

Teleconference - February 3, 2015

Teleconference Presentation Material FY15/3 Q3



(Stock code: 2871)

1. Consolidated Results Summary

Performance Mainly in Line with Full-Year Forecasts

(Billions of Yen)

	Q3			Q3 (Cumulative)			Full Year						
	Result	Y o Y		Result	Y o Y		Forecast	Y o Y		Compared to Previous Forecast		Compared to Business Plan	
		Variance	% Change		Variance	% Change		Variance	% Change	Previous forecast	Variance	Business Plan	Variance
Net Sales	144.7	4.0	3%	413.8	22.9	6%	535.7	24.5	5%	535.7	0.0	497.0	38.7
Processed Foods	56.7	1.9	3%	166.0	10.8	7%	219.4	15.0	7%	219.4	0.0	197.5	21.9
Marine Products	20.4	-0.5	-3%	55.1	-0.4	-1%	68.6	-0.0	-0%	68.6	0.0	65.0	3.6
Meat and Poultry	24.3	1.1	5%	66.3	5.6	9%	83.0	2.9	4%	83.0	0.0	72.5	10.5
Logistics	46.0	1.6	4%	134.9	7.3	6%	176.0	7.6	5%	176.0	0.0	172.6	3.4
Real Estate	1.1	-0.3	-18%	3.6	-0.2	-6%	4.7	-0.3	-6%	4.7	0.0	4.8	-0.1
Other	1.1	-0.0	-1%	2.8	0.3	10%	4.1	0.4	11%	4.1	0.0	4.0	0.1
Adjustment	-4.9	0.2	-	-14.9	-0.3	-	-20.1	-1.0	-	-20.1	0.0	-19.4	-0.7
Operating Income	6.0	-0.4	-7%	13.7	0.7	5%	16.5	0.7	4%	16.5	0.0	18.6	-2.1
Processed Foods	1.8	0.1	4%	3.9	1.2	45%	5.5	2.1	62%	5.5	0.0	7.3	-1.8
Marine Products	0.2	-0.3	-55%	0.5	-0.1	-21%	0.5	0.1	19%	0.5	0.0	0.5	0.0
Meat and Poultry	0.2	-0.1	-24%	0.4	0.3	440%	0.5	0.4	293%	0.5	0.0	0.7	-0.2
Logistics	3.0	-0.2	-5%	7.1	-0.5	-6%	8.2	-0.7	-8%	8.2	0.0	8.3	-0.1
Real Estate	0.6	-0.1	-13%	1.6	-0.2	-12%	2.1	-0.3	-11%	2.1	0.0	2.1	0.0
Other	0.2	-0.0	-1%	0.3	0.1	25%	0.4	-0.0	-0%	0.4	0.0	0.4	0.0
Adjustment	0.1	0.1	-	-0.1	-0.1	-	-0.7	-0.8	-	-0.7	0.0	-0.7	0.0
Ordinary Income	5.9	-0.4	-6%	13.5	1.0	8%	15.9	1.5	10%	15.9	0.0	17.9	-2.0
Net Income	3.5	-0.8	-18%	7.8	-0.7	-8%	9.0	0.1	1%	9.5	-0.5	11.0	-2.0

Exchange Rates	FY 15/3 (forecast)	FY 15/3 (actual)	FY 14/3 (actual)
USD/JPY	105.00	102.96	96.71
EUR/JPY	135.00	139.54	127.36

ROE	7.0%	-0.3%		7.4%	-0.4%	8.6%	-1.6%
EPS	31yen	0yen	1%	33yen	-2yen		

Note: Actual rate figure is the average for the Jan-Sept period. Reference: Average rate for the Apr-Dec period is ¥106.88 to the USD.

- Sales continued to increase steadily in mainstay Processed Foods and Logistics.
- Operating income declined overall, as gains in Processed Foods were unable to offset decreases in Marine Products and Logistics.
- We are revising downward our full-year net income forecast to account for an expected increase in minority interests.

Note: The comments in this presentation material, unless otherwise indicated, refer only to Q3 results.

