and Cold Chain Logistics, with growth in Meat and Poultry on higher meat prices.
2. Operating income rose overall, as price hikes for Processed Foods in the previous fiscal year offset a decline in Cold Chain Logistics.
3. Forecasts unchanged from May 13 announcement.

## 2. Processed Foods

### Earnings Increased as a Result of Price Hikes in Previous Fiscal Year

(Billions of Yen)

	Q1			Q2 Cumulative					Full Year				
	Result	YoY		Forecast	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>52.9</b>	3.9	8%	<b>107.0</b>	6.5	7%	107.0	0	<b>214.0</b>	9.6	5%	214.0	0
Household-use Prepared Foods	<b>14.4</b>	0.4	3%	<b>29.4</b>	1.5	5%	29.4	0	<b>59.7</b>	2.6	5%	59.7	0
Commercial-use Prepared Foods	<b>23.5</b>	2.0	9%	<b>46.4</b>	2.3	5%	46.4	0	<b>94.3</b>	3.2	4%	94.3	0
Processed Agricultural Products	<b>4.9</b>	-0.0	-1%	<b>9.9</b>	-0.1	-1%	9.9	0	<b>18.8</b>	-0.5	-2%	18.8	0
Overseas	<b>6.1</b>	1.0	19%	<b>11.1</b>	1.0	9%	11.1	0	<b>23.5</b>	1.7	8%	23.5	0
Other	<b>4.1</b>	0.6	16%	<b>10.2</b>	1.9	23%	10.2	0	<b>17.7</b>	2.5	16%	17.7	0
<b>Operating Income</b>	<b>0.5</b>	0.6	-	<b>2.5</b>	1.5	149%	2.5	0	<b>5.5</b>	2.1	62%	5.5	0

1. Frozen food sales remain firm. The weak yen continued to push up ingredient and purchasing costs, but operating income rose overall on price revisions in the previous fiscal year. We expect a further earnings boost in Q2 from cost recovery measures, including an increase in prices for imported commercial-use prepared foods.
2. Household-use Prepared Foods: Consumption tax hike has affected sales, but revenue rose overall due to new hit product *Honkaku Yaki-onigiri*.
3. Commercial-use Prepared Foods: Sales rose for processed chicken products, centered on the take-out deli market.
4. Overseas business: Revenue rose on an increase in Asian foods sales in the U.S., and sales of processed chicken products from GFPT Nichirei (Thailand) to Europe.

### 3. Marine Products & Meat and Poultry

#### Results for Marine Products, and Meat and Poultry in Line with Business Plan

(Billions of Yen)

		Q1			Q2 Cumulative					Full Year				
		Result	YoY		Forecast	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast	
			Variance	% Change		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance
<b>Marine Products</b>	Net Sales	<b>16.2</b>	0.5	3%	<b>33.3</b>	-1.2	-4%	33.3	0	<b>68.6</b>	-0.0	-0%	68.6	0
	Operating Income	<b>0.1</b>	0.0	14%	<b>0.2</b>	0.1	125%	0.2	0	<b>0.5</b>	0.1	19%	0.5	0
<b>Meat and Poultry</b>	Net Sales	<b>20.9</b>	2.2	12%	<b>37.5</b>	-0.0	-0%	37.5	0	<b>80.0</b>	-0.1	-0%	80.0	0
	Operating Income	<b>0.1</b>	0.2	-	<b>0.2</b>	0.4	-	0.2	0	<b>0.5</b>	0.4	293%	0.5	0

- 1. Marine Products:** Sales volume for shrimp, which remains at a high price point, declined on a fall in demand. However, the selling price for octopus, which had been comparatively inexpensive, increased, contributing to both revenue and earnings. While the market for marine products remains high overall, we will mitigate risk from demand fluctuations by continuing to focus on careful purchasing and inventory turnover.
- 2. Meat and Poultry:** Both revenue and earnings increased, as higher market prices, particularly for pork, were passed on in selling prices. We are continuing to revise prices for processed foods to offset higher purchasing costs.