Operating Income Trailing Plan, but Q4 Results Expected to Make Up Difference

(Billions of Yen)

	Q3			Q3 (Cumulative)			Full Year				
	Result	YoY		Result	YoY		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change		Variance	% Change	Previous forecast	Variance
Net Sales	56.7	1.9	3%	166.0	10.8	7%	219.4	15.0	7%	219.4	0.0
Household-use Prepared Foods	15.1	0.4	3%	44.3	1.7	4%	59.6	2.5	4%	60.4	-0.8
Commercial-use Prepared Foods	25.9	0.4	2%	73.9	4.4	6%	97.1	6.0	7%	96.5	0.6
Processed Agricultural Products	4.9	-0.1	-2%	15.2	0.2	1%	19.5	0.2	1%	19.8	-0.3
Overseas	6.9	1.1	19%	19.3	3.4	21%	26.6	4.8	22%	26.1	0.5
Other	3.8	0.0	1%	13.1	1.1	9%	16.6	1.4	9%	16.6	0.0
Operating Income	1.8	0.1	4%	3.9	1.2	45%	5.5	2.1	62%	5.5	0.0

Note: Breakdown of full-year sales forecast has changed

1. Sales of prepared frozen foods remain firm. Operating income increased, as higher ingredient and purchasing costs stemming from the weak yen were offset by price revisions implemented in Q2 for commercial-use, imported prepared foods.
During Q4, we will implement almost entirely across-the-board price revisions for the first time in seven years, and make improvements in the product mix.
2. Household-use Prepared Foods: Sales rose steadily, centered on mainstay rice-based products. However, the rate of increase has narrowed due to slow recovery in demand following the consumption tax hike.
3. Commercial-use Prepared Foods: We implemented product strategies emphasizing profitability. The rate of sales gain was less than in 1H, but results are in line with full-year plan targets.
4. Overseas: Sales continued to increase steadily at Thai subsidiary GFPT Nichirei (GFN) and U.S. subsidiary InnovAsian Cuisine Enterprises (ICE). The fourth production line at GFN is expected to go into operation as scheduled in April 2015.

3. Marine Products & Meat and Poultry

Marine Products: Earnings Down on Deteriorating Business Environment Meat and Poultry: Results in Line with Plan

(Billions of Yen)

		Q3			Q3 (Cumulative)			Full Year				
		Result	YoY		Result	YoY		Forecast	YoY		Compared to Previous Forecast	
			Variance	% Change		Variance	% Change		Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	20.4	-0.5	-3%	55.1	-0.4	-1%	68.6	-0.0	-0%	68.6	0
	Operating Income	0.2	-0.3	-55%	0.5	-0.1	-21%	0.5	0.1	19%	0.5	0
Meat and Poultry	Net Sales	24.3	1.1	5%	66.3	5.6	9%	83.0	2.9	4%	83.0	0
	Operating Income	0.2	-0.1	-24%	0.4	0.3	440%	0.5	0.4	293%	0.5	0

1. Marine Products: The supply of shrimp in the market is recovering, centered on food material products. The tight supply-demand balance that had supported high prices has collapsed, and domestic market prices are falling. As such, we were unable to achieve our sales plan, and both revenue and earnings declined overall.

During Q4, we will mitigate the risks of market fluctuation through careful buying and selling emphasizing inventory turnover. We will also expand sales of products with processing optimized for user channels, such as the growing restaurant market.

2. Meat and Poultry: Revenue increased as a result of an overall increase in sales prices for meat. We managed to circumvent the general beef shortage by taking advantage of our own procurement channels to ensure stable sales, which contributed to earnings. However, earnings declined overall as a result of the deteriorating profitability of imported chicken due to higher purchasing costs stemming from the weak yen.

Results in Line with Plan Overall; Increase in Transportation Costs Consistent with Expectations

(Billions of Yen)

	Q3			Q3 (Cumulative)			Full Year				
	Result	YoY		Result	YoY		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change		Variance	% Change		Variance	% Change	Previous forecast	Variance
Net Sales	46.0	1.6	4%	134.9	7.3	6%	176.0	7.6	5%	176.0	0
Japan Subtotal	37.8	1.0	3%	111.0	4.3	4%	144.8	5.0	4%	144.8	0
Logistics Network	23.6	-0.6	-2%	69.7	-0.1	-0%	91.3	-0.9	-1%	91.3	0
Regional Storage	14.2	1.6	12%	41.2	4.4	12%	53.5	5.9	12%	53.5	0
Overseas	7.9	1.1	16%	22.8	3.4	18%	29.4	3.1	12%	29.4	0
Other/Intersegment	0.3	-0.5	-59%	1.2	-0.5	-28%	1.8	-0.4	-19%	1.8	0
Operating Income	3.0	-0.2	-5%	7.1	-0.5	-6%	8.2	-0.7	-8%	8.2	0
Japan Subtotal	2.8	-0.2	-6%	6.5	-0.5	-7%	7.5	-0.7	-9%	7.5	0
Logistics Network	1.2	-0.1	-7%	2.5	-0.5	-17%	3.2	-0.5	-12%	3.2	0
Regional Storage	1.6	-0.1	-5%	4.0	0.0	1%	4.3	-0.3	-6%	4.3	0
Overseas	0.2	-0.0	-3%	0.7	-0.1	-14%	0.9	-0.2	-18%	0.9	0
Other/Intersegment	-0.0	0.0	-	-0.1	0.2	-	-0.2	0.2	-	-0.2	0

- Japan:** Revenue increased on the boost from the new Sakishima Distribution Center that began operating in 2H, but earnings declined as operating income was squeezed by higher amortization costs. Transportation costs continue to rise, but are consistent with our expectations as of end-Q2, due mainly to efforts to set appropriate charges and streamline operations.
- Overseas:** Revenue increased on capturing of transport demand in Europe and the exchange rate effect, though earnings declined due to a falloff in inventories of chicken and imported fruit juice. The European economy remains sluggish, but we are making efforts to acquire new customers, and expand business with existing customers.

Consolidated Balance Sheet

(Billions of Yen)

Item	14/3	14/12	Variance	
[Assets]				
Current assets	131.5	156.0	24.5	(1)
Fixed assets	186.9	198.9	11.9	(2)
Total assets	318.5	354.9	36.4	
[Liabilities / Owner's equity]				
Current liabilities	95.5	107.8	12.2	(3)
Long-term liabilities	86.1	98.3	12.2	(4)
Total liabilities	181.6	206.2	24.5	
Net assets	136.8	148.7	11.9	(5)
(Owner's equity)	124.8	129.7	4.9	
Interest-bearing debt	106.0	111.1	5.0	(4)
(Excluding lease obligations)	85.7	92.6	6.9	
Item	13/12	14/12	Variance	
Capital investments	15.2	17.5	2.2	
(Excluding leased assets)	13.1	15.8	2.7	
Depreciation and amortization	10.7	11.4	0.6	
(Excluding leased assets)	7.8	8.6	0.7	

Note: Amounts less than 100 million yen are omitted

Main Factors

- (1) Trade receivables +¥19.9bn
(Increased sales and seasonal factors from year-end demand)
- (2) Tangible fixed assets +¥5.5bn
(Capital investment to expand earnings base for mainstay businesses)
- (3) Accounts payable +¥8.1bn
(Seasonal factors)
- (4) Corporate bonds +¥10.0bn
(Secure long-term stabilization funds)
- (5) Retained earnings +¥4.9bn; Total accumulated other comprehensive income +¥5.6bn