# 4. Cold Chain Logistics

## Sales Increased, but Earnings Declined on Higher Costs

(Billions of Yen)

	Q1			Q2 Cumulative					Full Year				
	Result	YoY		Forecast	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>43.6</b>	3.4	8%	<b>86.5</b>	3.2	4%	86.5	0	<b>173.0</b>	4.6	3%	173.0	0
Japan Subtotal	<b>35.9</b>	1.7	5%	<b>71.9</b>	2.0	3%	71.9	0	<b>143.0</b>	3.2	2%	143.0	0
Logistics Network	<b>22.7</b>	0.4	2%	<b>45.2</b>	-0.4	-1%	45.2	0	<b>89.8</b>	-2.4	-3%	89.8	0
Regional Storage	<b>13.1</b>	1.3	11%	<b>26.7</b>	2.4	10%	26.7	0	<b>53.2</b>	5.6	12%	53.2	0
Overseas	<b>7.3</b>	1.4	24%	<b>14.0</b>	1.4	11%	14.0	0	<b>28.3</b>	2.0	7%	28.3	0
Other/Intersegment	<b>0.5</b>	0.2	90%	<b>0.6</b>	-0.2	-26%	0.6	0	<b>1.7</b>	-0.5	-23%	1.7	0
<b>Operating Income</b>	<b>1.8</b>	-0.4	-16%	<b>4.2</b>	-0.2	-5%	4.2	0	<b>8.2</b>	-0.7	-8%	8.2	0
Japan Subtotal	<b>1.7</b>	-0.4	-19%	<b>4.0</b>	-0.1	-2%	4.0	0	<b>7.7</b>	-0.5	-7%	7.7	0
Logistics Network	<b>0.6</b>	-0.3	-35%	<b>1.6</b>	-0.2	-12%	1.6	0	<b>3.4</b>	-0.3	-7%	3.4	0
Regional Storage	<b>1.1</b>	-0.1	-7%	<b>2.4</b>	0.2	7%	2.4	0	<b>4.3</b>	-0.3	-6%	4.3	0
Overseas	<b>0.2</b>	-0.0	-18%	<b>0.6</b>	-0.0	-2%	0.6	0	<b>1.1</b>	0.0	0%	1.1	0
Other/Intersegment	<b>-0.2</b>	0.1	-	<b>-0.4</b>	-0.1	-	-0.4	0	<b>-0.6</b>	-0.2	-	-0.6	0

- Japan: Revenue increased on the boost from the Higashi-Ogishima Distribution Center Bldg. No. 2, which began operating in the previous fiscal year, as well as the new Kita-kyushu Transfer Center. However, operating income declined, due mainly to rising transportation costs stemming from a shortage of drivers and higher fuel prices, as well as to an increase in electricity rates. Looking ahead, costs will continue to increase from amortization for the Sakishima Distribution Center, which will begin operations in the second half, but we expect to meet our full-year targets through further operational improvements.
- Overseas: Sales rose in Europe on higher transport volume. Operating income declined on a local-currency basis due to a falloff in receipts and inventories of chicken, but the decrease on a yen basis was minimal because of exchange rates.

## Consolidated Balance Sheet

(Billions of Yen)