Non-operating Income and Expenses / Extraordinary Income or Loss

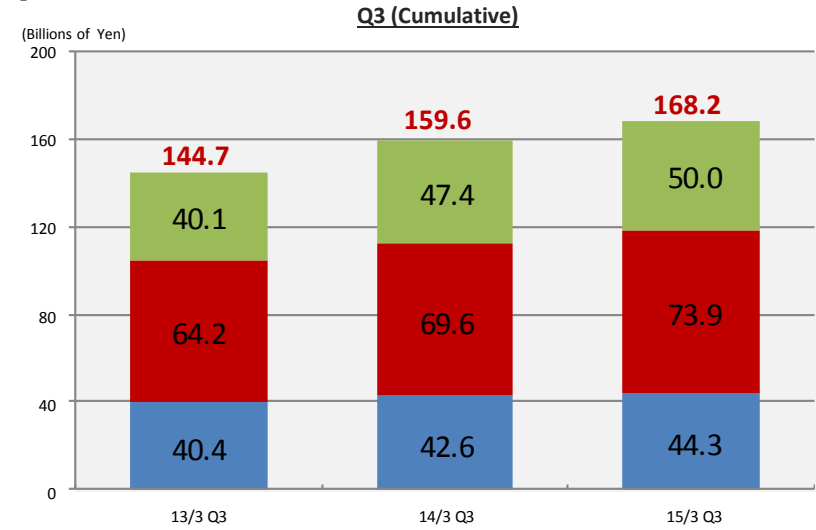
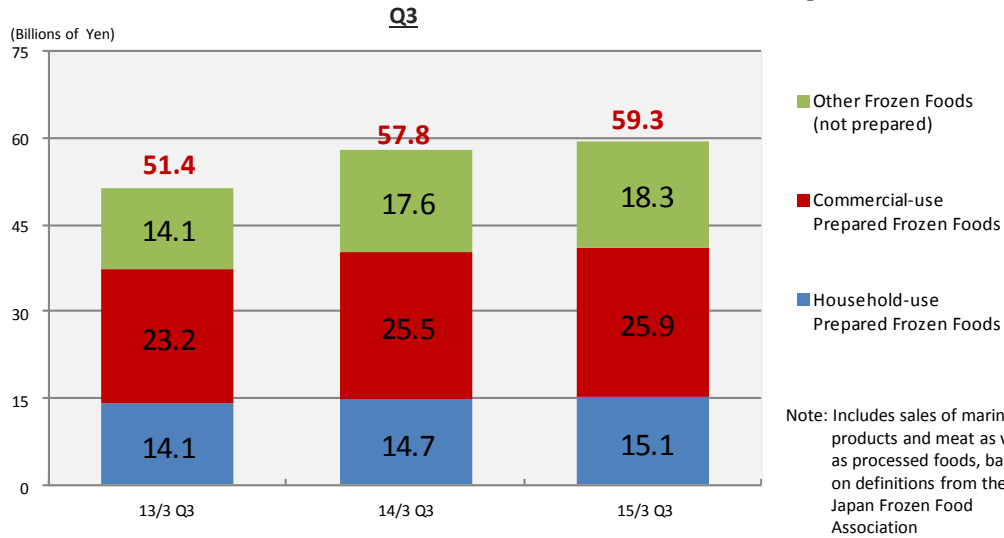
(Billions of Yen)

	Q3 (Cumulative)			Full Year		
	13/12	14/12	Variance	14/3	Forecast	Variance
Non-operating Income and Expenses	-0.4	-0.1	0.3	-1.3	-0.6	0.7
(Main items)						
Financial account balance	-0.2	-0.3	-0.0	-0.2	-0.6	-0.4
Equity in (earnings) losses of affiliates	0.2	0.1	-0.0	-0.7	0.0	(1) 0.7
Extraordinary Income or Loss	1.1	-0.7	-1.8	0.9	-0.9	-1.8
(Main items)						
Gain on sales of investment securities	1.9	0.0	-1.8	2.1	-	-2.1
Loss on sales and retirement of noncurrent assets	-0.6	-0.8	-0.2	-0.9	-1.0	-0.0
Impairment loss	-0.0	-0.0	0.0	-0.4	-0.0	0.4

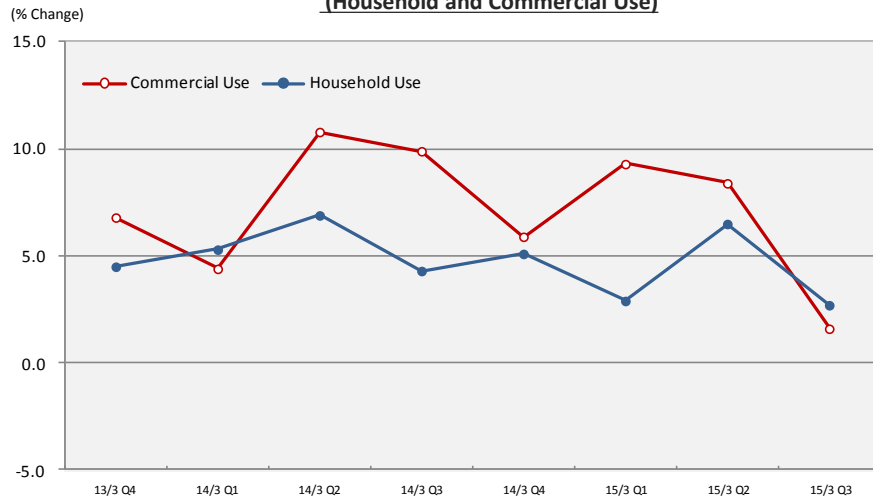
(1) Estimated loss from Tokyo Danchi Reizo's rebuilding of refrigerated warehouse in the previous fiscal year