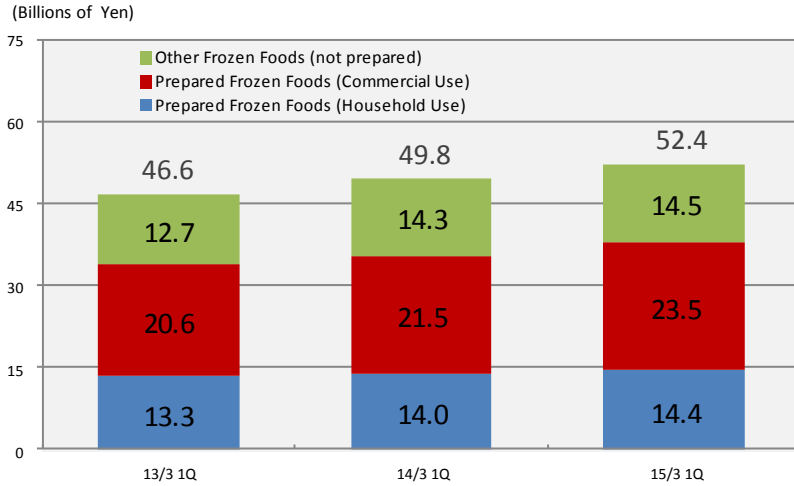
Item	14/3	14/6	Variance	
<b>[Assets]</b>				
Current assets	131.5	<b>135.3</b>	3.8	(1)
Fixed assets	186.9	<b>187.2</b>	0.2	
<b>Total assets</b>	<b>318.5</b>	<b>322.6</b>	4.1	
<b>[Liabilities / Owner's equity]</b>				
Current liabilities	95.5	<b>99.6</b>	4.1	(2)
Long-term liabilities	86.1	<b>85.6</b>	-0.4	
<b>Total liabilities</b>	<b>181.6</b>	<b>185.3</b>	3.6	
Net assets	136.8	<b>137.2</b>	0.4	
(Owner's equity)	124.8	<b>124.9</b>	0.0	
Interest-bearing debt	106.0	<b>109.1</b>	3.0	
(Excluding lease obligations)	85.7	<b>89.6</b>	3.9	
<b>Item</b>	<b>13/6</b>	<b>14/6</b>	<b>Variance</b>	
Capital investments	2.7	<b>2.8</b>	0.0	
(Excluding leased assets)	2.2	<b>2.4</b>	0.1	
Depreciation and amortization	3.4	<b>3.6</b>	0.2	
(Excluding leased assets)	2.4	<b>2.7</b>	0.2	

### Main Factors

- (1) Trade receivables +¥2.3bn; Inventories +¥1.4bn (seasonal factor)
- (2) Interest-bearing debt (short term) +¥3.8bn (increase in working capital)

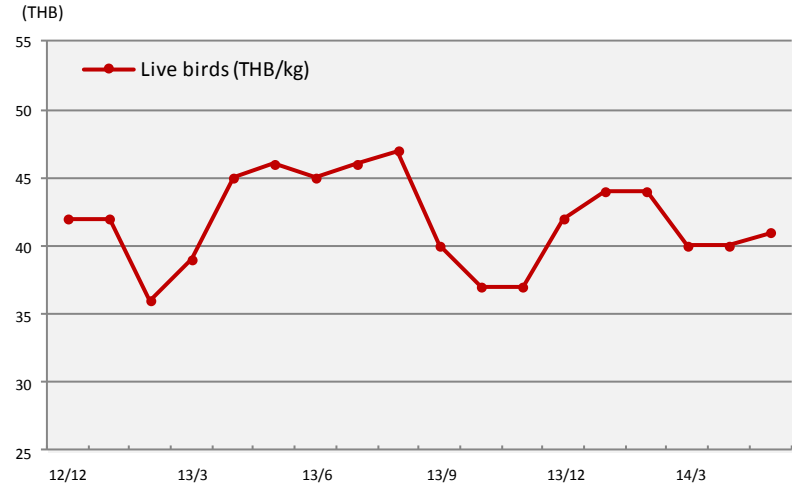
Note: Amounts less than 100 million yen are omitted

### Frozen Food Sales



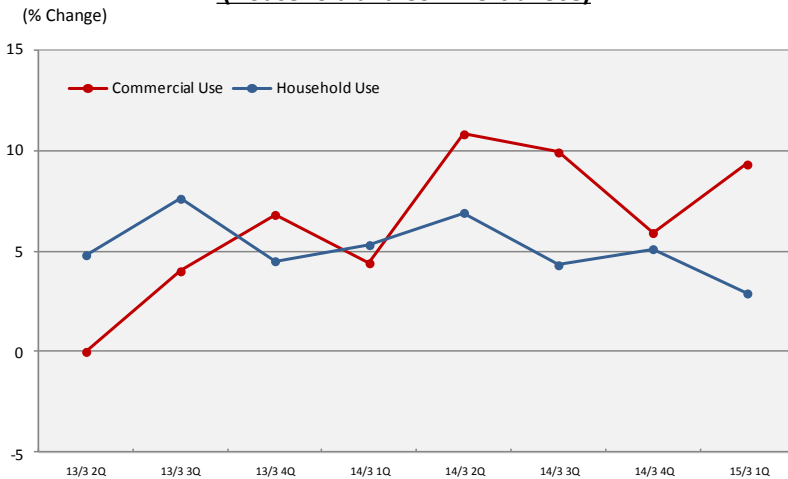
Note: Based on definitions from the Japan Frozen Food Association; Includes sales of processed foods, marine products, meat and poultry

### Wholesale Price of Chicken in Thailand

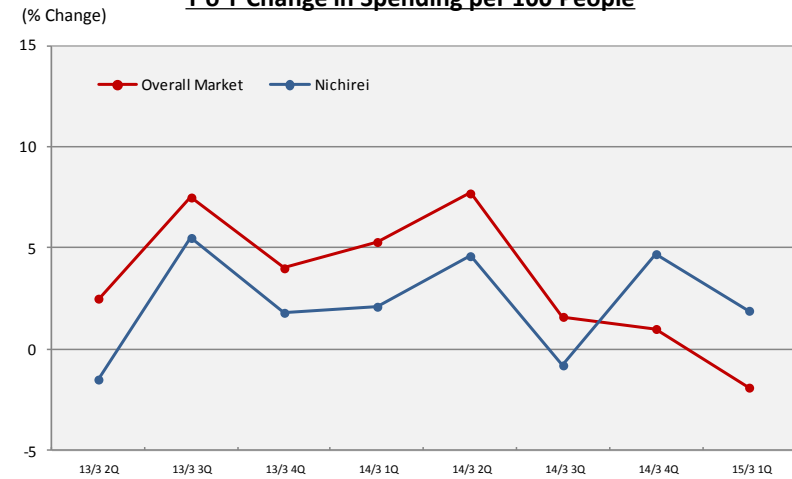


Source: Source: Nichirei, from data published by the Agriculture & Livestock Industries Corporation (alic)