Note: Positive numbers indicate gains

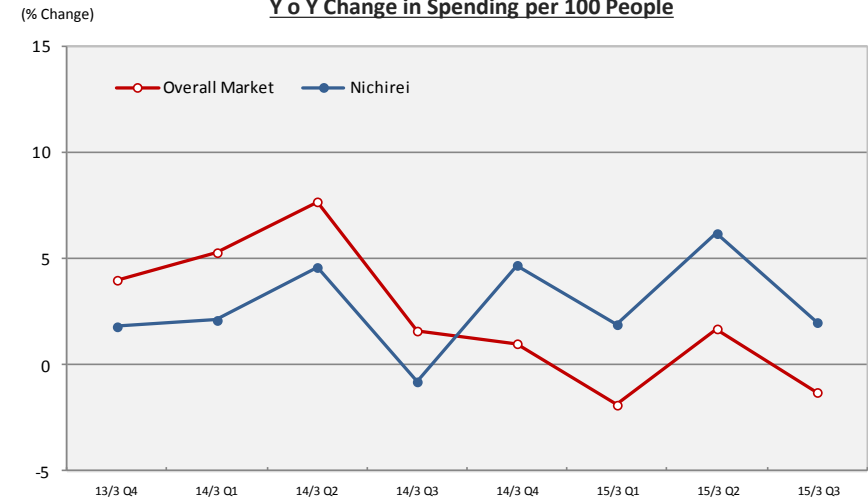
[Frozen Food Sales]



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

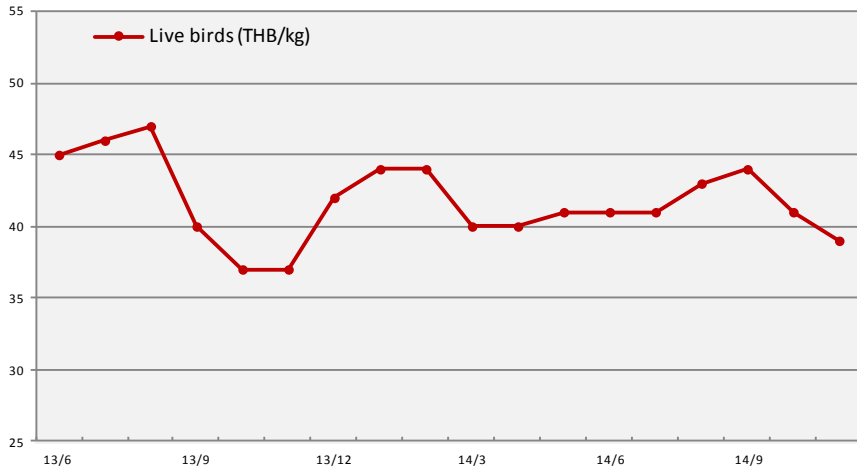


Consumer Panel for Household-use Prepared Frozen Foods Y o Y Change in Spending per 100 People



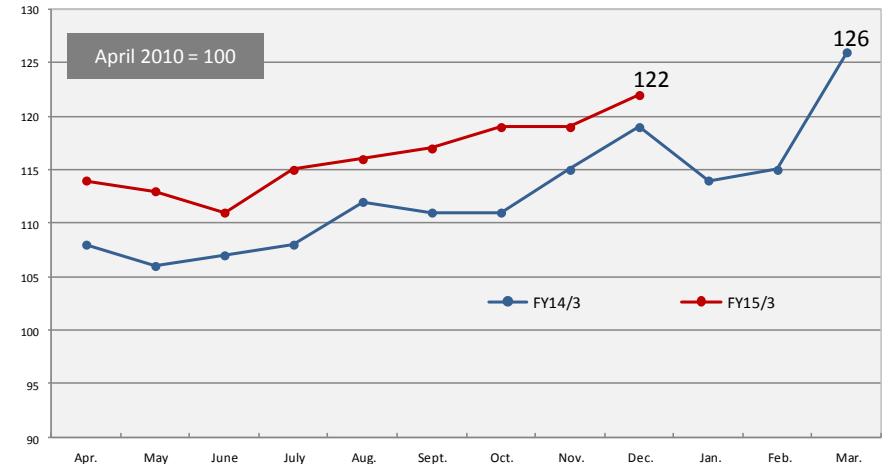
Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Excludes purchases through consumer cooperatives.)