### Y o Y Change in Nichirei's Sales of Prepared Frozen Foods (Household and Commercial Use)



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

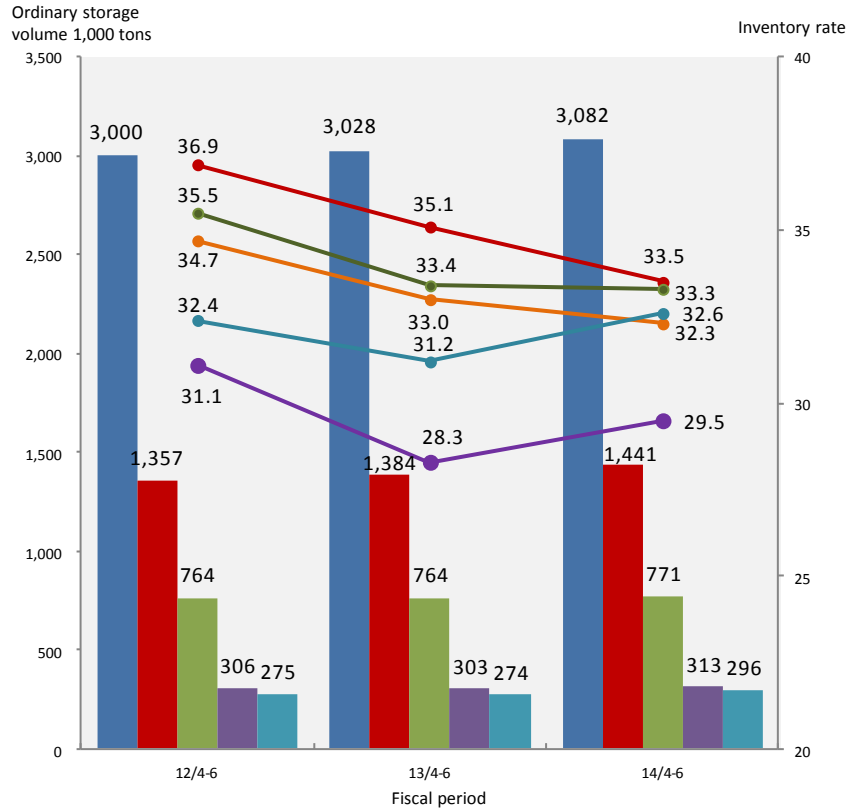


Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Excludes purchases through consumer cooperatives.)

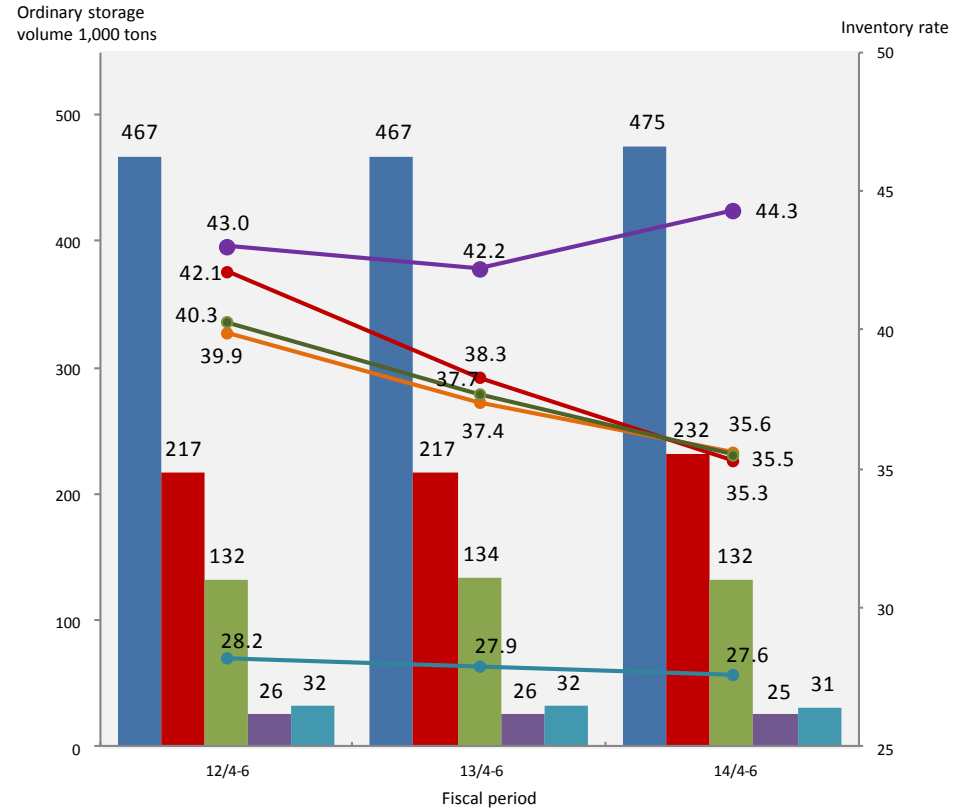
## Cold Storage Capacity Utilization

(Industry figures calculated by Nichirei from Japan Association of Refrigerated Warehouses data)

### Industry-Wide Cold Storage Capacity Utilization



### Nichirei Group's Cold Storage Capacity Utilization



- Storage Volume in Japan's 12 major cities
- Tokyo metropolitan area
- Kansai region
- Nagoya
- Fukuoka
- Inventory ratio in Japan's 12 major cities
- Kansai Area
- Nagoya
- Fukuoka

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.



## 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:

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- (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.

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