Wholesale Price of Chicken in Thailand



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

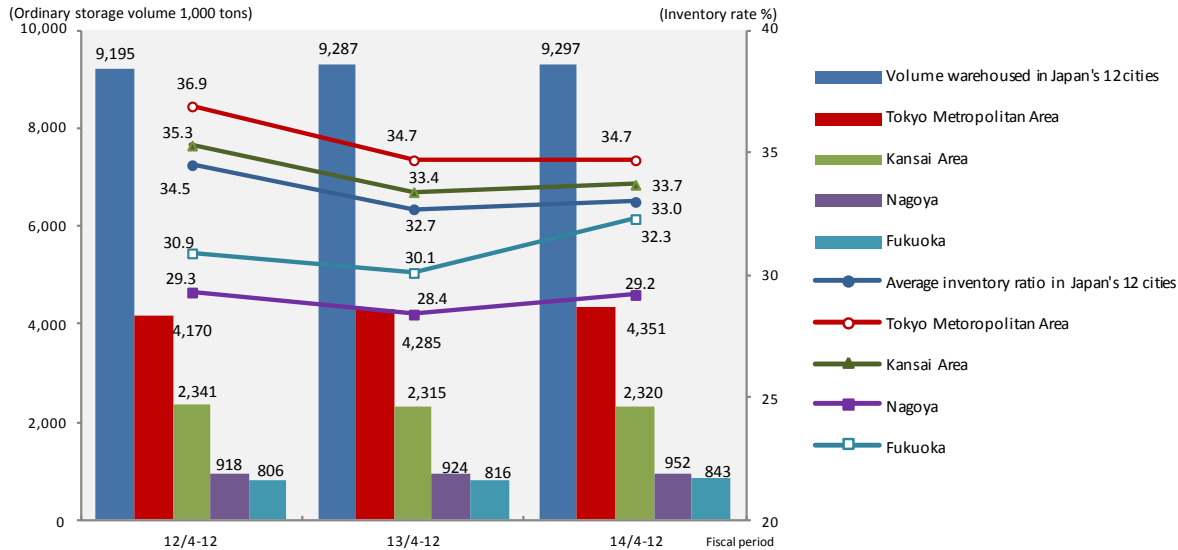
Freight Charge Index (Monthly)



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

[Cold Storage Capacity Utilization]

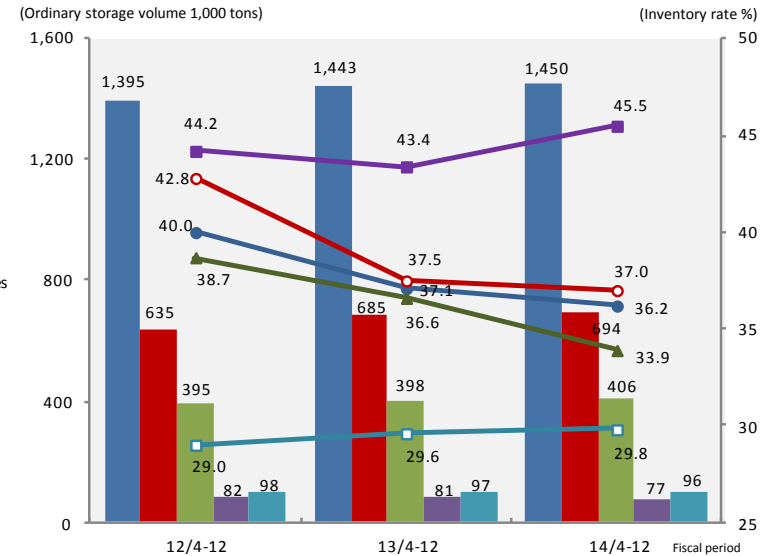
Industry-Wide Cold Storage Capacity Utilization



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.

Nichirei Group's Cold Storage Capacity Utilization



Proposed Change in the Basis for Recording Sales from FY16/3

1. Details of the proposed change

Current: Sales promotion expenses are recorded as “Promotion Expenses” when expenses are recognized.

Proposed change: Promotional expenses will be deducted from “Net Sales” when sales are recorded.

2. Timing of implementation

From FY16/3 Q1 (April 1, 2015)

3. Reason

Sales promotion expenses are increasingly being taken into consideration when terms of sale are decided.

4. Financial impact

We anticipate that sales of Processed Foods will decrease around 10% compared to current levels, with promotion expenses decreasing by the same amount.

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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